

CITY OF UTICA

**Financial Statements and Required Reports
Under OMB Circular A-133 as of
March 31, 2015**

Bonadio & Co., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

December 28, 2015

To the Honorable Mayor and
Common Council of the City of Utica, New York:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Utica, New York (City), as of and for the year ended March 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of March 31, 2015, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

INDEPENDENT AUDITOR'S REPORT (Continued)

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and the schedule of funding progress for other post-employment benefits 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Bonadio & Co., LLP

CITY OF UTICA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE YEAR ENDED MARCH 31, 2015

This Management's Discussion and Analysis (MD&A) of the City of Utica, New York (the City) provides a financial performance overview of the City's activities for the year ended March 31, 2015. This document should be read in conjunction with the City's financial statements which begin on page 11.

Following the MD&A are the basic financial statements of the City together with the notes thereto which are essential to a full understanding of the data contained in the financial statements.

The City has a land area of approximately 16.6 square miles and a population of approximately 62,000, and is located in the Mohawk Valley of New York State.

FINANCIAL HIGHLIGHTS

- The City's governmental net position decreased \$2,143,191 as a result of this year's governmental activity, which is illustrated in the Statement of Activities.
- The City's \$81.1 million in governmental expenses were funded by charges for services, grants, and general revenue as illustrated in the Statement of Activities.
- The Capital Projects Fund and the Debt Service Fund ended the year with deficits of \$3.3 million and \$168,000, respectively.
- The Other Post Employment Benefit (OPEB) obligation for the City as of March 31, 2015 increased to \$19.9 million which is detailed in the notes to the financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a set of financial statements. The Statement of Net position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements begin thereafter. For governmental activities, these statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

REPORTING THE CITY AS A WHOLE

Our analysis of the City as a whole begins with the Statement of Net position. One of the most important questions asked about the City's finances is, "Is the City, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a manner that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

REPORTING THE CITY AS A WHOLE (Continued)

These two statements report the City's net position and changes in it. You can think of the City's net position – the difference between assets and liabilities – as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

In the Statement of Net position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities – The City's basic services are reported here, including police, fire, DPW, sewer, recreation, transportation, and economic assistance and opportunity. Property taxes, sales taxes, franchise fees, and state and federal grants finance most of these activities.
- Business type activities – The City's business type activities are those that the City charges customers to provide. These include sewer and the business park services offered by the City.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Our analysis of the City's major funds provides detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond covenants. Additionally, the City Common Council may establish other funds to help it control and manage resources for particular purposes. The City has three types of funds – Governmental, Fiduciary, and Proprietary.

- Governmental funds – Most of the City's basic services are reported in Governmental Funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for expenditure. These funds are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash, as well as liabilities that will be paid using these resources. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be expended in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds in reconciliations to the fund financial statements.
- Fiduciary funds - Used to account for assets held by the City as an agent for individuals, private organizations, other governmental units, and/or other funds.
- Proprietary funds – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net position and the Statement of Activities. In fact, the City's enterprise fund (a component of proprietary funds) is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

THE CITY AS A WHOLE

The City's combined net position decreased \$2.6 million to \$85.6 million. Net position may serve over time as one useful indicator of a government's financial condition. A significant portion of the City's net position is invested in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment) less outstanding debt used to acquire those assets. The City uses these assets to provide services to citizens; consequently these assets are not available for future spending.

Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

Table 1 Net Position (In Millions)

	<u>Governmental Activities</u>		<u>Business- Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 39.0	\$ 43.5	\$ 8.5	\$ 8.8	\$ 47.5	\$ 52.3
Capital assets	<u>125.6</u>	<u>128.5</u>	<u>28.2</u>	<u>25.4</u>	<u>153.8</u>	<u>153.9</u>
Total assets	\$ <u>164.6</u>	\$ <u>172.0</u>	\$ <u>36.7</u>	\$ <u>34.2</u>	\$ <u>201.3</u>	\$ <u>206.2</u>
Deferred outflows of resources	<u>1.1</u>	<u>1.2</u>	<u>-</u>	<u>-</u>	<u>1.1</u>	<u>1.2</u>
Long-term debt outstanding	\$ 69.2	\$ 67.1	\$ 5.5	\$ 5.5	\$ 74.7	\$ 72.6
Other liabilities	<u>23.1</u>	<u>30.5</u>	<u>18.7</u>	<u>15.9</u>	<u>41.8</u>	<u>46.4</u>
Total liabilities	\$ <u>92.3</u>	\$ <u>97.6</u>	\$ <u>24.2</u>	\$ <u>21.4</u>	\$ <u>116.5</u>	\$ <u>119.0</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>0.2</u>	<u>0.1</u>	<u>0.2</u>	<u>0.1</u>
Net position:						
Investment in capital assets, net of related debt	\$ 73.4	\$ 81.5	\$ 22.7	\$ 19.9	\$ 96.1	101.4
Restricted	0.3	1.6	-	(0.1)	0.3	1.5
Unrestricted	<u>(0.4)</u>	<u>(7.6)</u>	<u>(10.5)</u>	<u>(7.2)</u>	<u>(10.9)</u>	<u>(14.8)</u>
Total net position	\$ <u>73.4</u>	\$ <u>75.5</u>	\$ <u>12.2</u>	\$ <u>12.6</u>	\$ <u>85.5</u>	\$ <u>88.1</u>

THE CITY AS A WHOLE (Continued)

Table 2 Changes in Net Position (In Millions)

	Governmental Activities		Business Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Program revenue:						
Charges for services	\$ 4.3	\$ 4.0	\$ 2.7	\$ 2.2	\$ 6.9	\$ 6.2
Operating grants	10.7	12.0	-	-	10.7	12.0
Capital grants	2.2	2.3	-	-	2.2	2.3
General revenue:						
Real property taxes	25.8	24.1	-	-	25.8	24.1
Real property tax items	2.4	2.2	-	-	2.4	2.2
Non-property tax items	14.5	14.3	-	-	14.5	14.3
Use of money and property	0.9	0.9	-	-	0.9	0.9
Sale of property and compensation for loss	1.0	1.5	-	-	1.0	1.5
Miscellaneous local sources	0.6	1.1	-	-	0.6	1.1
Interfund revenue	0.5	0.3	(0.1)	-	0.3	0.3
State and federal aid	15.9	17.4	-	-	15.9	17.4
Total revenues	<u>78.7</u>	<u>80.1</u>	<u>2.5</u>	<u>2.2</u>	<u>81.3</u>	<u>82.3</u>
Program expenses:						
General governmental support	10.6	10.9	-	-	10.6	10.9
Public safety	45.6	40.5	-	-	45.6	40.5
Transportation	4.1	7.3	-	-	4.1	7.3
Culture and recreation	4.4	4.4	-	-	4.4	4.4
Home and community services	14.2	14.4	2.9	3.0	17.2	17.4
Interest	2.1	1.7	-	-	2.1	1.7
Total expenses	<u>81.0</u>	<u>79.2</u>	<u>2.9</u>	<u>3.0</u>	<u>83.8</u>	<u>82.2</u>
Change in net position	<u>\$ (2.4)</u>	<u>\$ 0.9</u>	<u>\$ (0.4)</u>	<u>\$ (0.8)</u>	<u>\$ (2.5)</u>	<u>\$ 0.1</u>

THE CITY AS A WHOLE (Continued)

Table 3 presents the cost of each of the City's four largest governmental functions: public safety, home and community services, general support, and transportation – as well as each program's net cost (total cost less revenue generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

Table 3
Governmental Activities (In Millions)

	2015		2014	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Public safety	\$ 45.6	\$ 42.8	\$ 40.5	\$ 37.9
Home and community services	14.2	3.4	14.4	2.6
General support	10.6	9.8	10.9	9.7
Transportation	<u>4.1</u>	<u>1.6</u>	<u>7.3</u>	<u>4.8</u>
Totals	<u>\$ 74.5</u>	<u>\$ 57.6</u>	<u>\$ 73.1</u>	<u>\$ 55.0</u>

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet) reported a combined fund balance of \$3.8 million which was a \$1.8 million increase from the prior year. Included in this year's total fund balance are deficits of \$3.3 million and \$168,000 in the City's Capital Project and Debt Service Funds, respectively

An overview of the Governmental Funds results for 2015 follows. This includes more detailed information about sources and uses of funds.

THE CITY'S FUNDS (Continued)

**Table 4 - Governmental Funds
Summary of Revenue and Expenditures (In Millions)**

	2015 Revenue	2015 % of Total	2014 Revenue	2014 % of Total
Real property taxes	\$ 26.6	33.4%	\$ 24.0	29.9%
Real property tax items	2.4	3.0%	2.2	2.7%
Sales and use taxes	14.5	18.2%	14.3	17.8%
Departmental income	3.6	4.5%	3.5	4.4%
Intergovernmental charges	0.2	0.2%	0.1	0.1%
Use of money and property	0.9	1.1%	0.9	1.1%
Licenses and permits	0.4	0.5%	0.3	0.4%
Fines and forfeitures	0.7	0.9%	0.7	0.9%
Sale of property and comp. for loss	1.1	1.4%	1.6	2.0%
Miscellaneous local sources	0.7	0.8%	1.2	1.5%
Federal and state aid	28.6	35.9%	31.6	39.3%
Total revenue	\$ 79.7	100.0%	\$ 80.4	100.0%
	2015	2015	2013	2013
	Expenditures	% of Total	Expenditures	% of Total
General governmental support	\$ 7.8	9.4%	\$ 7.6	9.6%
Public safety	26.4	32.2%	25.7	32.5%
Transportation	5.2	6.4%	4.7	5.9%
Culture and recreation	2.8	3.4%	2.8	3.5%
Home and community services	12.4	15.1%	13.3	16.8%
Employee benefits	20.3	24.7%	18.0	22.8%
Debt service - principal	5.3	6.5%	5.2	6.6%
Debt service - interest	1.9	2.3%	1.7	2.2%
Total expenditures	\$ 82.1	100.0%	\$ 79.0	100.0%

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual charges to appropriations (expenditures) were \$288,403 greater than the final budget amounts.

Resources available for appropriation were \$272,447 greater than the final budgeted amount.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At March 31, 2015, the City had \$153.8 million invested in a broad range of capital assets including equipment, buildings, roads, and bridges (see Table 5 below).

Table 5 Capital Assets at Year End (In Millions)

	Governmental <u>Activities</u>
	<u>2015</u>
Assets not depreciated	\$ 42.2
Land improvements	32.8
Construction	60.9
Infrastructure	177.9
Machinery and equipment	12.8
Vehicles	13.1
Accumulated depreciation	<u>(214.1)</u>
 Totals	 <u>\$ 125.6</u>

Debt

The City's long term debt activity is as follows:

	Balance at April 1, <u>2014</u>	<u>Increase</u>	<u>Decrease</u>	Balance at March 31, <u>2015</u>
Governmental activity:				
Serial Bonds	\$ 37,358,515	\$ 1,936,000	\$ 4,506,071	\$ 34,788,444
Capital leases	4,678,807	201,067	676,842	4,203,032
Loans payable	1,500,000	-	250,000	1,250,000
Bond anticipation note	-	2,000,000	-	2,000,000
Remediation costs	6,148,000	-	-	6,148,000
Judgements and settlements	-	879,608	-	879,608
Retirement incentive loans	4,691,619	-	1,547,850	3,143,769
Other post employment benefits	17,207,975	5,707,829	3,038,589	19,877,215
Compensated absences	<u>1,821,436</u>	<u>133,037</u>	<u>-</u>	<u>1,954,473</u>
 Total governmental long-term debt	 <u>\$ 73,406,352</u>	 <u>\$ 10,857,541</u>	 <u>\$ 10,019,352</u>	 <u>\$ 74,244,541</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City weighs a multitude of factors when preparing budget estimates and setting fees for services. A number of these factors deal with the economy. Though individual unemployment statistics are not available for the City, the most current unemployment rate for the Utica-Rome Metropolitan Statistical Area stood at 4.7% as of October 2015. This compared favorably with New York State's average of 4.8% for the same period and favorably with 5.4% for the area in October 2014. Inflationary trends for the City remain in line with national indices.

The City continues to be exposed to significantly material health care and retirement costs, and these issues have had a major impact on the current budget and will continue to affect future budget estimates. Actual General Fund expenditures for the City, for the 2014-15 fiscal year, included \$6,456,644 for retirement and \$9,651,275 for health care. Health care costs increased by approximately 9% year over year, due to the City opting to pay its premiums on a contingent basis. The contingent basis takes into account actual utilization. Last year the City saved 7% of the premium due to this option. Additionally, the City opted to amortize \$600,000 of its retirement obligation under the NYS Original Contribution Stabilization Program. That is down from the \$1,504,205 that the City amortized in the prior fiscal year. General Fund budget figures for the 2015-16 City budget include \$ 5,651,789 in anticipated retirement costs and \$9,037,819 in health care costs.

Non-management employees are represented by four labor unions. All contracts are current. The Police Benevolent Association has a contract that expires on March 31, 2016. The C.S.E.A. contract expires on March 31, 2017. Both the Fire Fighters Association and the Teamsters contracts expire on March 31, 2018. Current medical coverage for employees is provided as dictated by the union contracts.

Sales tax proceeds for the 2014-15 fiscal year totaled \$12,980,270 and were right on target with budget projections of \$12,964,610. The City's sales tax estimate for the 2015-16 fiscal year has been budgeted at \$13,391,225, approximately 3.2% over prior year actuals. The City stayed under the New York State Property Tax Cap for the 2015-16 fiscal year with no budgeted tax increase.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the:

City of Utica
Office of the City Comptroller
1 Kennedy Plaza
Utica, NY 13502
(315) 792-0100

CITY OF UTICA

**STATEMENT OF NET POSITION
MARCH 31, 2015**

	Governmental Activities	Business-Type Activities
ASSETS:		
CURRENT ASSETS:		
Cash	\$ 14,600,632	\$ 7,225,634
Taxes receivable, net of allowance	3,320,808	-
Accounts receivable, net of allowance	-	621,193
Loans receivable	11,399,633	-
State and federal receivables, net of allowance	2,849,297	-
Due from other governments	6,549,066	-
Due from other funds	227,177	607,066
Prepaid expenses	38,560	-
Inventory	25,307	-
	<u>39,010,480</u>	<u>8,453,893</u>
NONCURRENT ASSETS:		
Capital assets, net	<u>125,576,170</u>	<u>28,217,167</u>
Total assets	<u>164,586,650</u>	<u>36,671,060</u>
DEFERRED OUTFLOWS OF RESOURCES		
Advance refunding deposit with escrow agent	<u>1,056,124</u>	<u>-</u>
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	1,413,618	197,825
Accrued expenses	3,037,349	61,882
Accrued interest	428,219	-
Other liabilities	6,133	-
Current portion of long-term debt	5,083,112	443,648
Due to other funds	648,261	132,489
Due to other governments	4,510,015	-
Revenue anticipation notes payable	4,900,000	17,849,245
Bond anticipation notes payable	<u>3,092,100</u>	<u>-</u>
Total current liabilities	<u>23,118,807</u>	<u>18,685,089</u>
LONG-TERM LIABILITIES:		
Bonds and notes payable	34,849,101	5,486,878
Remediation	6,148,000	-
Settlements and judgements	879,608	-
Capital leases	4,203,032	-
HUD section 108 loans	1,250,000	-
Compensated absences	1,954,473	31,687
Other post-employment benefits	<u>19,877,215</u>	<u>-</u>
Total long-term liabilities	<u>69,161,429</u>	<u>5,518,565</u>
Total liabilities	<u>92,280,236</u>	<u>24,203,654</u>
DEFERRED INFLOWS OF RESOURCES		
Relieved sewer rents	<u>-</u>	<u>231,842</u>
NET POSITION		
Net investment in capital assets	73,448,825	22,730,289
Restricted	309,000	-
Unrestricted	<u>(395,287)</u>	<u>(10,494,725)</u>
TOTAL NET POSITION	<u>\$ 73,362,538</u>	<u>\$ 12,235,564</u>

The accompanying notes are an integral part of these statements.

CITY OF UTICA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2015**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>
PRIMARY GOVERNMENT:						
Governmental activities:						
General governmental support	\$ 10,628,219	\$ 805,913	\$ -	\$ -	\$ (9,822,306)	\$ -
Public safety	45,577,031	2,765,362	-	-	(42,811,669)	-
Transportation	4,102,064	269,525	-	2,219,514	(1,613,025)	-
Culture and recreation	4,428,212	249,564	-	-	(4,178,648)	-
Home and community services	14,237,786	194,214	10,685,664	-	(3,357,908)	-
Interest	<u>2,083,068</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,083,068)</u>	<u>-</u>
Total governmental activities	81,056,380	4,284,578	10,685,664	2,219,514	(63,866,624)	-
BUSINESS TYPE						
Sewer and Business Park	<u>2,939,929</u>	<u>2,655,422</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(284,507)</u>
Total	<u>\$ 2,939,929</u>	<u>\$ 2,655,422</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (284,507)</u>
GENERAL REVENUE:						
Real property taxes					25,819,923	-
Real property tax items					2,415,412	-
Non-property tax items					14,485,292	-
Use of money and property					896,500	-
Sale of property and compensation for loss					1,036,684	-
Miscellaneous local sources					561,876	-
Interfund revenue					489,778	-
State and federal aid					15,873,221	-
Interfund transfers					144,747	(144,747)
Other sources					<u>-</u>	<u>25</u>
Total general revenue					<u>61,723,433</u>	<u>(144,722)</u>
Change in net position					(2,143,191)	(429,229)
Net position - beginning of year					<u>75,505,729</u>	<u>12,664,793</u>
Net position - end of year					<u>\$ 73,362,538</u>	<u>\$ 12,235,564</u>

The accompanying notes are an integral part of these statements.

CITY OF UTICA

BALANCE SHEET - GOVERNMENTAL FUNDS
MARCH 31, 2015

	<u>General</u>	<u>Community Development</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Non-major Funds</u>	<u>Total</u>
ASSETS:						
Cash	\$ 10,475,167	\$ 1,421,429	\$ 1,150,344	\$ -	\$ 1,553,692	\$ 14,600,632
Taxes receivable, net of an allowance for uncollectible taxes of \$1,644,074	3,320,808	-	-	-	-	3,320,808
Accounts receivable	676,212	-	-	-	-	676,212
Loans receivable, net	-	10,683,215	-	-	40,206	10,723,421
Due from other funds	1,294,056	192,844	38,000	-	108,322	1,633,222
State and federal receivables	2,849,297	-	-	-	-	2,849,297
Due from other governments	5,847,152	701,914	-	-	-	6,549,066
Prepaid expenditures	38,560	-	-	-	-	38,560
Inventory	25,307	-	-	-	-	25,307
	<u>\$ 24,526,559</u>	<u>\$ 12,999,402</u>	<u>\$ 1,188,344</u>	<u>\$ -</u>	<u>\$ 1,702,220</u>	<u>\$ 40,416,525</u>
LIABILITIES:						
Accounts payable	\$ 989,962	\$ 160,462	\$ 251,988	\$ -	\$ 16,566	\$ 1,418,978
Accrued expenses	2,815,547	22,330	25,762	167,569	6,141	3,037,349
Due to other funds	295,743	582,609	1,092,737	-	83,217	2,054,306
Due to other governments	4,510,015	-	-	-	771	4,510,786
Revenue anticipation note payable	4,900,000	-	-	-	-	4,900,000
Bond anticipation notes payable	-	-	3,092,100	-	-	3,092,100
	<u>13,511,267</u>	<u>765,401</u>	<u>4,462,587</u>	<u>167,569</u>	<u>106,695</u>	<u>19,013,519</u>
Total liabilities						
	<u>5,965,106</u>	<u>11,629,246</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,594,352</u>
DEFERRED INFLOWS OF RESOURCES:						
FUND BALANCE:						
Nonspendable						
Inventory	25,307	-	-	-	-	25,307
Prepaid expenditures	38,560	-	-	-	-	38,560
Total nonspendable fund balance	<u>63,867</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,867</u>
Restricted						
Restricted for special purposes	-	309,000	-	-	-	309,000
Total restricted fund balance	<u>-</u>	<u>309,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>309,000</u>
Assigned						
Other assigned	-	-	-	-	1,595,525	1,595,525
Total assigned fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,595,525</u>	<u>1,595,525</u>
Unassigned						
Total assigned fund balance	4,986,319	295,755	(3,274,243)	(167,569)	-	1,840,262
Total fund balance	<u>5,050,186</u>	<u>604,755</u>	<u>(3,274,243)</u>	<u>(167,569)</u>	<u>1,595,525</u>	<u>3,808,654</u>
	<u>\$ 24,526,559</u>	<u>\$ 12,999,402</u>	<u>\$ 1,188,344</u>	<u>\$ -</u>	<u>\$ 1,702,220</u>	<u>\$ 40,416,525</u>

CITY OF UTICA

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND EQUITY - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2015

	<u>General</u>	<u>Community Development</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Non-major Funds</u>	<u>Total</u>
REVENUE:						
Real property taxes	\$ 26,596,917	\$ -	\$ -	\$ -	\$ -	\$ 26,596,917
Real property tax items	2,415,412	-	-	-	-	2,415,412
Non-property tax items	14,485,292	-	-	-	-	14,485,292
Departmental income	2,898,778	267,559	-	-	449,394	3,615,731
Intergovernmental charges	155,095	-	-	-	-	155,095
Use of money and property	406,755	443	-	-	489,302	896,500
Licenses and permits	403,367	-	-	-	-	403,367
Fines and forfeitures	698,844	-	-	-	-	698,844
Sale of property and compensation for loss	513,398	-	-	-	523,286	1,036,684
Miscellaneous local sources	549,098	2,477	-	-	10,301	561,876
Interfund revenues	489,778	-	-	-	-	489,778
State aid	17,445,882	2,743	2,006,399	-	-	19,455,024
Federal aid	135,547	8,707,154	213,115	-	-	9,055,816
	<u>67,194,163</u>	<u>8,980,376</u>	<u>2,219,514</u>	<u>-</u>	<u>1,472,283</u>	<u>79,866,336</u>
Total revenue						
EXPENDITURES:						
General governmental support	7,703,392	-	52,706	800	-	7,756,898
Public safety	26,432,952	-	-	-	-	26,432,952
Transportation	2,576,274	-	2,667,095	-	-	5,243,369
Culture and recreation	2,385,476	-	-	-	423,880	2,809,356
Home and community services	1,856,412	9,201,844	806,590	-	535,448	12,400,294
Employee benefits	19,927,235	384,452	-	-	-	20,311,687
Debt service - principal	-	-	-	5,311,744	-	5,311,744
Debt service - interest	477,212	-	-	1,401,486	-	1,878,698
	<u>61,358,953</u>	<u>9,586,296</u>	<u>3,526,391</u>	<u>6,714,030</u>	<u>959,328</u>	<u>82,144,998</u>
Total expenditures						
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>5,835,210</u>	<u>(605,920)</u>	<u>(1,306,877)</u>	<u>(6,714,030)</u>	<u>512,955</u>	<u>(2,278,662)</u>
OTHER SOURCES (USES):						
Proceeds from issuance of debt	2,201,067	-	-	-	-	2,201,067
BANs redeemed from appropriations	-	-	1,936,000	-	-	1,936,000
Interfund transfers in	526,863	144,747	905,215	6,771,204	-	8,348,029
Interfund transfers (out)	(6,751,232)	(867,215)	(57,972)	-	(526,863)	(8,203,282)
	<u>(4,023,302)</u>	<u>(722,468)</u>	<u>2,783,243</u>	<u>6,771,204</u>	<u>(526,863)</u>	<u>4,281,814</u>
Total other sources (uses)						
REVENUE AND OTHER SOURCES (UNDER) OVER EXPENDITURES AND OTHER USES	1,811,908	(1,328,388)	1,476,366	57,174	(13,908)	2,003,152
FUND EQUITY (DEFICIT) - beginning of year	<u>3,238,278</u>	<u>1,933,143</u>	<u>(4,750,609)</u>	<u>(224,743)</u>	<u>1,609,433</u>	<u>1,805,502</u>
FUND EQUITY (DEFICIT) - end of year	<u>\$ 5,050,186</u>	<u>\$ 604,755</u>	<u>\$ (3,274,243)</u>	<u>\$ (167,569)</u>	<u>\$ 1,595,525</u>	<u>\$ 3,808,654</u>

The accompanying notes are an integral part of these statements.

CITY OF UTICA

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO
NET POSITION OF GOVERNMENTAL ACTIVITIES**

March 31, 2015

Fund balance - All governmental funds	\$ 3,808,654
Amounts reported for governmental activities in the statement of net position are different due to the following:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	125,576,170
Long-term liabilities, including bonds payable and other debt, are not due and payable in the current period and are, therefore, not reported in the funds.	(51,533,245)
Deferral of income earned in the current year is recognized as revenue under the accrual basis of accounting.	17,594,352
Deposit with escrow agent	1,056,124
Other post employment benefits are recognized as a liability under full accrual accounting.	(19,877,215)
Long-term compensated absences are not due and payable in the current period and, therefore, not reported in the funds	(1,954,473)
Judgements and settlements are not considered payable in the current period and, therefore, not reported in the funds	(879,608)
Debt interest expenditures are recorded on cash basis in the funds but on the accrual basis of accounting for government activities.	<u>(428,221)</u>
Net position of governmental activities	<u>\$ 73,362,538</u>

The accompanying notes are an integral part of these statements.

CITY OF UTICA

**RECONCILIATION OF THE STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND EQUITY
- GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2015**

Net changes in fund equity - Total governmental funds	\$ 2,003,152
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position	3,908,727
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities	(6,794,224)
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position	6,980,763
Deferred loan revenue is recognized in full	(320,900)
Reduction of deposit with escrow agent	(96,012)
Proceeds from issuance of long-term debt are recorded as an other source in the governmental funds, but are recorded as additional liabilities in the statement of net position	(3,936,000)
Property tax revenue is recorded to the extent it is received within 60 days of year-end for governmental funds, but in the statement of activities, this revenue is recorded as earned upon levy	102,614
Settlement of PILOT tax payable in the future but settled in the current year is recorded as an expense in the statement of activities but not in the governmental funds	(879,608)
Proceeds related to capital leases	(201,067)
Accrued post employment benefits, long-term portion of compensated absences, and settlements and claims do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds	(2,802,277)
Interest is accrued on the outstanding bonds on the statement of net position but is not recorded as an expenditure in the government funds	<u>(108,359)</u>
Change in net position - Governmental activities	<u>\$ (2,143,191)</u>

The accompanying notes are an integral part of these statements.

CITY OF UTICA

**STATEMENT OF NET POSITION - PROPRIETARY FUNDS
MARCH 31, 2014**

ASSETS:	<u>Sewer Fund</u>	<u>Business Park</u>	<u>Total</u>
Current assets:			
Cash	\$ 7,225,634	\$ -	\$ 7,225,634
Accounts receivable	621,193	-	621,193
Due from other funds	<u>607,066</u>	<u>-</u>	<u>607,066</u>
Total current assets	<u>8,453,893</u>	<u>-</u>	<u>8,453,893</u>
Capital assets	<u>28,187,167</u>	<u>30,000</u>	<u>28,217,167</u>
	<u>\$ 36,641,060</u>	<u>\$ 30,000</u>	<u>\$ 36,671,060</u>
 LIABILITIES:			
Current liabilities:			
Accounts payable	\$ 197,825	\$ -	\$ 197,825
Accrued liabilities	61,882	-	61,882
Due to other funds	132,489	-	132,489
Current portion of long-term debt	<u>443,648</u>	<u>-</u>	<u>443,648</u>
Total current liabilities	<u>835,844</u>	<u>-</u>	<u>835,844</u>
Bond anticipation notes payable	17,849,245	-	17,849,245
Bonds payable	5,486,878	-	5,486,878
Compensated absences	<u>31,687</u>	<u>-</u>	<u>31,687</u>
Total long-term liabilities	<u>23,367,810</u>	<u>-</u>	<u>23,367,810</u>
Total liabilities	<u>24,203,654</u>	<u>-</u>	<u>24,203,654</u>
 DEFERRED INFLOWS OF RESOURCES			
Relieved sewer rents	<u>231,842</u>	<u>-</u>	<u>231,842</u>
 NET POSITION:			
Net investment in capital assets	22,700,289	30,000	22,730,289
Restricted	(231,842)	-	(231,842)
Unrestricted	<u>(10,262,883)</u>	<u>-</u>	<u>(10,262,883)</u>
Total net position	<u>12,205,564</u>	<u>30,000</u>	<u>12,235,564</u>
	<u>\$ 36,641,060</u>	<u>\$ 30,000</u>	<u>\$ 36,671,060</u>

The accompanying notes are an integral part of these statements.

CITY OF UTICA
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2015

	Sewer Fund	Business Park	Total
Operating revenue:			
Charges for services	\$ 2,655,422	\$ -	\$ 2,655,422
Total operating revenue	<u>2,655,422</u>	<u>-</u>	<u>2,655,422</u>
Operating expenses:			
Personal services	638,551	-	638,551
Employee benefits	633,706	-	633,706
Contractual services	564,698	-	564,698
Depreciation	902,904	-	902,904
Total operating expenses	<u>2,739,859</u>	<u>-</u>	<u>2,739,859</u>
Income (Loss) from operations	<u>(84,437)</u>	<u>-</u>	<u>(84,437)</u>
Non-operating revenue (expense):			
Transfer (out)	-	(144,747)	\$ (144,747)
Debt principal	-	-	-
Interest expense	(200,070)	-	(200,070)
Interest income	-	25	25
Total non-operating revenue	<u>(200,070)</u>	<u>(144,722)</u>	<u>(344,792)</u>
Excess (deficiency) of revenue over expenses before transfers	(284,507)	(144,722)	(429,229)
Net position - beginning of year	<u>12,490,071</u>	<u>174,722</u>	<u>12,664,793</u>
Net position - end of year	<u>\$ 12,205,564</u>	<u>\$ 30,000</u>	<u>\$ 12,235,564</u>

The accompanying notes are an integral part of these statements.

CITY OF UTICA

**STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPES
FOR THE YEAR ENDED MARCH 31, 2015**

	Sewer <u>Fund</u>	Business <u>Park</u>	<u>Total</u>
CASH FLOW FROM OPERATING ACTIVITIES:			
Cash received from providing services	\$ 2,361,034	\$ -	\$ 2,361,034
Cash payments for contractual expenses	(528,653)	-	(528,653)
Cash payments for personal services and benefits	<u>(1,266,327)</u>	<u>-</u>	<u>(1,266,327)</u>
			-
Net cash provided (used) by operating activities	<u>566,054</u>	<u>-</u>	<u>566,054</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal paid on debt	(398,959)	-	(398,959)
Proceeds from issuance of bonds	488,000	-	488,000
Interest paid on debt	(200,070)	-	(200,070)
Proceeds of BAN issuance	10,875,523	-	10,875,523
Repayment of BANs	(8,213,000)	-	(8,213,000)
Additions, net of disposals, to capital assets	<u>(3,746,054)</u>	<u>-</u>	<u>(3,746,054)</u>
Net cash used by capital and related financing activities	(1,194,560)	-	(1,194,560)
CASH FLOW FROM INVESTING ACTIVITIES:			
Investment and other income	<u>-</u>	<u>(144,722)</u>	<u>(144,722)</u>
Net cash flow from investing activities	<u>-</u>	<u>(144,722)</u>	<u>(144,722)</u>
CHANGE IN CASH	(628,506)	(144,722)	(773,228)
CASH - beginning of year	<u>7,854,140</u>	<u>144,722</u>	<u>7,998,862</u>
CASH - end of year	<u>\$ 7,225,634</u>	<u>\$ -</u>	<u>\$ 7,225,634</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
(Loss) from operations	\$ (84,437)	\$ -	\$ (84,437)
Depreciation	902,904	-	902,904
Change in:			
Accounts receivable	(261,207)	-	(261,207)
Due from other funds	(187,154)	-	(187,154)
Accounts payable	124,581	-	124,581
Due to other funds	(37,539)	-	(37,539)
Accrued expenses	(50,997)	-	(50,997)
Compensated absences	5,930	-	5,930
Deferred revenue	<u>153,973</u>	<u>-</u>	<u>153,973</u>
Net cash flow provided (used by) operating activities	<u>\$ 566,054</u>	<u>\$ -</u>	<u>\$ 566,054</u>

The accompanying notes are an integral part of these statements.

CITY OF UTICA

**STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
March 31, 2015**

	<i>Private Purpose Trusts</i>	<i>Agency</i>
	<u> </u>	<u> </u>
ASSETS:		
Cash	\$ 110,644	\$ 1,363,333
Due from other funds	-	21,128
Total assets	<u>110,644</u>	<u>1,384,461</u>
 LIABILITIES:		
Due to other funds	-	74,621
Other liabilities	-	1,309,840
Total liabilities	<u>\$ -</u>	<u>\$ 1,384,461</u>
 NET ASSETS:		
Unassigned	<u>\$ 110,644</u>	

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2015**

	<i>Private Purpose Trusts</i>
	<u> </u>
ADDITIONS:	
Investment earnings	\$ 29,644
Total additions	<u>29,644</u>
 NET INCREASE	 29,644
 NET ASSETS - beginning of year	 <u>81,000</u>
 NET ASSETS - end of year	 <u>\$ 110,644</u>

The accompanying notes are an integral part of these statements.

CITY OF UTICA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2015

1. NATURE OF OPERATIONS

City of Utica, New York (the City) was incorporated in 1832, and is governed by its Charter, General Municipal Law and other laws of the State of New York (and various local laws and ordinances).

The Common Council, which consists of nine elected council members, serves as the legislative body and carries out certain administrative duties for the City. The Mayor serves as chief executive officer and the Comptroller serves as chief fiscal officer of the City. The Mayor and Comptroller are each elected for four- year terms.

The Board of Estimate and Apportionment (E & A) serves as the administrative body responsible for overseeing the overall operations of the City. The Board of E & A consists of the Mayor, an appointed Common Council member, the City's chief engineer, the City's Comptroller, and the President of the Common Council.

The following basic services are provided: police, fire, public works, sewer, recreation, parks, and economic assistance and opportunity grants. All governmental activities and functions performed for the City are its direct responsibility.

Reporting Entity

The reporting entity consists of (a) the primary government which is City of Utica, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The decision to include a potential component in the City's reporting entity is based on several criteria set forth in generally accepted accounting principles including legal standing, fiscal dependency, and financial accountability, selection of governing authority, ability to significantly influence operations, and the primary government's economic benefit from resources of the affiliated entity.

Based on the application of these criteria, the following is a brief review of certain entities considered in determining the City's reporting entity as a whole. These activities are included as component units of the primary government.

Blended Component Unit

Blended Component Units, although legally separate entities, are, in substance, part of the government's operations, therefore, data from these units are combined with data of the primary government.

Utica Urban Renewal Agency – The Utica Urban Renewal Agency (the Agency) provides redevelopment and stabilization programs to properties and communities within the City. Properties are either acquired by the Agency or rehabilitated on the City's behalf. Funding for programs is obtained through Federal grants and loans, and proceeds from sale or rental of properties owned by the Agency.

1. **NATURE OF OPERATIONS (Continued)**
Reporting Entity (Continued)

Blended Component Unit (Continued)

The Agency is considered a component unit of the City since a voting majority of the Agency's governing body consists of City officials and the Agency provides financial benefits or may impose financial burdens on the City. The Mayor is the chairman of the Agency and may appoint two other board members. The City Engineer and the chairman of the Planning Board are also board members. The Common Council has authority to designate two of its members to sit on the Agency's board. The Agency recognizes a March 31 fiscal year end.

Other Component Unit

The Utica Industrial Development Agency (IDA) is a component unit of the City. It is not considered material to the City as a whole and therefore is not presented as a part of the City's financial statements.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

The City's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities; and fund level financial statements which provide a more detailed level of information.

Government-Wide Financial Statements

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

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

Fund Financial Statements

The City uses funds to maintain its accounting records. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued) Basis of Presentation (Continued)

Fund Financial Statements (Continued)

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

The accounts of the City are organized into funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenue, and expenditures. The various funds are summarized by type in the financial statements. Significant transactions between funds within a fund type have been eliminated. The fund types and account groups used by the City are as follows:

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 (except those accounted for in the proprietary and fiduciary funds) are accounted for through the governmental funds. The measurement focus is upon determination of changes in financial position rather than upon determination of net income. The following are the City's governmental fund types:

The City utilizes the following major funds:

- General Fund - The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in other funds.
- Community Development Fund - Established to account for the expenditures relating to the restricted resources from the Department of Housing and Urban Development.
- Debt Service Fund - Established to account for current payments of principal and interest on long-term debt, other than that accounted for in the business type activities.
- Capital Projects - The capital projects fund is used to account for financial resources used for the acquisition or construction of major capital projects (other than those reported in the proprietary fund type).

The City utilizes the following non-major funds:

- Permanent Fund – Established to account for the capital trust funds which the City is able to use the earnings on the principal for capital improvements.
- Recreation Fund - The recreation fund is used to account for the activities of the City's golf course.
- Urban Renewal Agency Fund – Established to account for the proceeds from sales or rentals of Agency owned property as well as state and federal grants and loans.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements (Continued)

Proprietary Fund Types

Proprietary funds are used to account for the City's on-going activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income. The City maintains the following proprietary funds:

- Business Park

The Fund accounts for the development and leasing of commercial properties and land sales for private commercial development of the City's Business Park.

Capital grants are a non-revenue source of funds for the Business Park and are recorded as additions to contributed capital. Fixed assets are recorded at cost and depreciated on a straight-line basis over their estimated useful lives from 5 to 50 years. Infrastructure costs are removed from the Fund as a charge to unreserved fund balance for those infrastructure costs financed with capital grants or loans. The City has previously sold a majority of its assets in the Business Park to a private realty company.

- Sewer Fund

The Fund accounts for sewer services to residents and businesses in the City. The fund recognizes capital grants as a non-revenue source of funds. Fixed assets are depreciated on a straight-line basis over their estimated useful lives of 5 to 50 years.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the City as an agent for individuals, private organizations, other governmental units, and/or other funds.

The City's fiduciary funds are presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, deferred compensation participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The City has two types of fiduciary funds:

- Private Purpose Trust Funds

The Fund accounts for trust arrangements in which principal and income benefits third parties.

- Agency Funds

The Fund accounts for those activities that are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the City as agent for various payroll or employee withholding.

Basis of Accounting and Measurement Focus

Measurement focus refers to what is being measured, whereas basis of accounting refers to when revenues and expenditures are recognized. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting and Measurement Focus (Continued)

The City-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources focus means all assets and all liabilities associated with the operation (whether current or non-current) of the City are included in the Statement of Net position and the Statement of activities presents increases (revenues) and decreases (expenses) in total assets. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions in which the City gives or receives value without directly receiving or giving equal value in exchange include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are included in the balance sheet. Under the modified accrual basis of accounting, revenue is recorded when it is susceptible to accrual, i.e. both measurable and available. Available means collectible within the current period or soon enough thereafter (within 60 days of year-end) to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, pension contributions, and compensated absences, are recorded when the liability is incurred, if measurable.

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 this revenue. In one, monies must be expended on the specific purpose or project before any amounts are recorded as revenue by the City; therefore, revenue is 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 revenue at the time of receipt.

Sales taxes collected and held by the state at year-end on behalf of the City are also recognized as revenue. Other revenue, except for property taxes (see Note 6), is recorded when received in cash because it is generally not measurable until actually received.

The accrual basis of accounting is used by the proprietary funds. Under the accrual basis of accounting, revenue is recorded when earned and expenses are recorded when incurred.

The City-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions in which the City gives or receives value without directly receiving or giving equal value in exchange include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Data

General Budget Process

Annual budgets are adopted annually on a basis generally consistent with U.S. GAAP, except for Community Development Fund and Capital Projects which adopt project length budgets. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year. The budget is amended by the Legislature for increased grants or State aid received during the year.

The General, Community Development, Permanent, and Other Governmental Funds have legally adopted budgets. Appropriations for all budgets lapse at fiscal year-end. The General Fund's budget is adopted on a departmental and object level of expenditure basis in which expenditures may not legally exceed appropriations on a departmental and object of expenditure level. The Debt Service Fund's budget consists primarily of transfers from the General and the Other Fund budgets for its debt service requirements under related City debt obligations.

Individual governmental fund comparisons of budget and actual data at the legal level of control established by the adopted budget (i.e., minimally at the department and object level) are not presented in this report for those funds with annual adopted budgets due to the excessive detail involved.

The budget policies are as follows:

1. Budgets are adopted annually on a basis consistent with the U.S. generally accepted accounting principles. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.
2. No later than February 20 of each year, the Mayor submits a tentative budget to the Board of Estimate and Appropriation for the fiscal year commencing the following April 1. The tentative budget includes proposed expenditures and the means of financing them.
3. Public hearings are conducted to obtain taxpayer comments.
4. The budget as proposed or amended is approved by the Common Council.
5. All budget modifications and transfers require approval from the Board of Estimate and Appropriation.
6. Encumbrance Accounting – Purchase orders, contracts, and other commitments for expenditure of monies for budgetary control purposes are recorded in order to reserve that portion of the applicable appropriation. Encumbrances outstanding at year-end are reported as reservations of fund balance if neither expenditures nor liabilities exist.

Budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

Encumbrances

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances (continued)	General <u>Fund</u>
Original adopted budget	\$ 65,707,999
Encumbrances carried forward	147,400
Appropriation adjustments	<u>1,066,317</u>
Amended budget	<u>\$ 66,921,716</u>

Use of Estimates

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

Cash

For purposes of reporting the statement of cash flows, the City includes all cash accounts and certificates of deposit that are not subject to withdrawal restrictions or penalties as cash on the accompanying balance sheet.

Accounts Receivable

Governmental Funds

The City establishes an allowance for doubtful accounts based on a review of outstanding amounts and the past history of collections. All trade accounts and property taxes receivable are shown net of an allowance for doubtful accounts.

Due To/From Other Funds

The amounts reported on the government funds balance sheet for due to and due from other funds represents amounts due between different fund types (general, community development, sewer, and capital projects funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year end is provided subsequently in these notes.

Prepaid Expenditures

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the fund and government-wide statements. The consumption method is used to account for these costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to March 31, 2007. For assets acquired prior to March 31, 2007 estimated historical costs were used. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts) are \$5,000. Depreciation methods, and estimated useful lives of capital assets reported in the City-wide statements are as follows:

Construction	40 Years
Land Improvements	10-40 Years
Machinery and Equipment	5-15 Years
Infrastructure	20-50 Years
Vehicles	5-15 Years

Deferred Outflows and Inflows

In addition to assets and liabilities, the Statement of Net Position will sometimes report a separate section for deferred outflows and inflows of resources. These separate financial statement elements, deferred outflows and inflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of inflow of resources (expenses/expenditure/revenues) until then. The government has two items that qualifies for reporting in this category. The deferred charge on refunding reported in the government-wide Statement of Net Position results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred revenue of relieved sewer rents reported in the business type activities statement of net position results from timing of receipt of relieved sewer rents.

Compensated Absences

The City employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods. Sick leave eligibility and accumulation is specified in negotiated labor contracts and in individual employment contracts. Upon retirement, resignation, or death, employees may receive a payment based of unused accumulated sick leave, based on contractual provisions. It is the City's policy to accrue all costs associated with earned, but not yet paid, compensated absences of all employees involved in the operations of the City's reporting entity. The total accrued liability for compensated absences relating to the Governmental and Business-Type Activities at March 31, 2015 is \$1,954,473 and \$31,687, respectively.

Pension Plan

The City participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Retirement Systems (PFRS). ERS and PFRS are cost sharing multiple employer systems that provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York serves as sole trustee and administrative head of the system. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of its funds. The system issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12236.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Post Employment Benefits

In addition to providing retirement benefits, the City provides certain health benefits for retired employees. Substantially all of the City's employees have the option of receiving these benefits that are provided by an insurance company upon retirement. At the fund level, the City recognizes the cost of providing these benefits as the premiums are paid.

Equity Classifications – Government Wide Statements

Equity is classified as net position and displayed in three components:

- a) Invested in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted net position - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations for other governments; or (2) law through constitutional provisions or enabling legislation.
- c) Unrestricted net position - all other net position that do not meet the definition of "restricted" or "invested in capital assets."

The City's policy is to use restricted resources prior to utilizing unrestricted funds.

Fund Balance – Governmental Fund Statements

In the fund basis statements there are five classifications of fund balance:

Nonspendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or they are contractually required to be maintained intact. Non-spendable fund balance includes the prepaid items and inventory recorded in the general fund.

Restricted fund balance – Includes amounts with constraints placed on the use of resources 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 has available the following restricted fund balances:

Community development	\$	309,000
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Committed fund balance – Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authority, i.e., the City Common Council. The City has no committed fund balances as of March 31, 2015.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance – Governmental Fund Statements (Continued)

Unassigned fund balance - Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the City; or deficit fund balances in any other fund type.

Order of Fund Balance Spending Policy

The City's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as restricted fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

Property Taxes

City property taxes are levied annually no later than March 31st and become a lien on June 1st. Accordingly, property tax is recognized as revenue in the year for which the levy is made, and to the extent that such taxes are received within the reporting period of sixty days thereafter. Delinquent property taxes not collected at year-end (excluding collections in the 60-day subsequent period) are included in deferred inflows.

Insurance

The City assumes the risk for general liability. The City is involved in many pending tort claims against them, the ultimate outcomes of which cannot be reasonably determined. Therefore, judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

Allowance for Uncollectibles

The City has established allowances for certain uncollectible receivables. At March 31, 2015, an allowance of \$522,253 for uncollectible loans issued has been recorded in the Community Development Fund.

Sale of Assets

During 1996, the City sold its water facility to an independent governmental agency. The sale consisted of the City receiving \$9,000,000 in cash to be held in trust, with interest to fund future capital expenditures; a \$7,000,000 note receivable over 40 years, and a \$1,000,000 loan payable over 10 years as a reduction of the principal payment of the note receivable. At March 31, 2015, the City has a remaining balance of \$5,847,152 recorded as a receivable due from other governments in the General Fund and corresponding deferred inflows.

Deficit Fund Balance

Capital Projects Fund – The deficit fund equity will be eliminated through the redemption of bond anticipation notes or issuance of long term debt.

Debt Service Fund – The deficit fund equity will be eliminated in fiscal 2016 by an interfund transfer.

3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND CITY-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the City-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND CITY-WIDE STATEMENTS (Continued)

The differences result primarily from the economic focus of the statement of activities, compared with the current financial resources focus of the governmental funds.

Total Fund Balances of Governmental Funds vs. Net position of Governmental Activities

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

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

Differences between the governmental funds statement of revenue, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories. The amounts shown below represent:

Long-Term Revenue Differences

Long-term revenue differences arise because governmental funds report revenue only when it is considered "available", whereas the statement of activities reports revenue 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.

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.

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

4. IMPACT OF FUTURE GASB PRONOUNCEMENTS

GASB has issued Statements No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, and No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The objective of Statement No. 67 is to improve financial reporting by state and local governmental pension plans. Statement No. 67 replaces the requirements of Statements No. 25 and No. 50 as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria.

Statement No. 68 establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of Statement No. 68, as well as for non-employer governments that have a legal obligation to contribute to those plans. The City is required to adopt the provisions of these Statements for the year ending March 31, 2016 with early adoption encouraged.

4. IMPACT OF FUTURE GASB PRONOUNCEMENTS (Continued)

Accounting Pronouncements Issued Not yet Implemented

In November 2013, the GASB issued Statement No. 71, *Pension Transitions for Contributions Made Subsequent to the Transition Date – an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The City is required to adopt the provisions of this Statement in conjunction with GASB Statement No. 68, for the year ending March 31, 2016, with early adoption encouraged.

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. The objective of this Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The City is required to adopt the provisions of this Statement for the year ending March 31, 2016.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* and amends certain provisions of Statement No. 67 *Financial Reporting for Pension Plans*. The objective of this Statement is to improve the usefulness of information about pensions included in general purpose external financial reports of state and local governments for making decisions and accessing accountability. This Statement establishes requirements for defined contribution plans and defined benefit pensions not within the scope of Statement 68, *Accounting and Financial Reporting for Pensions*, as well as, assets accumulated for the purpose of providing for those pensions. Statement 73 also clarifies the application of certain provisions of Statements 67 and 68 with regards to information required to be presented in the notes, accounting and financial information reporting for separately financed specific liabilities and the timing of employer recognition of revenue for the support of non-employer contributing entities not in a special funding situation. The City is required to adopt the provisions of this Statement for the year ending March 31, 2017.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans – a replacement of GASB Statement No. 43, Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans, as amended and GASB Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. Also, it includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*. The objective of this Statement is to improve the effectiveness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local government OPEB plans. It provides for decision-useful information, supporting assessments of accountability and inter-period equity, and additional transparency. This statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet specified criteria. The City is required to adopt the provisions of this Statement for the year ending March 31, 2017, with early adoption encouraged.

4. IMPACT OF FUTURE GASB PRONOUNCEMENTS (Continued)

Accounting Pronouncements Issued Not yet Implemented (Continued)

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – a replacement of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The objective of this Statement is to establish standards for recognizing and measuring liabilities, expenditures and deferred inflows of resources related to other postemployment benefit plans (OPEB). In regards to defined benefit OPEB plans, this statement defines the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employment service. This Statement also details recognition and disclosure requirements for employers with payables to defined benefit OPEB plans administered through trusts and for employers whose employees are provided with defined contribution OPEB plans. The City is required to adopt the provisions of this Statement for the year ending March 31, 2018, with early adoption encouraged.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* which supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, paragraphs 64, 74, and 82. Statement No. 76 reduces the number of categories of authoritative generally accepted accounting principles (GAAP) hierarchy and the framework for selecting those principles to two categories. The primary category “Category A” will consist of officially established GASB Statements and GASB Interpretations heretofore issued and currently in effect. The second category “Category B” will consist of GASB Technical Bulletins, GASB Implementation Guides when presented in the form of a *Comprehensive Implementation Guide*, and literature of the AICPA cleared by the GASB. The goal of Statement No. 76 is to help governments apply financial reporting guidance with less variability, therefore improving usefulness and comparability of financial statement information among state and local governments. The City is required to adopt the provisions of Statement No. 76 for the year ending March 31, 2016, and should be adopted retroactively, with early adoption permitted.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*, which improves financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public presently. Users will be better equipped to understand 1) how tax abatements affect a government’s future ability to raise resources and meet its financial obligations and 2) the impact those abatements have on a government’s financial position and economic condition. The City is required to adopt the provisions of this Statement for the year ending March, 2016, with early implementation encouraged.

The City has not assessed the impact of these statements on its future financial statements.

5. CASH

The City's investment policies are governed by the statutes of the State of New York (State). In addition, the City has its own written investment policy. The City's monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The City Comptroller is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Government and its agencies and obligations of the State of New York.

The City does not typically purchase investments for a long enough duration to cause it to be believed that it is exposed to any material interest rate risk.

For purposes of reporting the statement of cash flows for proprietary fund type, the City includes all cash accounts which are not subject to withdrawal restrictions or penalties as cash.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Generally accepted accounting principles directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance. As of March 31, 2015, all of the City's cash and investment balances were either insured or collateralized with securities held by the pledging financial institution's trust department in the City's name:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash, including trust funds	\$ 22,734,813	\$ 23,300,243
Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name	\$ 21,561,861	
Covered by FDIC insurance	<u>1,172,952</u>	
Total	<u>\$ 22,734,813</u>	

6. TAXES AND COLLECTION

City real property taxes are levied annually no later than April 5 and are collected between April and March. The City enforces all delinquent taxes. The City is also responsible for collecting Oneida County taxes for property within the City and guarantees school taxes due to the Utica City School District for properties within the City.

Property tax revenues are recognized as revenues in the year they are levied and collected, as long as they are collected within 60 days subsequent to year end. Property taxes not collected within 60 days subsequent to year end are reported as deferred revenue in the fund financial statements.

Uncollected City, School District and County taxes assumed by the City for collection through March 31, 2015, are \$2,794,915 net of \$2,753,232 allowance.

6. TAXES AND COLLECTION (Continued)

SALES TAX

The sales tax rate in the City at March 31, 2015, was 8.75%. Tax receipts are allocated between the municipalities as follows:

New York State	4.00%
Oneida County	2.75%
City of Utica	<u>2.00%</u>
Total	8.75%

The City receives 1.5% of its sales tax payments from New York State on a bi-monthly basis and 0.5% from Oneida County on a quarterly basis.

Sales tax revenues are recorded on an accrual basis to the extent that such accrued amounts were received by New York State and Oneida County (the intermediary governments) from vendors through March 31. The City also accrues its portion of such revenue attributable to the current year but not remitted to the State (and ultimately the County) in the subsequent year.

Non-property tax revenues recognized by the General Fund during the year ended March 31, 2015, include approximately \$12.9 million in sales tax. This amount includes an accrual of approximately \$2.3 million in sales tax collected by the State of New York and the County of Oneida, 60 days after the City's fiscal year, relating to vendor sales which occurred during the 2015 fiscal year.

7. STATE AND FEDERAL RECEIVABLES

Community Development Block Grants:

The City is the recipient of Community Development Block Grants to operate revolving loan funds. These funds are to be loaned to industry and not-for-profit organizations for the purpose of creating and retaining permanent jobs within the City. The balance of loans receivable and deferred inflows at March 31, 2015 of \$11,691,935 consists of loans that require periodic payments of principal and interest or interest only for loans that have not been fully drawn down, and have a rate of interest at one-half of prime plus one percent.

8. CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2015, was as follows:

	Balance at April 1, <u>2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance at March 31, <u>2015</u>
Governmental Activities:				
Assets not depreciated	\$ 42,374,640	\$ 3,908,727	\$ 4,089,485	\$ 42,193,882
Land improvements	30,088,258	2,669,806	-	32,758,064
Construction	60,591,679	290,286	-	60,881,965
Infrastructure	176,969,088	932,331	-	177,901,419
Machinery and equipment	12,634,729	164,418	-	12,799,147
Vehicles	13,122,254	32,644	-	13,154,898
	<u>335,780,648</u>	<u>7,998,212</u>	<u>4,089,485</u>	<u>339,689,375</u>
Less: Accumulated depreciation	<u>207,318,981</u>	<u>6,794,224</u>	<u>-</u>	<u>214,113,205</u>
Total capital assets	<u>\$ 128,461,667</u>	<u>\$ 1,203,988</u>	<u>\$ 4,089,485</u>	<u>\$ 125,576,170</u>

	Balance at April 1, <u>2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance at March 31, <u>2015</u>
Business Type Activities:				
Assets not depreciated	\$ 29,998	\$ 3,752,494	\$ 119,182	\$ 3,663,310
Construction	19,708	-	-	19,708
Infrastructure	38,158,167	119,183	-	38,277,350
Machinery and equipment	578,449	-	-	578,449
	<u>38,786,322</u>	<u>3,871,677</u>	<u>119,182</u>	<u>42,538,817</u>
Less: Accumulated depreciation	<u>13,418,746</u>	<u>902,904</u>	<u>-</u>	<u>14,321,650</u>
Total capital assets	<u>\$ 25,367,576</u>	<u>\$ 2,968,773</u>	<u>\$ 119,182</u>	<u>\$ 28,217,167</u>

The City recognized depreciation expense by function as follows:

General government support	\$ 1,155,018
Public safety	2,242,094
Transportation	2,649,747
Culture and recreation	747,365
	<u>6,794,224</u>
	<u>\$ 6,794,224</u>

9. DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources for governmental funds consist of the following at March 31, 2015:

General Fund

MVWA loan deferred revenue	\$ 5,847,152
MVWA PILOT deferred revenue	15,340
Property tax revenues	<u>102,614</u>
	<u>\$ 5,965,106</u>

Community Development

ERP, Section 108, Façade loan deferred revenue	<u>\$ 11,629,246</u>
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10. SHORT-TERM DEBT

The City may issue Bond Anticipation Notes, 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 after the original issue date. The City refinances BANs annually. The City also issues Revenue Anticipation Notes as needed for cash flow purposes. The current fiscal year short term debt activity is as follows:

	<u>March 31,</u> <u>2014</u>	<u>Rate</u>	<u>Issued</u>	<u>Redeemed</u>	<u>March 31,</u> <u>2015</u>
Governmental activity:					
RAN due 2015	\$ 6,900,000	0.25%	\$ -	6,900,000	\$ -
RAN due 2015	-	0.25%	4,900,000	-	4,900,000
BAN due 2015	2,500,000	1.05%	-	2,500,000	-
BAN due 2015	2,128,000	0.93%	-	2,128,000	-
BAN due 2015	-	0.9%	2,592,100	-	2,592,100
BAN due 2015	2,774,100	0.93%	-	2,774,100	-
BAN due 2016	<u>500,000</u>	1.05%	<u>-</u>	<u>-</u>	<u>500,000</u>
	<u>\$ 14,802,100</u>		<u>\$ 7,492,100</u>	<u>\$ 14,302,100</u>	<u>\$ 7,992,100</u>
Business type activity:					
BAN due 2014	\$ 496,000	0.93%	\$ -	\$ 496,000	\$ -
BAN due 2015	1,600,000	1.15%	-	1,600,000	-
BAN due 2015	5,880,000	1.05%	-	-	5,880,000
BAN due 2016	-	1.15%	1,600,000	-	1,600,000
BAN EFC	<u>7,210,722</u>	-	<u>3,395,523</u>	<u>237,000</u>	<u>10,369,245</u>
	<u>\$ 15,186,722</u>		<u>\$ 4,995,523</u>	<u>\$ 2,333,000</u>	<u>\$ 17,849,245</u>

Total interest expense paid at March 31, 2015 for short-term governmental activity was \$320,421 and short-term business activity was \$7,571.

11. LONG-TERM LIABILITIES

Noncurrent debt activity is as follows:

	Balance at April 1, 2014	Increase	Decrease	Balance at March 31, 2015	Current	Long-term
Governmental activity:						
Serial Bonds	\$ 37,358,515	\$ 1,936,000	\$ 4,506,071	\$ 34,788,444	\$ 3,610,352	\$ 31,178,092
Capital leases	4,678,807	201,067	676,842	4,203,032	779,460	3,423,572
Loans payable	1,500,000	-	250,000	1,250,000	250,000	1,000,000
Remediation costs	6,148,000	-	-	6,148,000	-	6,148,000
Bond anticipation note	-	2,000,000	-	2,000,000	-	2,000,000
Retirement incentive loans	4,691,619	-	1,547,850	3,143,769	443,300	2,700,469
Judgements and settlements	-	879,608	-	879,608	-	879,608
Other post employment benefits	17,207,975	5,707,829	3,038,589 *	19,877,215	-	19,877,215
Compensated absences	<u>1,821,436</u>	<u>133,037</u>	<u>-</u>	<u>1,954,473</u>	<u>-</u>	<u>1,954,473</u>
Total governmental long-term debt	<u>\$ 73,406,352</u>	<u>\$ 10,857,541</u>	<u>\$ 10,019,352</u>	<u>\$ 74,244,541</u>	<u>\$ 5,083,112</u>	<u>\$ 69,161,429</u>
	Balance at April 1, 2014	Increase	Decrease	Balance at March 31, 2015	Current	Long-term
Business type activity:						
Serial Bonds	\$ 5,841,485	\$ 488,000	\$ 398,959	\$ 5,930,526	\$ 443,648	\$ 5,486,878
Compensated absences	<u>25,757</u>	<u>5,930</u>	<u>-</u> *	<u>31,687</u>	<u>-</u>	<u>31,687</u>
Total business type activity long-term debt	<u>\$ 5,867,242</u>	<u>\$ 493,930</u>	<u>\$ 398,959</u>	<u>\$ 5,962,213</u>	<u>\$ 443,648</u>	<u>\$ 5,518,565</u>

*Additions and deletions are shown net because it is impractical to determine these amounts separately.

12. NONCURRENT LIABILITIES

General Obligation Bonds

The City borrows money in order to acquire land or equipment, to construct buildings, or make improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These are long-term liabilities, are secured by the full faith and credit of the local government. General obligation bonds have been issued for both governmental and business-type activities.

12. NONCURRENT LIABILITIES (Continued)

General Obligation Bonds (Continued)

Details relating to the general obligations (serial) bonds of the City outstanding at March 31, 2015, are summarized as follows:

<u>Description</u>	<u>Date Issued</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance at 03/31/15</u>
Governmental Activity:					
Refunding	2001	2019	3-3.5%	6,190,000	705,000
Improvements	2006	2025	4.25-4.75%	17,852,300	708,520
Improvements	2007	2027	4.375-4.75%	5,243,000	3,912,524
Taxable pension bond	2008	2018	5.125-5.75%	3,450,000	1,600,000
Taxable pension bond	2010	2021	3.75-4.75%	1,730,000	1,155,000
Improvements	2010	2025	3.50%	8,724,000	6,830,000
Refunding	2012	2019	2.00%	5,965,000	4,065,510
Refunding	2013	2026	2-4%	14,591,460	13,875,920
Improvements	2014	2026	.5-3%	1,936,000	1,936,000
Total long term bonds				<u>\$ 65,681,760</u>	<u>\$ 34,788,474</u>

<u>Description</u>	<u>Date Issued</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance at 03/31/15</u>
Business type:					
Improvements	2006	2025	4.25-4.75%	17,582,300	176,480
Improvements	2007	2027	4.375-4.75%	2,000,000	1,492,476
Refunding	2012	2019	2.00%	272,332	194,490
Refunding	2013	2026	2-4%	3,768,540	3,579,080
Improvements	2014	2026	.5-3%	488,000	488,000
Total long term bonds				<u>\$ 24,111,172</u>	<u>\$ 5,930,526</u>

Annual debt service for general obligation debt is as follows:

	<u>Governmental</u>		<u>Business-Type</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 3,610,352	\$ 1,132,624	\$ 443,648	\$ 195,294
2017	3,612,476	992,193	462,524	176,194
2018	3,721,361	882,066	473,639	164,718
2019	3,818,223	754,188	486,777	149,539
2020	3,504,777	621,937	505,223	130,575
2021-2025	13,168,374	1,738,304	2,551,626	406,384
2026-2028	3,352,911	132,755	1,007,089	44,543
	<u>\$ 34,788,474</u>	<u>\$ 6,254,067</u>	<u>\$ 5,930,526</u>	<u>\$ 1,267,247</u>

12. NONCURRENT LIABILITIES (Continued)

Loans Payable

The City has obtained Section 108 guaranteed loans which are used to revitalize businesses within the City of Utica. Loans outstanding at March 31, 2015 are as follows:

<u>Interest rate</u>	<u>Issued</u>	<u>Maturity</u>	<u>Outstanding</u>
4.46-7.96%	1993/2003	2020	<u>\$ 1,250,000</u>

Principal and interest on the Section 108 loans are due as follows:

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>
2016	250,000	88,890
2017	250,000	69,307
2018	250,000	49,600
2019	<u>500,000</u>	<u>39,752</u>
	<u>\$ 1,250,000</u>	<u>\$ 247,549</u>

Capital Lease Payable

The City is the lessee of fire equipment, ambulances and highway equipment under capital leases which expires at various times through 2024. The assets and liabilities under the capital lease are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. The assets are included with capital assets and are depreciated over the life of the lease.

Depreciation of assets under capital leases is included in depreciation expense as reported on the government wide statements. Minimum future lease payments under capital leases as of March 31, 2015 are as follows:

<u>Maturity</u>	<u>Amount</u>
2016	\$ 779,460
2017	779,457
2018	776,775
2019	720,723
2020	384,968
2021-2024	<u>1,220,402</u>
	<u>\$ 4,661,785</u>
Interest	<u>458,752</u>
	<u>\$ 4,203,033</u>

12. NONCURRENT LIABILITIES (Continued)

The City entered into an Energy Performance Contract Municipal Lease/Purchase Agreement in which the City leases certain energy conservation improvements. The City will pay approximately \$240,000 for a term of fifteen years with the initial payment made April 15, 2009.

Other Long-Term Liabilities

In addition to the above long-term debt, the City had the following other long-term liabilities:

Compensated Absences – Compensated absences represent unused vacation and compensatory time payable in the future. The balance at March 31, 2015, was \$1,954,473 in the governmental activities and \$31,687 in the business-type activities.

Remediation Costs – The Leland Avenue dump site, owned by the City, was determined by the City's outside engineers to contain toxic waste contaminants. The City's outside engineers estimate the costs to decontaminate the site to be approximately \$6,148,000. The City has recorded a liability in this amount to reflect the anticipated remediation costs.

Retirement Incentive Loans

The City has taken advantage of an early retirement incentive program offered by the Retirement Systems. The following represent liabilities for the early retirement incentives to be financed over ten years.

<u>Description</u>	<u>Issued</u>	<u>Maturity</u>	<u>Rate</u>	<u>Outstanding</u>
ERS	2012	2022	3.75%	\$ 144,191
ERS	2013	2023	3%	475,979
ERS	2014	2024	3.67%	480,908
PFRS	2012	2022	3.75%	262,168
PFRS	2013	2023	3%	884,441
PFRS	2014	2024	3.67%	896,082
				<u>\$ 3,143,769</u>

12. NONCURRENT LIABILITIES (Continued)

Retirement Incentive Loans (Continued)

The following is the future debt service requirements associated with the retirement incentives:

2016	\$	443,300
2017		443,301
2018		443,301
2019		443,301
2020		443,300
2021-2023		<u>1,445,242</u>
		3,661,745
Less: interest		<u>517,976</u>
		<u>\$ 3,143,769</u>

Total interest paid on all debt was:

Cash paid	\$	1,654,849
Accrued		<u>428,219</u>
Total interest	\$	<u>2,083,068</u>

Advance Refundings

On August 16, 2001, the City issued \$6,190,000 in general obligation bonds with an average interest rate of 3.00% to 5.50% to advance refund \$4,950,000 of outstanding 1996 serial bonds with an average interest rate of 8.50%. The net proceeds of \$5,921,618 (after payment of \$268,382 in underwriting fees, insurance, and other issuance costs) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all the future debt service payments on the bonds. As a result, the 1996 serial bonds are considered to be defeased, and the liability for those bonds has been removed from the City's financial statements. At March 31, 2015, the balance of the advanced refunded bonds was \$705,000.

On March 15, 2007, the City issued \$4,310,000 in general obligation bonds with an average interest rate of 4.25% to advance refund \$3,995,000 of outstanding 2000 serial bonds with an average interest rate of 6.00% to 6.25%. The net proceeds of \$4,298,118 (after a reoffering premium of \$128,946 and payment of \$140,829 in underwriting fees, insurance, and other costs) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all the future debt service payments of the bonds. As a result, the 2000 serial bonds are considered to be defeased, and the liability for those bonds has been removed from the City's financial statements. This refunding decreases total debt services payments over the next nine years by \$133,867 resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$118,122. At March 31, 2015, the balance of the advanced refunded bonds was defeased.

12. NONCURRENT LIABILITIES (Continued)

Advance Refundings (Continued)

On March 15, 2012, the City issued \$5,965,000 in general obligation bonds with an average interest rate of 2% to advance refund \$5,400,000 of outstanding 2004 serial bonds with an average interest rate of 4.25%. The net proceeds of \$5,750,000 were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all the future debt service payments of the bond. As a result, the 2003 serial bonds are considered to be defeased, and the liability for those bonds has been removed from the City's financial statements. At March 31, 2015, the balance of the advanced refunded bonds was \$4,260,000.

On February 6, 2013, the City issued \$18,360,000 in general obligation bonds with an average interest rate of 3% to advance refund \$5,400,000 of outstanding 2004 serial bonds with an average interest rate of 5% and \$11,395,000 of outstanding 2006 serial bonds with an average interest rate of 4.75%. The net proceeds of \$1,533,625 (after a reoffering premium of \$234,434 and payment of \$265,809 in underwriting fees, insurance, and other costs) were used to purchase United States government securities as an escrow requirement. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all the future debt service payments of the bonds. Amounts not refunded as March 31, 2013 was the 2013 maturity of the balance of the 2004 bond of \$295,000 and the 2013, 2014 and 2015 maturity of the balance of the 2006 bond of \$2,550,000. This refunding decreases total debt services payments over the term of the debt by \$1,131,076 resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$906,983. At March 31, 2015, the balance of the advanced refunded bonds was \$17,455,000.

13. RETIREMENT BENEFITS

Plan Description

The City participates in the New York State and Local Employees' Retirement System (ERS), and the Public Employees' Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits, as well as death and disability benefits. Obligations of employers and employees to contribute 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, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

Funding Policy

The System is noncontributory for the employees who joined prior to July 27, 1976. For employees who joined the Systems after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the Systems more than ten years are no longer required to contribute. For employees who joined after January 1, 2010 and prior to April 1, 2012, employees contribute 3% of their salary throughout their active membership. For employees who joined after April 1, 2012, employees contribute 3% of their salary until April 1, 2013 and then contribute 3% to 6% of their salary throughout their active membership. The Comptroller certifies the rates expressed as proportions of members' payroll annually which are used in computing the contributions required to be made by employers to the pension accumulation fund.

13. RETIREMENT BENEFITS (Continued)

Plan Description (Continued)

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

		<u>ERS</u>		<u>PFRS</u>
2015	\$	1,325,008	\$	4,784,942
2014	\$	1,831,995	\$	5,597,379
2013	\$	1,839,656	\$	5,786,984

The City's contribution made to the Systems was equal to 100 percent of the contributions required for each year.

Since 1989, the System's billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989 (which otherwise were to have been paid on June 30, 1989 and 1990, respectively) over a 17-year period, with an 8.5% interest factor added.

14. OTHER POST EMPLOYMENT BENEFITS

Plan Description

The City provides post employment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contract 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. Currently, approximately 224 retirees meet those requirements. The City pays 75-90% of the cost of premiums, depending on contract group, to an insurance company that provides the health care insurance.

The City provides post employment health insurance, vision insurance, etc. coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the City's contractual agreements.

Funding Policy

The City recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. The City recognized the cost of providing benefits for the year ended March 31, 2015, by recording approximately \$608,240 of insurance premiums for currently enrolled retirees as an expenditure.

14. OTHER POST EMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with generally accepted accounting principles. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year plus the amortization of the unfunded actuarial accrued liability over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Retirement Plan, and the changes in the City's net OPEB obligation:

Annual required contribution	\$ 6,104,718
Interest on net OPEB obligation	688,319
Adjustment to annual required contribution	<u>(1,085,208)</u>
Annual OPEB cost (expense)	5,707,829
Contributions made	<u>(3,038,589)</u>
Increase in net OPEB obligation	2,669,240
Net OPEB obligation—beginning of year	<u>17,207,975</u>
Net OPEB obligation—end of year	<u><u>\$ 19,877,215</u></u>

The following table provides trend information for the Plan:

Fiscal Year <u>Ended</u>	Annual <u>OPEB Cost</u>	OPEB Cost <u>Contributed</u>	% of Cost <u>Contributed</u>	Net OPEB <u>Obligation</u>
2013	\$ 5,121,010	\$ 3,613,065	70.6%	\$ 15,556,939
2014	\$ 5,259,285	\$ 3,608,249	68.6%	\$ 17,207,975
2015	\$ 5,707,829	\$ 3,038,589	53.2%	\$ 19,877,215

Funded Status and Funding Progress

The projection of future benefits for an ongoing plan involves 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 OPEB 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. The OPEB Plan is currently not funded.

14. OTHER POST EMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan as understood by the employer and plan members and include the types of benefits provided at the time of the valuation and the historical pattern of sharing of benefit costs 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.

In the March 31, 2015 actuarial valuation, the following methods and assumptions were used:

Actuarial cost method	Projected unit credit
Discount rate*	4.0%
Unfunded actuarial accrued liability:	
Amortization period	24 years
Amortization method	Level dollar closed
Amortization basis	Open

* As the plan is unfunded, the assumed discount rate considers that the City's investment assets are low risk in nature, such as money market funds or certificates of deposit.

15. INTERFUND TRANSACTIONS

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources primarily to provide services. The governmental funds financial statements generally reflect such transactions as transfers whereas the proprietary funds record such transactions as non-operating revenues or expenses. The City generally maintains its cash in few accounts, whereby the City pools its cash to provide both cash flow and interest income maximization across the City as a whole.

The City also loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing of or other services.

	Interfund		Interfund	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenue</u>	<u>Expenditures</u>
Governmental Funds:				
General	\$ 1,294,056	\$ 295,743	\$ 526,863	\$ 6,751,232
Community Development	192,844	582,609	144,747	867,215
Capital Projects fund	38,000	1,092,737	905,215	57,972
Debt Service	-	-	6,771,204	-
Recreation	21,025	51,122	-	-
Urban Renewal	87,297	32,095	-	-
Permanent	-	-	-	526,863
Business Type Activities:				
Sewer	607,066	132,489	-	-
Business Park	-	-	-	144,747
Fiduciary:				
Trust and Agency	21,126	74,619	-	-
	<u>\$ 2,261,414</u>	<u>\$ 2,261,414</u>	<u>\$ 8,348,029</u>	<u>\$ 8,348,029</u>

16. COMMITMENTS AND CONTINGENCIES

Judgments and Claims

The City is party to various legal proceedings which normally occur in governmental operations. The outcome of these proceedings is not expected to have material effect on the financial condition of the City and management considers its reserves for judgments and claims to be adequate.

HUD Monitoring Report

On September 27, 2012, the US Department of Housing & Urban Development (HUD) issued a 2012 Compliance Monitoring Report for the City's CDBG, HOME, ESG and HPRP Programs. The Report included 8 findings which required the submission of additional information within 60 days of the issuance of the Report. The City submitted all responses within the required time line and is currently awaiting a final response from HUD as to the status of the findings. The findings are of such a nature that if any or all of the City's responses are deemed insufficient to rectify the finding's HUD could make a potential demand for reimbursement by the City of up to \$619,666 either to HUD or the City Programs noted. At the date of this audit report, there has been no decision made on the adequacy of the City's responses, nor has any notice of demand for repayment by HUD been issued with regards to the 2012 Compliance Monitoring Report.

17. SUBSEQUENT EVENTS

BOND AND BAN ISSUANCE

The City has issued the following debt subsequent to year end:

	<u>Amount</u>	<u>Issued</u>	<u>Due</u>	<u>Rate</u>
BOND	\$ 3,887,600	5/6/2015	2016-2032	2.75%-3.25%
BAN	\$ 6,682,500	5/6/2015	5/6/2016	1.50%

LEASES

The City lease equipment and vehicles in June 2015 amounting to \$603,467 at 1.76% percent with a five year amortization.

The City leased equipment and vehicles in June 2015 amounting to \$2,561,080 at 2.23% percent with a ten year amortization.

SETTLEMENTS

On or about July 12, 2013 the City of Utica received \$370,000 from the Philadelphia Insurance Company for the settlement of certain lawsuits connected to the former Community Housing Development Corporation (CHDO), GroWest, Inc. The settlement was deemed by the United States Department of Housing and Urban Development (HUD) as a non-federal source of funds for the purpose of repaying activities deemed ineligible as a result of the demise of GroWest, Inc. On or about September 13, 2013 \$142,360 was transferred to the City of Utica HOME Program Trust Account under the authorization of HUD for the repayment of funds associated with two (2) GroWest activities deemed to be ineligible. The remaining funds associated with the settlement are being held while the City of Utica awaits the final determination associated with a 2012 Monitoring of activities associated with GroWest, Inc.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF UTICA

STATEMENT OF REVENUE, EXPENDITURES, ENCUMBRANCES, AND CHANGES IN FUND EQUITY -
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED MARCH 31, 2015

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUE:				
Real property taxes	\$ 25,977,930	\$ 25,977,930	\$ 26,596,917	\$ 618,987
Real property tax items	2,133,845	2,133,845	2,415,412	281,567
Non-property taxes	14,548,360	14,548,360	14,485,292	(63,068)
Departmental income	2,880,315	2,880,315	2,898,778	18,463
Intergovernmental charges	118,669	118,669	155,095	36,426
Use of money and property	369,020	369,020	406,755	37,735
Licenses and permits	324,850	324,850	403,367	78,517
Fines and forfeitures	765,000	765,000	698,844	(66,156)
Sale of property and compensation for loss	367,500	393,236	513,398	120,162
Miscellaneous local sources	76,000	83,802	549,098	465,296
Interfund revenue	572,661	572,661	489,778	(82,883)
State sources	17,573,849	18,171,658	17,445,882	(725,776)
Federal sources	-	582,370	135,547	(446,823)
Total revenue	<u>65,707,999</u>	<u>66,921,716</u>	<u>67,194,163</u>	<u>272,447</u>
EXPENDITURES:				
General government support	6,316,437	5,945,290	7,703,392	(1,758,102)
Public safety	25,607,140	27,249,304	26,432,952	816,352
Transportation	2,730,817	2,683,871	2,576,274	107,597
Culture and recreation	2,792,752	2,638,445	2,385,476	252,969
Home and community services	2,097,589	1,990,315	1,856,412	133,903
Employee benefits	19,264,513	20,088,658	19,927,235	161,423
Debt service - principal and interest	708,144	474,667	477,212	(2,545)
Total expenditures	<u>59,517,392</u>	<u>61,070,550</u>	<u>61,358,953</u>	<u>(288,403)</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>6,190,607</u>	<u>5,851,166</u>	<u>5,835,210</u>	<u>(15,956)</u>
OTHER SOURCES (USES):				
Proceeds from issuance of debt	-	201,067	2,201,067	2,000,000
Interfund transfers in	526,863	526,863	526,863	-
Interfund transfers (out)	<u>(6,717,470)</u>	<u>(6,755,470)</u>	<u>(6,751,232)</u>	<u>4,238</u>
Total other sources (uses)	<u>(6,190,607)</u>	<u>(6,027,540)</u>	<u>(4,023,302)</u>	<u>2,004,238</u>
REVENUE AND OTHER SOURCES OVER EXPENDITURES, ENCUMBRANCES, AND OTHER USES	-	(176,374)	1,811,908	1,988,282
FUND EQUITY - beginning of year	<u>3,238,278</u>	<u>3,238,278</u>	<u>3,238,278</u>	-
FUND EQUITY - end of year	<u>\$ 3,238,278</u>	<u>\$ 3,061,904</u>	<u>\$ 5,050,186</u>	<u>\$ 1,988,282</u>

The accompanying notes are an integral part of these statements.

CITY OF UTICA

SCHEDULE OF FUNDING PROGRESS - OTHER POST-EMPLOYMENT BENEFITS FOR THE YEAR ENDED MARCH 31, 2015

<u>Valuation</u> <u>Date</u>	<u>Value of</u> <u>Plan Assets</u>	<u>AAL</u> <u>Entry Age</u>	<u>Unfunded</u> <u>ALL</u>	<u>Funded</u> <u>Ratio</u>	<u>Covered</u> <u>Payroll</u>	<u>UAAL</u> <u>% of Payroll</u>
2013	\$ -	\$ 56,156,346	\$ 56,156,346	0%	n/a	n/a
2014	\$ -	\$ 56,680,229	\$ 56,680,229	0%	n/a	n/a
2015	\$ -	\$ 60,404,892	\$ 60,404,892	0%	n/a	n/a

The accompanying notes are an integral part of these statements.

REQUIRED REPORTS UNDER OMB CIRCULAR A-133

**CITY OF UTICA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2015**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass through Number</u>	<u>Federal Expenditures</u>
U.S. Department of Justice:			
Passed through New York State Division of Criminal Justice Services:			
Violence Against Women Formula Grants	16.588	VW13564542	\$ 36,613
Direct Awards:			
JAG Program Cluster			
Edward Byrne Memorial Justice Assistance Program	16.738	N/A	<u>46,289</u>
Total JAG Program Cluster			<u>82,902</u>
Bulletproof Vest Partnership Program	16.607	N/A	25,223
Project Safe Neighborhoods	16.609	N/A	11,849
Equitable Sharing Program	16.922	N/A	<u>30,785</u>
Total U.S. Department of Justice			<u>150,759</u>
U. S. Department of Housing and Urban Development			
Direct Awards:			
CDBG Entitlement Grants Cluster			
Community Development Block Grants/Entitlement Grants	14.218	N/A	<u>3,051,861</u>
Total CDBG Entitlement Grants Cluster			<u>3,051,861</u>
Home Investments Partnerships Program	14.239	N/A	546,892
Section 8 Housing Choice Vouchers	14.871	N/A	6,664,573
Emergency Shelter Grants Program	14.231	N/A	<u>227,298</u>
Total Department of Housing and Urban Development			<u>10,490,624</u>
U.S. Environmental Protection Agency			
Passed through New York State Environmental Facilities Corporation:			
Capitalization Grants for Clean Water State Revolving Funds	66.458	C6-6076-05-00	<u>3,393,110</u>
Total U.S. Environmental Protection Agency			<u>3,393,110</u>
U.S. Department of Transportation:			
Passed through New York State Department of Transportation:			
Highway Planning and Construction	20.205	2650(113)	48,059
Direct Awards:			
Federal Transit Capital Investment Grant	20.500	N/A	<u>40,826</u>
Total U.S. Department of Transportation			<u>88,885</u>
U.S. Department of Homeland Security			
Direct Award:			
Disaster Grant - Public Assistance	97.036	N/A	44,370
Homeland Security Grant Program	97.067	N/A	<u>1,360</u>
Total U.S. Department of Homeland Security			<u>45,730</u>
Total Expenditures of Federal Awards			<u>\$ 14,169,108</u>

The accompanying notes are an integral part of this schedule.

CITY OF UTICA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED MARCH 31, 2015

1. GENERAL

The schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the City of Utica. The City's reporting entity is defined in the City's financial statements. All federal financial assistance received directly from federal agencies, as well as federal assistance passed through from other government agencies, is included on the schedule.

2. BASIS OF ACCOUNTING

The schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, as described in the City's basic financial statements.

3. INDIRECT COSTS

Indirect costs are included in the reported expenditures to the extent that such costs are included in the federal financial reports used as the source document for the data presented.

4. MATCHING COSTS

Matching costs, (i.e. the City's share of certain program costs), are not included in the reported expenditures.

5. LOAN AND LOAN GUARANTEES

The City operates a revolving loan program utilizing federal financial assistance under the U.S. Department of Housing and Urban Development Section 108 Entitlement grant program (CFDA #14.218). Loans outstanding at March 31, 2015 under this program were \$1,250,000. For the year ended March 31, 2015, the City disbursed no new loans and received program income from the repayment of loan principal in the amount of \$14,121.

The City also operates a loan program utilizing federal financial assistance under the Community Development Block Grants Entitlement Programs (CFDA #14.218). Loans outstanding at March 31, 2015 under this program were \$11,559,427. For the year ended March 31, 2015, the City disbursed two new loans, and received program income from the loan repayment of principal in the amount of \$241,982.

6. SUB-RECIPIENTS

The City passed the following federal grants to sub-recipients:

Community Development Block Grants

Boys and Girls Club	14.218	\$	20,000
Johnson Park Center	14.218		13,000
Utica College Young Scholars Program	14.218		25,000
Mohawk Valley Latino Association	14.218		5,920
Compeer of Mohawk Valley	14.218		3,000
Utica Public Library	14.218		5,000
Utica Farmer's Market	14.218		2,500
Utica Safe Schools	14.218		20,000
Parkway Senior Center	14.218		19,500
West Utica Senior Center	14.218		12,000
North Utica Senior Center	14.218		19,500
			<u>19,500</u>
		\$	<u>145,420</u>

Emergency Shelter Grants

Family Nurturing Center	14.231	\$	14,657
YWCA Hall House	14.231		40,284
YWCA New Horizons	14.231		17,514
John Bosco House	14.231		17,514
OC Mental Health/Social Science Association	14.231		6,000
Johnson Park Center	14.231		76,488
			<u>76,488</u>
		\$	<u>172,457</u>

HOME Program

Rental Rehabilitation (Oneida Square District)	14.239	\$	200,000
New Construction Rental Housing (Roosevelt School)	14.239		150,000
First Time Homebuyer Assistance	14.239		70,000
			<u>70,000</u>
		\$	<u>420,000</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

December 28, 2015

To the Honorable Mayor and
Common Council of the City of Utica, New York:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Utica as of and for the year ended March 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Utica's basic financial statements and have issued our report thereon dated December 28, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Utica's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Utica's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Utica's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. (2015-001 through 2015-005).

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies (2015-006 through 2015-009).

6 Wembley Court
Albany, New York 12205
p (518) 464-4080
f (518) 464-4087

www.bonadio.com

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Utica's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Utica's Response to Findings

The City of Utica's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Utica's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Bonadio & Co., LLP

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

December 28, 2015

To the Honorable Mayor and
Common Council of the City of Utica, New York:

Report on Compliance for Each Major Federal Program

We have audited the City of Utica's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Utica's major federal programs for the year ended March 31, 2015. The City of Utica's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Utica's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Utica's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Utica's compliance.

6 Wembley Court
Albany, New York 12205
p (518) 464-4080
f (518) 464-4087

www.bonadio.com

(Continued)

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133
(Continued)**

Opinion on Each Major Federal Programs

In our opinion, the City of Utica complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2015.

Report on Internal Control over Compliance

Management of the City of Utica is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Utica's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Utica's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Bonadio & Co., LLP

CITY OF UTICA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED MARCH 31, 2015

Section I—Summary of Auditor’s Results Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? yes no
- Significant deficiency (ies) identified that are not considered to be material weakness (es)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? yes no
- Significant deficiency (ies) identified that are not considered to be material weakness (es)? yes none

Type of auditors’ report issued on compliance for major programs:
Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.239	Home Investment Partnerships Program
14.871	Section 8 Housing Choice Vouchers

Section I—Summary of Auditor’s Results (Continued)

Dollar threshold used to distinguish between type A and type B programs:

\$425,073

Auditee qualified as low-risk auditee?

_____ yes X no

Section II—Financial Statement Findings

Material Weaknesses:

2015-001. Journal Entry Review

Condition: Though there was intermittent written documentation that adjusting journal entries have been reviewed and approved prior to posting for the year ended March 31, 2015, it was not consistent.

Criteria: The City should develop a procedure for general ledger journal entries to be reviewed and approved by management.

Effect: Failure to review and approve general ledger journal entries could lead to erroneous or incorrect amounts being posted to the City’s general ledger without being discovered.

Cause: Documented review by management provides the acknowledgement of agreement with the journal entries posted to the general ledger by someone other than the individual performing the task.

Recommendation: The Comptroller or his designee should document the review and approval of general ledger journal entries for accuracy and appropriateness.

Comptroller’s Response: Journal entries are reviewed before being posted by the Principal Accounting Supervisor and then reviewed by the Auditor before filing. A more formalized procedure is being implemented.

Section II – Financial Statement Findings (Continued)

2015-002. Disbursing and Payroll Accounts

Condition: The Comptroller's Office has not historically posted activity for the disbursing and payroll checking accounts. Approximately \$60 million of cash receipts and cash disbursements run through this account on an annual basis.

Criteria: The Comptroller should ensure that this bank account is reconciled monthly and posted to the City's general ledger. Though its purpose is to be a "zero balance" account, there was a balance of funds at March 31, 2015 that could not be reconciled to any particular City fund.

Effect: Assets not recorded to the City's general ledger can lead to inaccurate financial statements.

Cause: Un-reconciled bank accounts can lead to incorrect general ledger information.

Recommendation: All accounts should be accounted for within the City's general ledger.

Comptroller's Response: All accounts are reviewed. A more formalized procedure is being implemented.

2015-003. Capital Projects Fund

Condition: The Comptroller's reconciliation of the Capital Projects Fund does not reconcile to the City's general ledger fund balance.

Criteria: The Comptroller should reconcile the Capital Projects Fund at least annually with the underlying individual capital project information totals.

Effect: The Comptroller establishes a unique project entry for each new capital project and the projects are compiled annually. The total of the open individual capital projects should reconcile to the Capital Projects Fund to ensure that revenues and expenditures are being posted appropriately so that budgets approved by the City Council are met.

Cause: The total of individual open capital project balances does not compare to the total within the City's Capital Project's Fund.

Recommendation: The Comptroller should reconcile no less than annually underlying individual capital project balances with the total presented within the City's financial statements.

Comptroller's Response: The Comptroller's Office will attempt to work more closely with the administration i.e.: engineering and the Urban Renewal Agency to more closely monitor capital projects.

Section II – Financial Statement Findings (Continued)

2015-004. Open Capital Projects

Condition: The Comptroller's list of open individual capital projects dates back eleven years with many projects that have either an excess of funds received but not expended or funds expended and not received.

Criteria: The Comptroller should provide a schedule of capital projects for which there is a surplus or deficit to the Mayor and Common Council annually.

Effect: Capital project implementation is performed by various departments throughout City government. An initial budget is developed prior to implementation, but due to unforeseen events, the budget may or should be amended.

Cause: The Comptroller does not have a reconciled current list of open and uncompleted capital projects that compares to the City's general ledger.

Recommendation: The Comptroller should reconcile no less than annually underlying individual capital project balances with the total presented within the City's financial statements to ensure accuracy.

Comptroller's Response: The Comptroller's Office will attempt to work more closely with the administration i.e.: engineering and the Urban Renewal Agency to more closely monitor capital projects.

2015-005. Accounts Receivable Reconciliation – Federal Funds

Condition: The Comptroller and the Department of Community Development does not reconcile federal expenditures applicable to federal grant reimbursement relating to HUD funding.

Criteria: The Comptroller should maintain and compare federally reimbursable expenditures to the associated drawdown schedule.

Effect: Accounts receivable was approximately \$569 thousand understated in the City's general ledger because there was no reconciliation of expenditures to the associated reimbursement.

Cause: The Comptroller does not compare expenditures with associated grant revenues to ensure proper receipt of funds due the City.

Recommendation: The Comptroller should reconcile monthly federal reimbursable expenditures with the applicable drawdown schedule to ensure proper accounting treatment within the City's general ledger.

Comptroller's Response: A more formalized approach is being implemented to reconcile federal funds accounts receivable.

Section II – Financial Statement Findings (Continued)

Significant Deficiencies

2015-006. Urban Renewal Agency Deposits

Condition: The Comptroller and the Urban Renewal Agency (Agency) perform no oversight, review or reconciliation of Agency deposits placed within the City's Trust Fund.

Criteria: The Comptroller and the Agency should develop a procedure to ensure that all deposits placed with the City by the Agency for the purchase of property are reconciled monthly and any revenues earned are classified and transferred as such to the Agency timely.

Effect: The Agency receives deposits typically amounting to between \$250 and \$1,000 per property. If the City Council ultimately approves the sale, the deposit is used as a portion of the total sale price and not returned. If the City Council does not approve the sale, the deposit is returned. Neither the Comptroller nor the Agency reconcile and ensure that only deposits for properties for approval or denial by the City Council are maintained in the City's Trust Fund. Therefore, revenue may be under-reported by the Agency during the year within their financial statement.

Cause: No review is performed or list kept of deposits held within the City's Trust Fund on behalf of the Agency by the Comptroller or the Agency.

Recommendation: The Comptroller and the Agency should perform a monthly reconciliation of the deposits held in the City's Trust Fund to ensure revenue earned by the Agency is timely and appropriately transferred from the City to the Agency.

Comptroller's Response: A periodic review of these deposits is done by the Comptroller's Office. The Urban Renewal Agency keeps a detailed list of deposits. After reconciling deposits the money is transferred to the Urban Renewal Agency.

Section II – Financial Statement Findings (Continued)

2015-007. FEMA Funding

Condition: The Comptroller performs no review of FEMA funding received.

Criteria: The Comptroller should develop a procedure to ensure that when expenditures are incurred, the associated revenues are posted to the City's general ledger as revenues from prepaid FEMA funding.

Effect: The Comptroller received advanced pre-payments from FEMA for City expenditures related to several rain storms several years ago. The funds were placed into the City's Trust Fund to be transferred to the appropriate City Fund once repairs and storm effects were mitigated by the City. As expenditures are incurred by the City, the City is entitled to move funds placed in the Trust Fund from FEMA prepayment as revenue. Though repairs were expended, revenues earned by the City were not transferred timely.

Cause: No review or reconciliation is performed by the Comptroller over the storm related damages to be reimbursed by the FEMA pre-payment managed by the Department of Engineering.

Recommendation: The Comptroller should perform a monthly reconciliation of FEMA funds held in trust by the Comptroller's Office to ensure revenues are posted when earned.

Comptroller's Response: The Comptroller's Office periodically reviews FEMA funding. A more formalized procedure is being implemented.

2015-008. Indirect Cost Analysis

Condition: The Comptroller performs no review of indirect costs expensed to the Urban Renewal Agency, Sewer and Golf Funds.

Criteria: The Comptroller should develop an analysis to ensure reasonability of indirect cost expensing to the Urban Renewal Agency, Sewer and Golf Funds.

Effect: The Comptroller was unable to substantiate indirect costs reimbursed to the General Fund from the Urban Renewal Agency, Sewer and Golf Funds.

Cause: No review or reconciliation is performed to substantiate indirect cost reimbursements.

Recommendation: The Comptroller should perform a time and expense study to substantiate indirect costs attributable to the Urban renewal Agency, Sewer and Golf Funds.

Comptroller's Response: A more formalized procedure is being implemented to review indirect costs.

2015-009. Payroll Analysis

Condition: The Comptroller performs no regular review or reconciliation of wages paid compared to the hours earned.

Criteria: The Comptroller should develop a plan of review and reconciliation to ensure that wages payable are for hours earned and/or accrued.

Effect: The Comptroller was unable to substantiate that a review is performed of bi-weekly payroll.

Cause: No review or reconciliation is performed to wages paid.

Recommendation: The Comptroller should perform review and reconciliation of all wages paid.

Comptroller's Response: A more formalized procedure is being implemented to review and reconcile wages paid.

Section III—Federal Award Findings and Questioned Costs

None

CITY OF UTICA, NEW YORK

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED MARCH 31, 2014**

Financial Statement Findings

2014-001. Documentation for Bank Statement Reconciliations

Condition: Although bank statement reconciliations were prepared for the City's bank accounts (except as noted in Finding 2014-3), we noted no written documentation that the reconciliations had been reviewed or approved by anyone other than the individual performing the initial task.

Status: This finding was not repeated for 2015.

2014-002 Journal Entry Review

Condition: Although general ledger journal entries are reviewed by the Comptroller as part of his review of daily activity posted to the City's general ledger, there is no written documentation that the journal entries had been reviewed and approved.

Status: This finding is repeated for 2015.

2014-003. Reconciliation and Posting of Activity for the Disbursing and Payroll Accounts

Condition: The City has not historically posted activity for the disbursing and payroll bank accounts to the City's general ledger.

Status: This finding is repeated for 2015.

2014-004. Capital Projects Fund

Condition: The Comptroller's reconciliation of the Capital Projects Fund do not reconcile to the City's general ledger fund balance.

Status: This finding is repeated for 2015.

2014-005. Open Capital Projects

Condition: The Comptroller's list of open individual capital projects dates back eleven years with many projects that have either an excess of funds received but not expended or funds expended and not received.

2014-006. Accounts Receivable Reconciliation – Federal Funds

Condition: The Comptroller and the Department of Community Development does not reconcile federal expenditures applicable to federal grant reimbursement relating to HUD funding.

Status: This finding is repeated for 2015.

2014-007. Mohawk Valley Water Authority Billings

Condition: The City performs no oversight, review or reconciliation of billings issued by the Mohawk Valley Water Authority on behalf of the City's Sewer Fund and the collections thereof.

Status: This finding was not repeated for 2015.

CITY OF UTICA, NEW YORK

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED MARCH 31, 2014
(Continued)**

2014-008. Urban Renewal Agency Deposits

Condition: The Comptroller and the Urban Renewal Agency (Agency) perform no oversight, review or reconciliation of Agency deposits placed within the City's Trust Fund.

Status: This finding is repeated for 2015.

2014-009. FEMA Funding

Condition: The Comptroller performs no review of FEMA funding received.

Status: This finding is repeated for 2015.

2014-010. Indirect Cost Analysis

Condition: The Comptroller performs no review of indirect costs expensed to the Urban Renewal Agency, Sewer and Golf Funds.

Status: This finding is repeated for 2015.

2014-011. Payroll Analysis

Condition: The Comptroller performs no regular review or reconciliation of wages paid compared to the hours earned.

Status: This finding is repeated for 2015.

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED MARCH 31, 2015**

2013-5. Oversight or Reconciliation of Mohawk Valley Water Authority Billings

Condition: The City performs no oversight, review or reconciliation of billings issued by the Mohawk Valley Water Authority on behalf of the City's Sewer Fund and the collections thereof.

Status: This finding was not repeated for 2015.

2013-5. Open Capital Projects

Condition: The Comptroller's list of open individual capital projects date back eleven years with many projects that have either an excess of funds received but not expended or funds expended and not received.

Status: This finding is repeated for 2015.

2013-7. Urban Renewal Agency Deposits

Condition: The Comptroller and the Urban Renewal Agency (Agency) perform no oversight, review or reconciliation of Agency deposits placed within the City's Trust Fund.

Status: This finding is repeated for 2015.

2013-8. FEMA Funding

Condition: The Comptroller performs no review of FEMA funding received.

Status: This funding is repeated for 2015.