

CITY OF ONEIDA, NEW YORK

**Financial Statements as of
December 31, 2017
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

CITY OF ONEIDA, NEW YORK

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	i - iii
REQUIRED SUPPLEMENTARY INFORMATION	
Management's Discussion and Analysis (Unaudited)	iv - xvii
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements -	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements -	
Balance Sheet - Governmental Funds	3
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	4
Statement of Revenue, Expenditures and Changes in Fund Balance - Governmental Funds.....	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	6
Statement of Net Position - Fiduciary funds	7
Notes to Basic Financial Statements.....	8 - 34
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)	
Budgetary Comparison Schedule - Budget and Actual - General Fund	35
Budgetary Comparison Schedule - Budget and Actual - Water Fund.....	36
Schedule of Other Postemployment Benefit Plan Schedule of Funding Progress	37
Schedule of Proportionate Share of Net Pension Liability (Asset)	38
Schedule of Contributions - Pension Plans	39
Notes to the Required Supplementary Information	40
SUPPLEMENTARY INFORMATION	
Governmental Funds – Non Major Governmental Funds.....	41
Statement of Revenue, Expenditures, and Change in Fund Balances - Nonmajor Governmental Funds	42

CITY OF ONEIDA, NEW YORK

TABLE OF CONTENTS (Continued)

	<u>Page</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	43-44
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	45-47
Schedule of Expenditures of Federal Awards	48
Notes to Schedule of Expenditures of Federal Awards	49
Schedule of Findings and Questioned Costs	50 - 53

INDEPENDENT AUDITOR'S REPORT

June 25, 2018

To the Common Council of the
City of Oneida, New York:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Oneida, New York (the City), as of and for the year ended December 31, 2017, 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 unmodified and adverse audit opinions.

432 North Franklin Street, Suite 60
Syracuse, New York 13204
p (315) 476-4004
f (315) 475-1513

www.bonadio.com

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Aggregate Discretely Presented Component Unit	Adverse
Major Fund: General Fund	Unmodified
Major Fund: Community Development Fund	Unmodified
Major Fund: Water Fund	Unmodified
Major Fund: Capital Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Adverse Opinion on Aggregate Discretely Presented Component Unit

Management has not included the Oneida Public Library (Library), a discretely presented component unit in the City's financial statements. Accounting principles generally accepted in the United States of America require the Library to be presented in the City's basic financial statements as a discretely presented component unit. The amount by which this departure would effect this disclosure of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenue, and expenses of the omitted component unit has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the Oneida Public Library as of December 31, 2017, or the changes in financial position or cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, other than the Oneida Public Library (discretely presented component unit) and the aggregate remaining fund information of the City of Oneida, New York as of December 31, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Correction of Error

As described in Note 1 to the financial statements, the prior year financial statements of the City were not properly presented as a result of an error in the water fund and governmental activities opinion units. These errors, since material, were necessary to fairly present the City's financial statements as of and for the year ended December 31, 2017 by decreasing the beginning water fund, fund balance by \$117,318, decreasing the beginning community development fund, fund balance and beginning net position by \$4,558,809.

INDEPENDENT AUDITOR'S REPORT

(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress and schedules of proportionate share of net pension liability and contributions 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 Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Oneida, New York's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 combining fund financial statements are 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 June 25, 2018, on our consideration of the City of Oneida, New York'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 solely to describe the scope of our testing of internal control over financial reporting and on compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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 of Oneida, New York's internal control over financial reporting and compliance.

**City of Oneida, New York
Management's Discussion and Analysis (Unaudited)
Required Supplementary Information
December 31, 2017**

The City of Oneida's management discussion and analysis provides an overview of the City's activities for the fiscal year ended December 31, 2017. Since this information is designed to focus on current years activities, resulting changes and currently known facts, it should be read in conjunction with the City's financial statements following this section.

FINANCIAL HIGHLIGHTS

The City's net position is reflected as \$16,836,340.
The General Fund's fund balance increased 9.75% to a total balance of \$4,096,088.
The Water Fund's fund balance increased 4.56% to a total balance of \$3,580,338.
The Sewer Fund's fund balance decreased 30.5% to a total balance of \$1,451,160.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts-Management's Discussion and Analysis, the basic financial statements and required supplementary information. The basic financial statements consist of Government-wide financial statements, fund financial statements, and notes to the financial statements.

Government-wide Financial Statements

The Government-wide financial statements are organized to provide an understanding of the fiscal performance of the City as a whole in a manner similar to a private sector business. There are two Government-wide financial statements-the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the City's finances.

The Statement of Net Position

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Increases and decreases in net position may serve as useful indicator of whether the financial position of the City is improving or deteriorating, respectively.

The Statement of Activities

The Statement of Activities presents information showing the change in net position during the fiscal year. All changes in net positions are recorded at the time the underlying financial event occurs. Therefore, revenues and expenses are reported on the statement for some items that will result in cash flow in future fiscal periods.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's funds, not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the City are reported in the governmental funds and the fiduciary funds.

Management's Discussion and Analysis (Unaudited)
(Continued)

These statements utilize the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period that they become measurable and available. It recognizes expenditures in the period they become measurable, funded through available resources and payable within a current period.

Government Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-wide financial statements. However, the governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in the future years. Consequently, the governmental fund statements provide a detailed short-term view of the City's operations and the services it provides.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-wide financial statements. By doing so, you may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains six individual governmental funds. General, Community Development, Water, and Capital funds, is considered to be a major fund and is presented separately in the fund financial statement. Miscellaneous Special Revenue and Sewer are combined as Non-Major Governmental Funds on the fund financial statement and presented separately in the supplementary information.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the city in its capacity as agent or trustee. All the city's fiduciary activities are reported in a separate Statement of Fiduciary net Position. The fiduciary activities have been excluded from the City's Government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The City's total Net Position decreased \$3,212,661 between fiscal year 2017 and 2016. A summary of the City's Statement of Net Position at December 31, 2017 and 2016 is as follows:

Management's Discussion and Analysis
(Unaudited)
(Continued)

	<u>2017</u>	<u>Restated 2016</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Current and Other Assets	\$ 15,930,458	\$ 13,267,969		
Capital Assets, (Net of Accumulated Depreciation)	<u>38,382,686</u>	<u>38,948,950</u>		
Total Assets	<u>54,313,144</u>	<u>52,216,919</u>	\$ 2,096,225	3.9%
Deferred Outflows of Resources- Pensions	<u>3,396,442</u>	<u>6,170,685</u>		
Total Assets and Deferred Outflows of Resources	<u>\$ 57,709,586</u>	<u>\$ 58,387,604</u>	\$ (678,018)	-1.2%
		\$		
Non-Current Liabilities	\$ 31,680,980	17,919,353		
Bond Anticipation Note Payable	3,628,433	12,170,958		
Pension Liability-Propportionate Share	3,241,817	4,994,627		
other Liabilities	1,497,208	2,344,717		
Total liabilities	<u>40,048,438</u>	<u>37,429,655</u>	\$ 2,618,783	6.5%
Deferred Inflows of Resources- Pensions	<u>824,808</u>	<u>908,949</u>		
<u>Net Position</u>				
Net investment in Capital Assets	26,211,728	25,660,371		
Restricted	6,136,054	1,354,379		
Unrestricted (Deficit)	(15,511,442)	(6,965,749)		
Total Net Position	<u>16,836,340</u>	<u>20,049,001</u>	\$ (3,212,661)	-19.1%
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 57,709,586</u>	<u>\$ 58,387,605</u>	\$ (678,019)	-1.2%

The restricted portion of the Net position primarily represents funds being held to finance the cost of construction or reconstruction of water treatment and transmission facilities and other capital projects. The funds can only be spent on specific public improvements or capital projects.

The unrestricted net deficit at December 31, 2017 is \$15,511,442 which represents the amount by which the City liabilities, excluding debt related to capital construction and restrictions of net position exceeded the City's assets other than capital assets.

Changes in Net Position

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format in the accompanying financial statements. Non-property tax items consist of New York State sales tax, utility tax and franchise tax.

A summary of this statement for the years ending December 31, 2017 and 2016 is as follows:

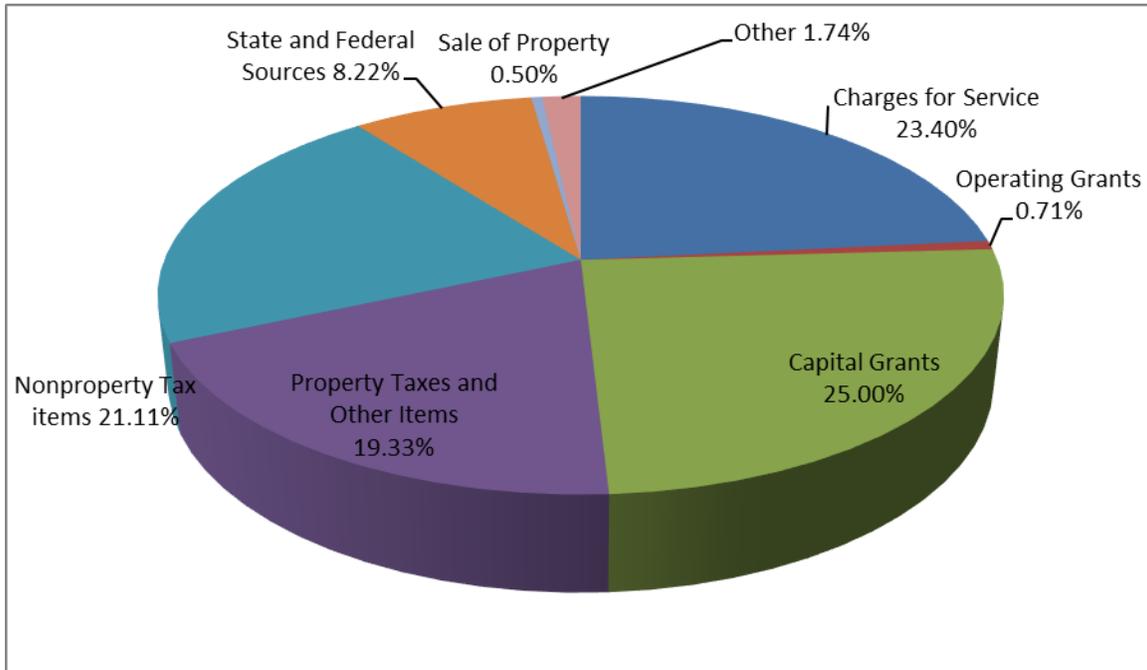
Management's Discussion and Analysis (Unaudited)
(Continued)

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Revenues				
Program Revenues				
Charges for Service	\$ 5,623,037	\$ 5,751,316	\$ (128,279)	-2.3%
Operating Grants	170,499	216,667	(46,168)	-27.1%
Capital Grants	6,007,478	2,805,832	3,201,646	53.3%
General Revenues				
Property Taxes and Other Items	4,644,992	4,209,726	435,266	9.4%
Nonproperty Tax items	5,071,603	4,671,891	399,712	7.9%
State and Federal Sources	1,974,446	2,032,737	(58,291)	-3.0%
Sale of Property	119,523	27,186	92,337	77.3%
Other	418,737	226,958	191,779	45.8%
Total Revenues	<u>\$ 24,030,315</u>	<u>\$ 19,942,313</u>	<u>\$ 4,088,002</u>	17.0%
Expenses				
General Government Support	\$ 1,185,831	\$ 1,272,160	\$ (86,329)	-7.3%
Public Safety	4,417,644	7,585,279	(3,167,635)	-71.7%
Public Health	5,806	32,094	(26,288)	452.8%
Transportation	1,990,737	2,399,630	(408,893)	-20.5%
Economic Assistance and Opportunity	750	1,500	(750)	100.0%
Home and Community Services	11,447,903	8,732,632	2,715,271	23.7%
Culture & Recreation	507,310	646,071	(138,761)	-27.4%
Employee Benefits	7,512,241	-	7,512,241	
Interest on long-term debt	174,754	168,355	6,399	3.7%
Total Expenses	<u>\$ 27,242,976</u>	<u>\$ 20,837,721</u>	<u>\$ 6,405,255</u>	23.5%
Change in Net Position	<u>\$ (3,212,661)</u>	<u>\$ (895,408)</u>	<u>\$ (2,317,253)</u>	

Management's Discussion and Analysis (Unaudited)
 (Continued)

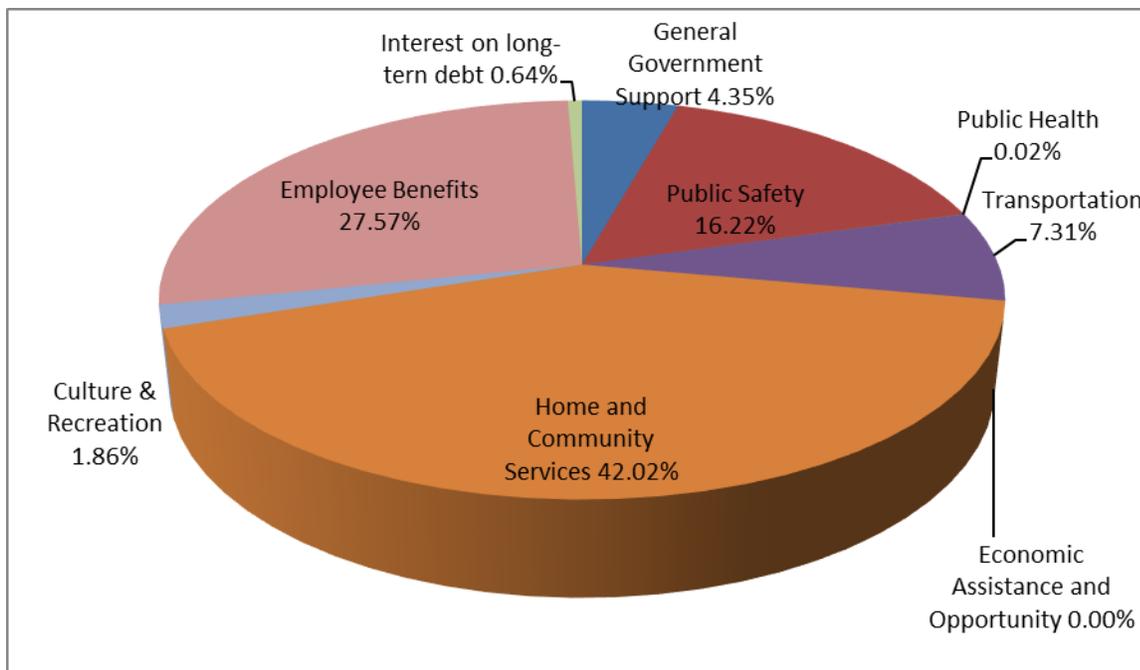
A graphic display of the distribution of revenues is as follows:

For Year Ended December 31, 2017



A graphic display of the distribution of expenses is as follows:

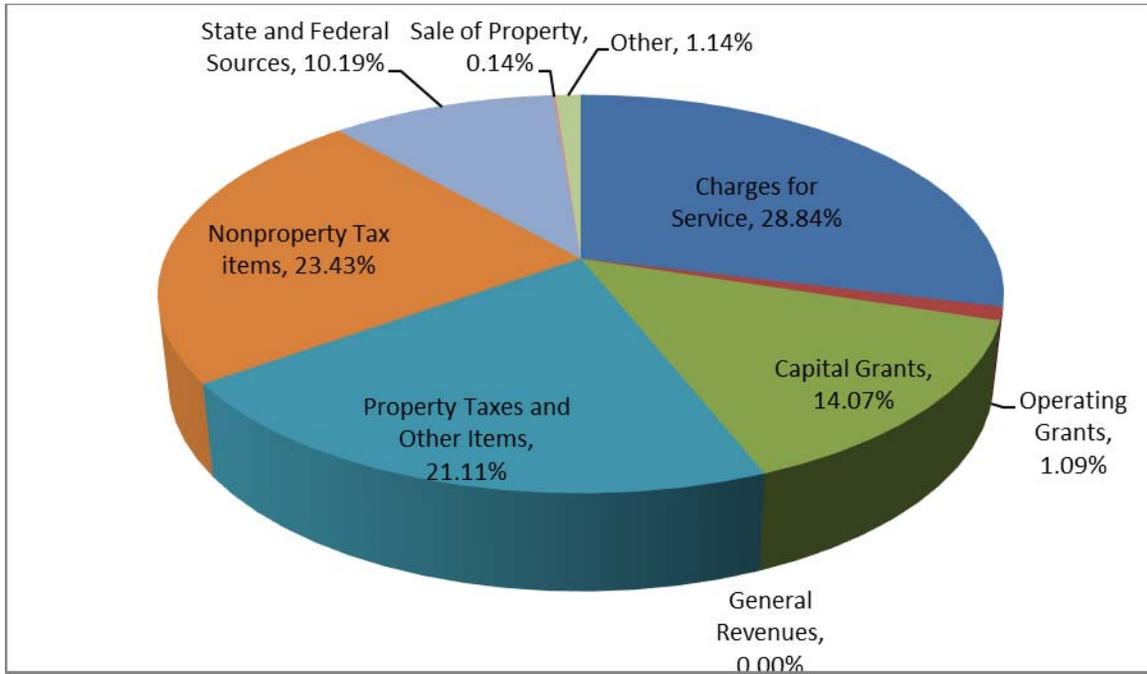
For year ending December 31, 2017



Management's Discussion and Analysis (Unaudited)
 (Continued)

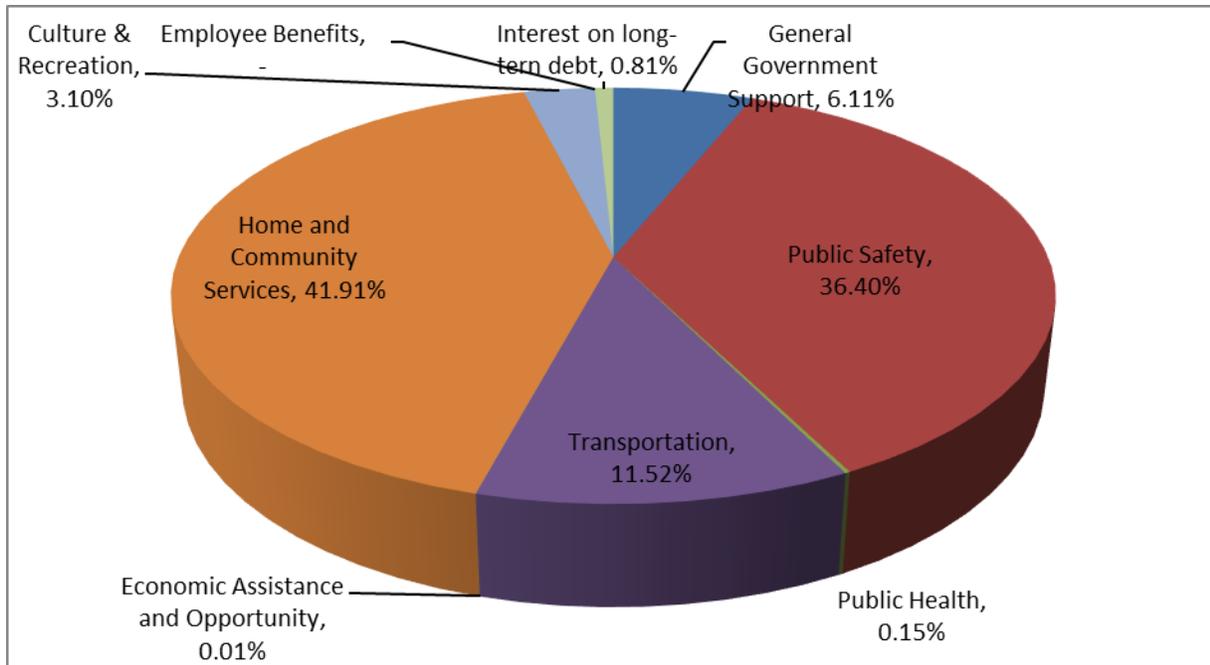
A graphic display of the distribution of revenues is as follows:

For Year Ended December 31, 2016



A graphic display of the distribution of expenses is as follows:

For year ending December 31, 2016



Management's Discussion and Analysis (Unaudited)
(Continued)

FINANCIAL ANALYSIS OF THE CITY'S FUND BALANCE

At December 31, 2017, the city's governmental funds reported a combined fund balance of \$9,292,028. This was a decrease of \$1,699,629 primarily due to the increase in expenses in the Capital and Sewer Funds.

	2017	Restated 2016	Increase (Decrease)
General Fund			
Nonspendable	\$ 534,193	\$ 505,839	\$ 28,354
Assigned	111,432	172,417	(60,985)
Unassigned	3,450,463	3,053,910	396,553
	<u>4,096,088</u>	<u>3,732,166</u>	<u>363,922</u>
Community Development Fund			
Nonspendable	-	112,329	(112,329)
Restricted	2,142,415	-	2,142,415
Assigned	-	716,964	(716,964)
Unassigned	(1,390,388)	-	(1,390,388)
	<u>752,027</u>	<u>829,293</u>	<u>(77,266)</u>
Water Fund			
Nonspendable	163,442	161,443	1,999
Restricted	459,542	356,568	102,974
Assigned	2,957,354	2,788,845	168,509
	<u>3,580,338</u>	<u>3,306,856</u>	<u>273,482</u>
Capital Fund			
Restricted	3,534,097	990,764	2,543,333
Unassigned	(4,165,346)	-	(4,165,346)
	<u>(631,249)</u>	<u>990,764</u>	<u>(1,622,013)</u>
Sewer Fund			
Nonspendable	32,515	33,177	(662)

Management's Discussion and Analysis (Unaudited)
(Continued)

Assigned	1,418,645	2,053,908	(635,263)
	<u>1,451,160</u>	<u>2,087,085</u>	<u>(635,925)</u>
Miscellaneous Special Revenue Fund			
Assigned	43,664	45,493	(1,829)
	<u>43,664</u>	<u>45,493</u>	<u>(1,829)</u>
Total Fund Balance	<u>\$ 9,292,028</u>	<u>\$ 10,991,657</u>	<u>\$ (1,699,629)</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's adopted budget for the year ended December 31, 2017, for the General Fund totaled \$12,154,796. With revenues coming in higher than anticipated and expenses coming lower than budgeted, the ending result is a surplus of \$363,921 to the General Fund.

2017 General Fund Balance Budget

	Original	Modified	Actual	Variance
	2017	2017	2017	Positive
	\$ 3,732,166	\$ 3,732,166	\$ 3,732,166	(Negative)
Total Beginning Fund Balance				
Estimated Revenues				
Property Tax Levy	\$ 3,978,319	\$ 3,980,319	\$ 3,886,547	\$ (93,772)
Other Property Tax Items	215,000	213,000	258,359	45,359
Non Property Tax Items	4,853,000	4,850,500	4,885,766	35,266
Departmental	211,760	214,260	185,494	(28,766)
Intergovernmental Charges	22,650	22,650	22,626	(24)
Tribal Compact Money	173,967	173,967	185,837	11,870
Use of Money & Property	27,800	27,800	12,431	(15,369)
Licenses and Permits	64,540	64,540	279,954	215,414
Fines and Forfeitures	104,000	104,000	100,346	(3,654)
Sale of Property & Compensation for Loss	73,500	94,388	119,522	25,134

Management's Discussion and Analysis (Unaudited)
(Continued)

Miscellaneous	18,937	18,937	-	(18,937)
State Aid	1,900,797	1,902,097	2,028,436	126,339
Transfer from Other Funds	144,709	144,709	134,709	(10,000)
Total Estimated Revenues	<u>\$ 11,788,979</u>	<u>\$ 11,811,167</u>	<u>\$ 12,100,027</u>	<u>\$ 288,860</u>
Estimated Expenditures				
General Govt Support	\$ 1,195,051	\$ 1,240,194	\$ 1,178,569	\$ (61,625)
Public Safety	4,091,630	4,199,169	4,184,325	(14,844)
Public Health	13,855	10,365	5,806	(4,559)
Transportation	1,097,691	1,158,828	1,071,352	(87,476)
Economic Assistance & Opportunity	750	750	750	-
Culture and Recreation	423,441	442,234	404,231	(38,003)
Home and Community Services	468,002	468,002	427,639	(40,363)
Employee Benefits	4,277,255	4,277,255	4,083,804	(193,451)
Debt Service-Principle	437,208	437,208	437,208	-
Debt Service-Interest	108,580	108,580	108,577	(3)
Transfer to Other Funds	(41,333)	(41,333)	(166,154)	(207,487)
Total Estimated Expenditures	<u>\$ 12,072,130</u>	<u>\$ 12,301,252</u>	<u>\$ 11,736,107</u>	<u>\$ (647,811)</u>
Net Change in Fund Balance	<u>\$ (283,151)</u>	<u>\$ (490,085)</u>	<u>\$ 363,920</u>	

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's total depreciation expense is \$2,510,527 however with the addition of numerous capital projects and construction in progress increased, the total net capital assets with the year ending in a net decrease of \$566,264.

Management's Discussion and Analysis (Unaudited)
(Continued)

	<u>2017</u>	<u>Restated 2016</u>	<u>Increase (Decrease)</u>
Nondepreciable			
Land	\$ 2,726,402	\$ 2,997,802	\$ (271,400)
Construction in Progress	2,536,451	1,043,922	1,492,529
	<u>5,262,853</u>	<u>4,041,724</u>	<u>1,221,129</u>
Depreciable			
Buildings	44,450,048	44,192,229	257,819
Infrastructure	40,048,084	40,031,461	16,623
Improvements	3,960,691	3,960,691	-
Equipment	<u>9,221,432</u>	<u>8,772,740</u>	<u>448,692</u>
	<u>97,680,255</u>	<u>96,957,121</u>	<u>723,134</u>
Total Capital Assets	<u>\$ 102,943,108</u>	<u>\$ 100,998,845</u>	<u>\$ 1,944,263</u>
Accumulated Depreciation			
Buildings	\$ 25,490,008	\$ 24,206,102	\$ 1,283,906
Infrastructure	31,017,658	30,540,899	476,759
Improvements	1,729,419	1,563,287	166,132
Equipment	<u>6,323,337</u>	<u>5,739,607</u>	<u>583,730</u>
	<u>64,560,422</u>	<u>62,049,895</u>	<u>2,510,527</u>
Total Net Capital Assets	<u>\$ 38,382,686</u>	<u>\$ 38,948,950</u>	<u>\$ (566,264)</u>

Debt administration

Short Term Debt

The City issued a Bond Anticipation Note of \$3,628,433 in October 2017 with an interest rate of 1.18% for various capital projects. Upon maturity the Bond Anticipation Note will be turned to a Serial Bond less any grant funds received. The Bond Anticipation Note is listed in the debt service schedule below.

Long Term Debt

The City total long term debt for the General, Water and Sewer Funds totals \$13,234,795. Principal payments for 2017 equal \$1,063,837 and interest payments equal \$172,585 for total debt service payments of \$1,236,422 in 2017. The outstanding Serial Bonds are listed in the debt service schedule below.

Management's Discussion and Analysis (Unaudited)
(Continued)

Debt Service Schedule-Long and Short Term Debt Service

	Year of Maturity	2017 Beginning Balance	Principal Payment	Interest Payment	2017 Year End Balance
General Fund					
2011 108-114 Main Street City Court Bldg	2023	\$265,080	\$33,770	\$9,434	\$231,310
2011 Asbestos Abatement	2023	28,270	3,600	1,007	24,670
2011 Asbestos Abatement 456 Elizabeth St	2023	164,930	21,010	5,870	143,920
2011 Demolition of Building	2023	30,650	3,900	1,091	26,750
2011 Dump Truck	2023	26,520	3,380	944	23,140
2011 Fire Department Addition	2023	290,330	36,990	10,333	253,340
2011 Fire Truck	2023	259,200	33,020	9,225	226,180
2011 Oneida Justice Center	2023	321,810	40,990	11,453	280,820
2011 Reconstruction of West Sands St	2023	66,260	8,440	2,359	57,820
2011 Salt Shed	2023	58,630	7,470	2,087	51,160
2011 Sidewalk Plow	2023	58,320	7,430	2,076	50,890
2015 Municipal Roof Project	2029	600,000	40,000	14,550	560,000
2016 Armory Boiler	2026	61,361	6,361	1,360	55,000
2016 Debris Cleanup	2020	125,000	40,000	3,291	85,000
2016 Fire Engine	2031	748,907	44,907	17,702	704,000
2016 Kallet Chiller	2026	188,233	18,233	4,143	170,000
2016 Plow truck	2030	231,404	14,404	5,327	217,000
2016 Rescue Truck	2030	179,798	10,798	4,155	169,000
Serial Bond Payment		\$3,704,703	\$374,703	\$106,407	\$3,330,000
2017 City Hall Lateral Support Wall Repair	2042	199,000	-	-	199,000
2017 DPW Fleet Replacement	2032	393,145	-	-	393,145
2017 City Hall Security Upgrades	2027	203,988	-	-	203,988

Management's Discussion and Analysis (Unaudited)
(Continued)

2017 Fire Ladder Truck Rehab	2032	450,000	-	-	450,000
Bond Anticipation Note Payments		\$1,246,133	-	-	\$1,246,133
Total General Fund 2017 Debt Service Expenditure					\$481,110
Water Fund					
2011 Water Storage	2019	\$795,000	\$260,000	\$15,678	\$535,000
2015 Fish Creek	2029	2,085,000	140,000	50,500	1,945,000
Serial Bond Payment		\$2,880,000	\$400,000	\$66,178	\$2,480,000
Total Water Fund 2017 Debt Service Expenditure					\$466,178
Sewer Fund					
2009 WWTP Clean Water EFC	2039	\$6,650,092	\$289,134	-	\$6,360,958
Serial Bond Payment		\$6,650,092	\$289,134	-	\$6,360,958
2017 WWTP Aeration Improvements	2042	1,520,000	-	-	1,520,000
2017 WWTP Flood Mitigation	2042	624,000	-	-	624,000
2017 WWTP Fleet Replacement	2032	238,300	-	-	238,300
Bond Anticipation Note Payments		\$2,382,300	-	-	\$2,382,300
Total Sewer Fund 2017 Debt Service Expenditure					\$289,134

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The 2018 budget contains expenditures for necessary projects while reducing expenses on controllable items. The City continues to receive the majority of revenue from City sales tax (38.4%) and property tax (33.8%) with a 5% property tax increase in the 2018 budget. Although the City did allow funds for sidewalk and pavement maintenance, employee benefits still come in the highest expense totaling 34.36% of the budget. The rising cost of health care and retirement expenses are a major contributing factor.

Union Agreements

The City has the following union agreements in place with the related expiration dates:

<u>Bargaining Unit</u>	<u>Number of Members</u>	<u>Contract Expiration Date</u>
Civil Service Employees' Association	57	December 31, 2020
Oneida Paid Firefighters' Association	24	December 31, 2018
Oneida Police Benevolent Association	22	December 31, 2021

Management's Discussion and Analysis (Unaudited)

(Continued)

Downtown Beautification and Main Street Improvements

The City has also been awarded a \$365,000 grant for the Main Street program. This program is a city centered target area grant designed to improve the building facades. The City has also been awarded \$700,000 through Restore New York Communities Initiative, to be used to assist in developing apartments on the upper sections of buildings in the city center. In addition to the grant funds, the City has approved the design phase for a performance based energy efficiency improvement project to transfer the street light ownership to the City and convert the lighting to LED. This project will have a guaranteed savings from the designer.

West Elm Street Extension

The City is extending water and sewer infrastructure to the western boundary of West Elm Street to accommodate manufacturing-industrial development of 295 acres scheduled for 2019. Total cost of the infrastructure is approximately \$2,000,000. The City has been awarded a grant of \$1,000,000 from Empire State Development, and will utilize an additional \$400,000 in grant funds from the City's and County's Revolving Loan Funds. It is anticipated that the 295 acre development will create a minimum of 200 full-time jobs at full buildout. The water and sewer extension will also open up an additional 400+ acres for future manufacturing use.

The Oneida Rail Trail

In 2013, the Recreation Department undertook the "Rail Trail Project". When completed, the Oneida Rail Trail will be approximately 10.75 miles of trails – mostly along existing rail beds, but in some places connecting roadways must be used. The trail connects to Maxwell Field, DuRoss Conservancy, and Oneida Community Mansion House trails, which means access to an additional 3 miles worth of trails. The trail links the City of Oneida and Village of Wampsville (with easy access to Old Erie Canal Towpath) and the City of Sherrill. The majority of the trail segments are already owned by the City of Oneida, some are owned by utilities and a few are held by private landowners.

Rail Trails are good for the environment because they reduce greenhouse gas emissions; protect Open Space; greenways protect open space and provide corridors for wildlife; and they can help control flooding and protect water quality and fragile ecosystems and offer an alternative to driving. With a connected trail and sidewalk system, communities can help retain their seniors by keeping them independent even when they can no longer drive.

Preserve Historic Heritage and an Educational Resource by providing an opportunity to tell a story. Greenways and trails also provide opportunities for adults and children to experience and understand the natural world. Railroads played an important part in the development of New York State by facilitating trade and westward expansion. They can also provide a positive place for social interaction. A quote from Anne Lusk, Stowe Vermont greenway advocate, may say it best: "People are different on a path".

Management's Discussion and Analysis (Unaudited) (Concluded)

Trails can create spin-off businesses such as bike shops, bed and breakfasts, and ice cream shops. Trails Enhance Quality of Life, and is a desired asset. Many studies demonstrate that parks, greenways and trails increase nearby property values, thus increasing local tax revenues. Quality of Life is a crucial factor in recruiting and keeping good employees. Community trails provide an easy access point for daily exercise.

The Oneida Rail Trail project continued to gain steam in 2014. We ended 2013 hoping to be selected as one of the transportation projects by the New York State DOT. The good news was received in January that the City of Oneida was selected to receive \$545,000 in funding to construct 3.1 miles of handicapped accessible trail from the Erie Canal Trailway in Wampsville to N. Willow Street in Oneida. People from all over the state, country and even world travel the Erie Canal Trailway. This can only help to increase the Oneida Rail Trail's visibility. Riding the momentum of support the City of Oneida, with the help of its ORT partner, the Madison County Planning Department, submitted its application for NYS DOT TAP (Transportation Alternatives Program) funding in June of 2014. In late October we learned the City of Oneida was awarded \$716,000 for the 0.8 mile stretch of the ORT picking up where the TAP funding left off and extending through downtown Oneida.

As the ORT Committee reflects on the past year, we look forward to 2018 as we work to begin construction on the four miles of trail that we graciously received funding for. Those four miles will contain the path to the future ensuring that people of all abilities can utilize it and the link to the past that will keep the history of our community alive and well.

FEMA Funding for Buyout

The City of Oneida has received funding from FEMA/New York State Division of Homeland Security and Emergency Services in the amount of \$21,193,909. The scope of work will be acquisition of property, demolition and removal of all about ground structures, disposal of demolition debris at a licensed disposal facility, site restoration, deed restriction of the property, and professional services associated with the project. The project began mid-2016 and will continue through 2018 with an estimated completion of fall 2018.

FEMA Funding for Flood Mitigation

The City of Oneidas has been awarded \$1,200,000 in FEMA funding for flood mitigation and as part of that project, the DPW and Water Buildings will be relocated to property which is not in a flood zone. This grant also covers the WWTP facility.

The City of Oneida WWTP facility and staff are responsible for converting waste products into regulated materials that can be safely released into the environment. In 2013 the WWTP incurred approximately \$1.3 million dollars in damages caused by the Oneida Creek floodwaters. The significant damages required months of repair work and impaired plant operations. Damages also impacted local industrial businesses that were required to cease production until temporary treatment measures were installed.

Management's Discussion and Analysis (Unaudited)

(Continued)

Downtown Beautification and Main Street Improvements

The City has also been awarded a \$365,000 grant for the Main Street program. This program is a city centered target area grant designed to improve the building facades. The City has also been awarded \$700,000 through Restore New York Communities Initiative, to be used to assist in developing apartments on the upper sections of buildings in the city center. In addition to the grant funds, the City has approved the design phase for a performance based energy efficiency improvement project to transfer the street light ownership to the City and convert the lighting to LED. This project will have a guaranteed savings from the designer.

West Elm Street Extension

The City is extending water and sewer infrastructure to the western boundary of West Elm Street to accommodate manufacturing-industrial development of 295 acres scheduled for 2019. Total cost of the infrastructure is approximately \$2,000,000. The City has been awarded a grant of \$1,000,000 from Empire State Development, and will utilize an additional \$400,000 in grant funds from the City's and County's Revolving Loan Funds. It is anticipated that the 295 acre development will create a minimum of 200 full-time jobs at full buildout. The water and sewer extension will also open up an additional 400+ acres for future manufacturing use.

The Oneida Rail Trail

In 2013, the Recreation Department undertook the "Rail Trail Project". When completed, the Oneida Rail Trail will be approximately 10.75 miles of trails – mostly along existing rail beds, but in some places connecting roadways must be used. The trail connects to Maxwell Field, DuRoss Conservancy, and Oneida Community Mansion House trails, which means access to an additional 3 miles worth of trails. The trail links the City of Oneida and Village of Wampsville (with easy access to Old Erie Canal Towpath) and the City of Sherrill. The majority of the trail segments are already owned by the City of Oneida, some are owned by utilities and a few are held by private landowners.

Rail Trails are good for the environment because they reduce greenhouse gas emissions; protect Open Space; greenways protect open space and provide corridors for wildlife; and they can help control flooding and protect water quality and fragile ecosystems and offer an alternative to driving. With a connected trail and sidewalk system, communities can help retain their seniors by keeping them independent even when they can no longer drive.

Preserve Historic Heritage and an Educational Resource by providing an opportunity to tell a story. Greenways and trails also provide opportunities for adults and children to experience and understand the natural world. Railroads played an important part in the development of New York State by facilitating trade and westward expansion. They can also provide a positive place for social interaction. A quote from Anne Lusk, Stowe Vermont greenway advocate, may say it best: "People are different on a path".

Management's Discussion and Analysis (Unaudited) (Concluded)

Trails can create spin-off businesses such as bike shops, bed and breakfasts, and ice cream shops. Trails Enhance Quality of Life, and is a desired asset. Many studies demonstrate that parks, greenways and trails increase nearby property values, thus increasing local tax revenues. Quality of Life is a crucial factor in recruiting and keeping good employees. Community trails provide an easy access point for daily exercise.

The Oneida Rail Trail project continued to gain steam in 2014. We ended 2013 hoping to be selected as one of the transportation projects by the New York State DOT. The good news was received in January that the City of Oneida was selected to receive \$545,000 in funding to construct 3.1 miles of handicapped accessible trail from the Erie Canal Trailway in Wampsville to N. Willow Street in Oneida. People from all over the state, country and even world travel the Erie Canal Trailway. This can only help to increase the Oneida Rail Trail's visibility. Riding the momentum of support the City of Oneida, with the help of its ORT partner, the Madison County Planning Department, submitted its application for NYS DOT TAP (Transportation Alternatives Program) funding in June of 2014. In late October we learned the City of Oneida was awarded \$716,000 for the 0.8 mile stretch of the ORT picking up where the TAP funding left off and extending through downtown Oneida.

As the ORT Committee reflects on the past year, we look forward to 2018 as we work to begin construction on the four miles of trail that we graciously received funding for. Those four miles will contain the path to the future ensuring that people of all abilities can utilize it and the link to the past that will keep the history of our community alive and well.

FEMA Funding for Buyout

The City of Oneida has received funding from FEMA/New York State Division of Homeland Security and Emergency Services in the amount of \$21,193,909. The scope of work will be acquisition of property, demolition and removal of all about ground structures, disposal of demolition debris at a licensed disposal facility, site restoration, deed restriction of the property, and professional services associated with the project. The project began mid-2016 and will continue through 2018 with an estimated completion of fall 2018.

FEMA Funding for Flood Mitigation

The City of Oneidas has been awarded \$1,200,000 in FEMA funding for flood mitigation and as part of that project, the DPW and Water Buildings will be relocated to property which is not in a flood zone. This grant also covers the WWTP facility.

The City of Oneida WWTP facility and staff are responsible for converting waste products into regulated materials that can be safely released into the environment. In 2013 the WWTP incurred approximately \$1.3 million dollars in damages caused by the Oneida Creek floodwaters. The significant damages required months of repair work and impaired plant operations. Damages also impacted local industrial businesses that were required to cease production until temporary treatment measures were installed.

CITY OF ONEIDA, NEW YORK

STATEMENT OF NET POSITION DECEMBER 31, 2017

	Governmental <u>Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 6,058,573
Cash and cash equivalents, restricted	6,236,942
Tax sale certificates	1,552,543
Property acquired for taxes	184,696
Assessments receivable	7,602
Accounts receivable	260,751
Loans receivable	217,999
Due from other governments	1,206,062
Prepaid expenses	205,290
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>38,382,686</u>
Total assets	<u>54,313,144</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension related	<u>3,396,442</u>
LIABILITIES	
Accounts payable	792,428
Accrued liabilities	114,766
Accrued interest	12,020
Due to other governments	244,906
Unearned grant revenue	333,088
Bond anticipation note payable	3,628,433
Long term obligations:	
Net Pensions Liability	3,241,817
Due within one year	1,064,134
Due in more than one year	<u>30,616,846</u>
Total liabilities	<u>40,048,438</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension related	<u>824,808</u>
NET POSITION	
Net investment in capital assets	26,211,728
Restricted	6,136,054
Unrestricted	<u>(15,511,442)</u>
Total net position	<u>\$ 16,836,340</u>

The accompanying notes are an integral part of these statements.

CITY OF ONEIDA, NEW YORK

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	Governmental				Total Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Community Development Fund	Water Fund	Capital Fund		
ASSETS						
Unrestricted cash & cash equivalents	\$ 1,707,933	\$ -	\$ 2,842,963	\$ -	\$ 1,507,677	\$ 6,058,573
Restricted cash	-	2,142,415	459,542	3,634,985	-	6,236,942
Tax sale certificates	1,552,543	-	-	-	-	1,552,543
Property acquired for taxes	184,696	-	-	-	-	184,696
Assessments receivable	7,602	-	-	-	-	7,602
Accounts receivable	11,823	-	163,859	-	85,069	260,751
Loans receivable	-	217,999	-	-	-	217,999
Due from other funds	1,957,272	150,240	123	-	1,797	2,109,432
Due from other governments	499,591	344,599	-	361,872	-	1,206,062
Prepaid expenditures	349,497	-	163,442	-	32,515	545,454
Total assets	\$ 6,270,957	\$ 2,855,253	\$ 3,629,929	\$ 3,996,857	\$ 1,627,058	\$ 18,380,054
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 53,474	\$ 234,987	\$ 8,638	\$ 439,593	\$ 55,736	\$ 792,428
Accrued liabilities	78,189	-	26,752	-	9,825	114,766
Due to other funds	-	1,650,240	-	459,192	-	2,109,432
Unearned grant revenue	-	217,999	14,201	100,888	-	333,088
BAN payable	-	-	-	3,628,433	-	3,628,433
Due to other governments	178,233	-	-	-	66,673	244,906
Total liabilities	309,896	2,103,226	49,591	4,628,106	132,234	7,223,053
Deferred Inflows of Resources:						
Unavailable revenue - real property taxes	1,864,973	-	-	-	-	1,864,973
Fund balances:						
Nonspendable	534,193	-	163,442	-	32,515	730,150
Restricted	-	2,142,415	459,542	3,534,097	-	6,136,054
Assigned	111,432	-	2,957,354	-	1,462,309	4,531,095
Unassigned	3,450,463	(1,390,388)	-	(4,165,346)	-	(2,105,271)
Total fund balances	4,096,088	752,027	3,580,338	(631,249)	1,494,824	9,292,028
Total liabilities, deferred inflows of resources and fund balances	\$ 6,270,957	\$ 2,855,253	\$ 3,629,929	\$ 3,996,857	\$ 1,627,058	\$ 18,380,054

The accompanying notes are an integral part of these statements.

CITY OF ONEIDA, NEW YORK

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2017**

Total fund balance - governmental funds		\$ 9,292,028
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the funds.		
Cost of capital assets	\$ 102,943,108	
Accumulated depreciation	<u>(64,560,422)</u>	38,382,686
Revenue related to the tax levy is recognized when earned in the statement of activities, but deferred in the fund statements if collection is anticipated to exceed sixty days after year end.		
		1,864,973
Deferred outflows/inflows of resources related to pensions are applicable to future periods and, therefore are not reported in the funds.		
Deferred outflows - relating to pensions	\$ 3,396,442	
Deferred inflows - relating to pensions	<u>(824,808)</u>	2,571,634
Reduce prior year prepaid asset associated with pensions that was recorded in the funds and reconciled as a reduction in the governmental activities.		
		(340,164)
Long-term debt and other noncurrent liabilities are not due and payable in the current period and; therefore, are not reported in the funds.		
Bonds payable	\$ (12,170,958)	
Accrued interest	(12,020)	
Compensated absences	(2,379,007)	
Net pension liability	(3,241,817)	
Other postemployment benefits	<u>(17,131,015)</u>	<u>(34,934,817)</u>
Net position of governmental activities		<u>\$ 16,836,340</u>

CITY OF ONEIDA, NEW YORK

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Governmental				Total Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Community Development Fund	Water Fund	Capital Fund		
REVENUES:						
Real property taxes	\$ 3,884,964	\$ -	\$ -	\$ -	\$ 36,515	\$ 3,921,479
Other real property tax items	259,941	-	-	-	-	259,941
Non-property taxes	4,890,066	-	-	-	-	4,890,066
Departmental income	181,194	600	3,225,467	-	2,186,926	5,594,187
Intergovernmental charges	22,626	-	-	-	-	22,626
Tribal compact moneys	185,837	-	-	-	-	185,837
Use of money and property	12,431	4,306	7,485	-	3,878	28,100
Licenses and permits	279,954	-	-	-	200	280,154
Fines and forfeitures	100,346	-	-	-	-	100,346
Sale of property and compensation for loss	119,523	-	-	-	-	119,523
Miscellaneous	-	-	-	12,077	-	12,077
State aid	2,026,221	-	-	361,857	-	2,388,078
Federal aid	2,215	5,012,985	-	749,130	-	5,764,330
	<u>11,965,318</u>	<u>5,017,891</u>	<u>3,232,952</u>	<u>1,123,064</u>	<u>2,227,519</u>	<u>23,566,744</u>
Total revenues						
EXPENDITURES:						
General government support	1,178,564	-	-	-	-	1,178,564
Public safety	4,184,327	-	-	12,928	-	4,197,255
Public health	5,806	-	-	-	-	5,806
Transportation	1,071,350	-	-	746,339	-	1,817,689
Economic assistance and opportunity	750	-	-	-	-	750
Home and community services	427,640	5,095,157	1,843,669	2,355,405	1,606,986	11,328,857
Culture and recreation	404,233	-	-	47,843	-	452,076
Employee benefits	4,083,804	-	557,070	-	343,406	4,984,280
Debt Service - principal	437,208	-	400,000	-	289,134	1,126,342
Debt Service - interest	108,577	-	66,177	-	-	174,754
	<u>11,902,259</u>	<u>5,095,157</u>	<u>2,866,916</u>	<u>3,162,515</u>	<u>2,239,526</u>	<u>25,266,373</u>
Total expenditures						
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>63,059</u>	<u>(77,266)</u>	<u>366,036</u>	<u>(2,039,451)</u>	<u>(12,007)</u>	<u>(1,699,629)</u>
OTHER FINANCING SOURCES (USES):						
Interfund transfers in	300,863	-	99,330	586,838	-	987,031
Interfund transfers out	-	-	(191,884)	(169,400)	(625,747)	(987,031)
	<u>300,863</u>	<u>-</u>	<u>(92,554)</u>	<u>417,438</u>	<u>(625,747)</u>	<u>-</u>
Total other financing sources (uses) - net						
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES	<u>363,922</u>	<u>(77,266)</u>	<u>273,482</u>	<u>(1,622,013)</u>	<u>(637,754)</u>	<u>(1,699,629)</u>
FUND BALANCES AT BEGINNING OF YEAR, as restated (Note 1)	<u>3,732,166</u>	<u>829,293</u>	<u>3,306,856</u>	<u>990,764</u>	<u>2,132,578</u>	<u>10,991,657</u>
FUND BALANCES AT END OF YEAR	<u>\$ 4,096,088</u>	<u>\$ 752,027</u>	<u>\$ 3,580,338</u>	<u>\$ (631,249)</u>	<u>\$ 1,494,824</u>	<u>\$ 9,292,028</u>

The accompanying notes are an integral part of these statements.

CITY OF ONEIDA, NEW YORK

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2017**

Net changes in fund balances - total governmental funds	\$ (1,699,629)
The change in net position reported for governmental activities in the Statement of Activities is different because:	
The change in OPEB liability in the statement of activities does not require the expenditure of current resources and is, therefore, not reported as an expenditure in the governmental funds.	
	(329,941)
Governmental funds report all capital outlays as expenditures. However, in the Statement of Activities, the cost of certain assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the funds in the current period.	
	(566,264)
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
	463,572
Repayment of debt service principal is recorded as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
	1,117,622
Decrease in proportionate share of net pension liability reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.	
	1,752,810
In the governmental funds, pension related transactions are recorded as an expenditure when due. In the Statement of Activities, long-term liabilities are accrued for. This is the amount by which the change in deferred outflows exceeded the change in deferred inflows.	
	(2,690,104)
Liabilities associated with compensated absences do not require the use of current financial resources and therefore are reported as a long-term liability in the Statement of Activities. This is the amount by which long-term financing and compensated absences obligations changed during the year.	
	<u>(1,260,727)</u>
Change in net position of governmental activities	<u>\$ (3,212,661)</u>

The accompanying notes are an integral part of these statements.

CITY OF ONEIDA, NEW YORK

**STATEMENT OF NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2017**

	Expendable <u>Trust</u>	<u>Agency</u>
ASSETS:		
Restricted cash	\$ -	\$ 8,818
Other assets	<u>\$ -</u>	<u>8,677</u>
Total assets	-	<u><u>17,495</u></u>
LIABILITIES:		
Accounts payable	-	<u>17,495</u>
Total liabilities	-	<u><u>\$ 17,495</u></u>
NET POSITION:		
Held in trust	<u><u>\$ -</u></u>	

**STATEMENT OF CHANGE IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Expendable <u>Trust</u>
ADDITIONS:	
Donations	<u>\$ 2,030</u>
Total additions	<u>2,030</u>
DEDUCTIONS:	
Historic downtown preservation	<u>\$ 2,030.00</u>
Total deductions	<u>2,030</u>
Change in net position	-
Total net position - beginning of year	-
Total net position - end of year	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these statements.

CITY OF ONEIDA, NEW YORK

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Oneida, New York (the City) is governed by the general laws of the State of New York and various local laws and ordinances. The Common Council, which is the legislative body responsible for the overall operations of the City, consists of the Mayor and six Councilors. The Mayor serves as chief executive officer and the Comptroller serves as the chief financial officer of the City. The City provides services of general government, public safety (police and fire), highways and streets, water and sewer and various recreational and community services.

The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

Financial Reporting Entity

The financial reporting entity consists of (a) the primary government which is the City, (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 as set forth in generally accepted accounting principles.

The decision to include a potential component unit in the City's reporting entity is based on several criteria set forth by the GASB including legal standing, fiscal dependency, and financial accountability. A component unit is included in the City's reporting entity if it is both fiscally dependent on the City and there is a potential for the component unit to provide specific financial benefits to or impose specific financial burdens on the primary government. Oneida Public Library was created by State legislation and is coextensive with the Oneida City School District. Board members are elected by residents who live in the special library district. The City exercises no oversight over library operations however the library is fiscally dependent on the City for bonding of their new library expansion project. City management has elected to exclude disclosing the library within these basic financial statements. Based on the application of these criteria, the City has determined there are no other organizations that meet criteria for inclusion in the reporting entity of the City.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Reporting Entity (Continued)

Excluded from the Reporting Entity:

Although the following organizations, functions or activities are related to the City, they are not included in the City reporting entity because of the reasons noted:

Oneida Hospital – On November 22, 1995, the City with the approval of the Public Health Council of the State of New York, executed documents which, effective January 1, 1996, transferred the assets, liabilities and the operations of Oneida City Hospital to Oneida Health Systems, Inc., a private, not-for-profit hospital organized under Section 501(c)(3) of the Internal Revenue Code. Effective with the transfer, the City's ownership of the Hospital terminated. The net assets at the time of transfer were converted into a residual receipts note and amortized over a period of 20 years concluding in 2016. The principal and interest on the note was forgiven annually contingent upon the Hospital's continued service to the residents of the City. In effect, The City assumed the position of creditor rather than owner of the Hospital

Oneida City School District – Oneida City School District was created by State legislation which designates the school board as the governing authority. School board members are elected by the qualified voters of the district. The board designates management and exercises complete responsibility for all fiscal matters. The City exercises no oversight over school operations.

A. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The City's fiduciary funds are presented in the fund financial statements. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to finance activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. General revenues support all activities and programs. All taxes are considered general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds with each fund accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows (when applicable), liabilities, deferred inflows of resources, fund balances, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary and fiduciary, of which the City has governmental and fiduciary funds. An emphasis is placed on major funds. A fund is considered major if it is the primary operating fund of the City or the total assets (including deferred outflows), liabilities (including deferred inflows), revenues, or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, or the fund is of particular importance to the financial statements for reasons such as public interest or consistency.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (Continued)

The funds of the financial reporting entity are described below:

Governmental Fund Types

General Fund

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Community Development Fund

The Community Development Fund is a special revenue fund used to account for the revenues in the Community Development Block Grants and other federal sources that are legally restricted to expenditures for those specified purposes.

Miscellaneous Special Revenue Fund

The Miscellaneous Special Revenue Fund is a special revenue fund used to account for the revenues of hydrant districts that are legally restricted to expenditures.

Water Fund

The Water Fund is a special revenue fund used to account for the revenues of the water department that are legally restricted to expenditures.

Sewer Fund

The Sewer Fund is a special revenue fund used to account for the revenues of the sewer department that are legally restricted to expenditures.

Capital Fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment. The principal sources of financing are from the sale of bonds or issuance of bond anticipation notes and federal aid.

Fiduciary Fund Types:

Trust and Agency Funds

Agency funds account for assets held by the City in a purely custodial capacity. Since agency funds are custodial in nature, they do not involve the measurement of results of operations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (Continued)

Major Funds

The funds are further classified as major or non-major funds. Major funds are as follows:

- General Fund - See above for description.
- Community Development Fund - See above for description.
- Water Fund – See above for description.
- Capital fund – See above for description.

Non-Major Fund

- Miscellaneous Special Revenue fund – See above for description.
- Sewer Fund – See above for description.

B. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the Statements of Net Position, Statement of Activities, and Statement of Revenues, Expenses and Change in Net Position, the governmental activities, business-type activities, proprietary funds, and fiduciary funds are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery) and financial position. All assets, liabilities, and deferred outflows and inflows associated with their activities (whether current or noncurrent) are reported.

In the fund financial statements, the current financial resources measurement focus is used for all governmental funds. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balances as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the Statement of Net Position and Statement of Activities, the governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset is used. Revenues, expenses, gains, losses, assets, liabilities and deferred outflows and inflows resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

Basis of Accounting (Continued)

Governmental funds financial statements are presented on a modified accrual basis of accounting with a current financial resources measurement focus. This measurement focus concentrates on the fund's resources available for spending in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Under modified accrual accounting, revenues are recognized as soon as they are both measurable and available. City revenues are generally considered available if collected within 60 days of year-end. The City reports deferred inflows when the potential revenue does not meet both the measurable and available criteria for recognition in the current period.

Property taxes, grant revenue, sales tax, and other taxes are the primary revenue sources subject to accrual. Property taxes are reported as receivable and a deferred inflow of resources when an enforceable lien on the property exists. The City bills and collects its own property taxes and County taxes. Collections and remittance of taxes for the County are accounted for in the General Fund.

Under modified accrual accounting, governmental fund liabilities (and expenses) should be accrued in the absence of applicable modification. Such modifications exist for long-term indebtedness, compensated absences, claims and judgments and other long-term liabilities. These liabilities are accrued in the governmental funds only to the extent they are due.

Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliation is provided.

All proprietary and fiduciary funds utilize the accrual basis of accounting.

Budgets and Budgetary Accounting

In accordance with the City Charter, budgets are adopted annually on a basis generally consistent with accounting principles generally accepted in the United State of America (GAAP). All unencumbered budget appropriations lapse at year-end. The General Fund's budget is adopted on a departmental basis, which is the level of control at which expenditures may not legally exceed appropriations. On a budgetary basis, current year encumbrances are included with expenditures, while expenditures of prior years' encumbrances are excluded.

The Common Council follows these procedures in establishing the budgetary data reported in the financial statements:

- a. No later than October 31 of each year, the Mayor submits a tentative budget to the Common Council for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing for all the funds of the City. It enumerates those funds, which are to be borne by the City as a whole and those funds, which are to be chargeable only against special districts

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

Budgets and Budgetary Accounting (Continued)

- b. After public hearings are conducted to obtain taxpayer comments, the Common Council adopts the budget.
- c. Encumbrance accounting, under which the purchase orders are recorded in order to reserve that portion of the applicable appropriation, is employed in the General, Community Development, Water, Sewer and Capital Project Funds. On a GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balance, which do not result in expenditures or liabilities on the governmental funds financial statements.
- d. All modifications of the budget must be approved by the Common Council.
- e. The annual budget adopted for the Community Development Grant Block Grant is for a two to three year period.

C. Cash and Cash Equivalents

Cash and cash equivalents include demand deposit accounts and money market accounts.

D. Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents include amounts restricted for further debt payments, amounts restricted for capital projects, cash to fund grant related programs, and amounts collected on behalf of other governments.

E. Receivables

In the government-wide financial statements, receivables consist of all revenues earned at year end and not yet received. Major receivable balances for the governmental activities include grants, property taxes, and intergovernmental receivables.

In the fund financial statements, receivables in governmental funds include grants, property taxes, and intergovernmental receivables. Sewer and water fund receivables are fully guaranteed by the general fund of the City. Therefore, no allowance for doubtful accounts has been established for these funds.

F. Tax Sale Certificates and Property Acquired for Taxes

At December 1, the current tax receivables are converted into tax sale certificates. The tax sale certificates will gain interest on the delinquent taxes until they are paid or acquired for taxes. At the point in which the delinquent taxes have not been paid for two years, the property is acquired by the City. The City will sell the property to cover the unpaid taxes and to restore the property to the tax roll.

G. Due from Other Governments

Due from other governments is comprised of the City's portion of sales tax, FEMA reimbursements, equipment grant money and CHIPs funding from New York State, along with Tribal Compact money from Madison County. Management believes an allowance for doubtful accounts is not required.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Prepaid Items

Payments to vendors for costs associated with future accounting periods are recorded as prepaid assets in the financial statements.

I. Deferred Inflows and Outflows of Resources

Government-Wide Financial Statements:

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has deferred outflows of resources which are comprised of New York State Retirement Systems pension amounts as described in Note 8.

In addition to liabilities, the Statement of Net Position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The City has deferred inflows of resources resulting from New York State Retirement Systems pension amounts as described in Note 8.

Fund Financial Statements:

In addition to liabilities, the balance sheet of the governmental funds includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenues, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

J. Capital Assets

Capital assets are defined by the City as assets with an initial cost of more than \$5,000 and a useful life of 3 or more years. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is recorded over the assets' estimated useful lives using the straight-line method of depreciation. A mid-month convention is used in the depreciation calculation. Specifically, one-half month's depreciation is calculated in the first month the asset is acquired and in the last month of the asset's useful life. A full month's depreciation is calculated in all intervening months. The range of estimated useful lives by type of asset is as follows:

Buildings and Improvements	40 years
Machinery and Equipment	3-15 years
Infrastructure	40 years

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. Vacation is granted in varying amounts based primarily on length of service and service position. Sick leave eligibility and accumulation is specified in negotiated labor contracts and in individual employment contracts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and sick leave at various rates subject to certain maximum limits.

For the government-wide financial statements, 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. Governmental funds record an expenditure when paid.

L. Short-Term Obligations

The City may issue bond anticipation notes (BAN), 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 the bonds. State law requires that BAN's issued for capital purposes be converted to long-term financing within five years after the original issue date.

M. Long-Term Obligations

In the Statement of Net Position, long-term debt and other long-term obligations are reported as liabilities. When applicable, bonds payable are reported net of the applicable bond premium or discount.

Long-term debt is not reported as a liability of the governmental funds, and any debt issued is reported as other financing sources, including bond premiums or discounts, in the Statement of Revenues, Expenditures and Change in Fund Balances. In a governmental fund, payments of principal and interest on general long-term debt are recognized as expenditures when paid.

N. Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in the following components:

- Net investment in capital assets - consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – see definition below under Fund Financial Statements.
- Unrestricted - remaining net position that does not meet the definition of "net investment in capital assets" or restricted net position.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Equity Classifications (Continued)

Fund Financial Statements

Governmental fund balances are displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used. When funds from more than one classification may be used to satisfy an expenditure, the City's policy is to utilize funds with the strongest spending constraints first.

- Non-spendable fund balance - amounts that are not in a spendable form or are required to be maintained intact. Non-spendable fund balance includes prepaid expenses and properties acquired for taxes.
- Restricted fund balance - amounts that are restricted as to the use of the resources by externally imposed creditors through debt covenants, grantors, or laws and regulations. All remaining fund balance not otherwise classified as nonspendable, committed or assigned in funds, other than the General Fund, are classified as restricted balance.
- Committed fund balance - amounts constrained to specific purposes by the City itself, by vote of the Common Council, the City's highest level of decision-making authority. The Common Council must approve the establishment (or modification) of any fund balance commitment. The City has no committed fund balances as of December 31, 2017.
- Assigned fund balance - amounts the City intends to use for a specific purpose; intent for which must be expressed by the City Board or Department management. Assigned fund balance in the General Fund consists of encumbrances of \$111,432. In addition, any remaining positive fund balance amounts for funds other than the General Fund are classified as assigned fund balance.
- Unassigned fund balance - amounts within the General Fund that do not meet the definition of the above classification and are deemed to be available for general use by the City. In addition, remaining negative fund balance for funds other than the General Fund is classified as unassigned fund balance.

The City has adopted a fund balance policy for the General Fund, whereas the minimum level of fund balance is to be kept at 20% of the General Fund's subsequent year's Budget.

O. Retirement

The City provides retirement benefits for substantially all of its regular full-time employees through contributions to the New York State and Local Employees' Retirement System (ERS), and Policemen's and Firemen's Retirement System (PFRS). The systems provide various plans and options, some of which require employee contributions. The systems compute the cost of retirement benefits based upon their respective fiscal years: ERS and PFRS – April 1 to March 31. See Note 8 for further information.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Other Postemployment Benefits

In addition to providing pension benefits, the City provides postemployment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provisions of various employment contracts in effect at the time of retirement. Substantially all the City's employees may become eligible for these benefits if they reach normal retirement age while working for the City. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing postemployment benefits is shared between the City and the retired employee. See Note 9 for further information.

Q. Revenues and Expenses/Expenditures

Grants

For both the government-wide and fund financial statements, the City follows the policy that an expenditure/expense of funds is the prime factor for determining the release of grant funds and revenue is recognized at the time of the expenditure/expense of funds in accordance with the measurement focus and basis of accounting. If release of grant funds is not contingent upon expenditure/expense of funds, revenue is recorded when received or when the grant becomes an obligation of the grantor.

Property Taxes

Taxes are collected during the period January 1st to November 30th. On December 1st, unpaid City taxes are turned over to the City Chamberlain for tax sale. At this time the owner of the property has two year in which to pay those taxes before the property becomes acquired by the City.

Other Revenues

In the fund financial statements, governmental funds record licenses and permits, certain charges for services, fines and forfeits, and miscellaneous revenues, including grants and contributions, on the cash basis because they are generally not measurable until actually received. In the government-wide financial statements, other revenues, if material, are recognized when earned.

Program Revenues

In the government-wide financial statements, program revenues include fees, fines, charges for services as well as grants. These revenues are allocated by governmental activity based upon the corresponding expense charged to the governmental activities.

Expenses/Expenditures

In the government-wide financial statements, expenses are classified by activity. Expenses are recognized when they are incurred. Direct expenses are those that are specifically associated with an activity and are clearly identifiable to a particular function.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Prior Period Adjustments

Correction of Error - Governmental Activities

Net position as of January 1, 2017 has been restated to reflect a correction of an error. As of December 31, 2016, the City's financial statements erroneously understated the costs basis of capital assets by \$637,801 and an understatement of accumulated depreciation of \$4,861,293, as well as an overstatement of the governmental funds fund balance of \$117,318 and \$217,999, as described below, for a net overstatement of net position of \$4,558,809. As a result, net position as of January 1, 2017 has been adjusted to reflect the following:

	Statement of Net Position		
	<u>Governmental Funds – Fund Balance</u>	<u>Capital Assets</u>	<u>Net Position</u>
Net position previously reported, December 31, 2016	\$ 11,326,974	\$ 43,172,442	\$ 24,607,810
Restatement of beginning water fund - fund balance	(117,318)	-	(117,318)
Restatement of beginning community development - fund balance	(217,999)	-	(217,999)
Restatement of beginning balance – Capital assets	-	637,801	637,801
Restatement of beginning balance – Accumulated depreciation	-	<u>(4,861,293)</u>	<u>(4,861,293)</u>
Net position restated at, January 1, 2017	<u>\$ 10,991,657</u>	<u>\$ 38,948,950</u>	<u>\$ 20,049,001</u>

Water Fund

Water Fund balance as of January 1, 2017 has been restated to reflect the correction of an error. As of December 31, 2016, the City's financial statements erroneously overstated accounts receivable and revenue by \$118,320 and understated contracts receivable and revenue by \$1,002. As a result, fund balance as of January 1, 2017 has been adjusted to reflect the following:

<u>Fund Balance Previously Reported December 31, 2016</u>	<u>Effect of Restatement</u>	<u>Fund Balance Restated at January 1, 2017</u>
\$ 3,424,174	\$ (117,318)	\$ 3,306,856

Community Development Fund

Community Development fund balance as of January 1, 2017 has been restated to reflect the correction of an error. As of December 31, 2016, the financial statements erroneously overstated revenue and understated unearned revenue by \$217,999. As a result, fund balance as of January 1, 2017 has been adjusted to reflect the following:

<u>Fund Balance Previously Reported December 31, 2016</u>	<u>Effect of Restatement</u>	<u>Fund Balance Restated at January 1, 2017</u>
\$ 1,047,292	\$ (217,999)	\$ 829,293

2. CASH AND CASH EQUIVALENTS

New York State governs the City's investment policies. The City is permitted to invest in special time deposits and certificate of deposits. In addition, the City may invest funds in direct obligations of the United States of America or obligations guaranteed by agencies of the United States of America where the payment of principal and interest are further guaranteed by the United States of America. Other eligible investments for the City include obligations of the State and repurchase agreements, subject to various conditions.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of New York State and its municipalities. At year-end, demand deposits and certificates of deposit for the City were entirely covered by FDIC insurance or collateral held by trust companies located within the State.

At December 31, 2017, cash and cash equivalents consisted of demand deposit accounts, time deposit accounts, and savings accounts.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the City's investment and deposit policy, all deposits of the City including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act shall be secured by a pledge of securities with an aggregate value of 100% or more of the aggregate amount of deposits.

The City restricts the securities to the following eligible items:

- Obligations issued, fully insured, or guaranteed as to the payment of principal and interest, by the United States, an agency thereof, or a United States government sponsored corporation.
- Obligations partially insured or guaranteed by any agency of the United States.
- Obligations issued or fully insured or guaranteed by New York State.
- Obligations issued by a municipal corporation, school district, or district corporation of New York State.
- Obligations of counties, cities, and other governmental entities of a state other than New York State having the power to levy taxes that are backed by the full faith and credit of such governmental entity.
- By a pledge of eligible securities with an aggregate market value equal to the aggregate of deposits, from the categories designated in the Village's investment policy.
- By an eligible irrevocable letter-of-credit issued by a qualified bank other than the bank with deposits in favor of the Village of a term not to exceed ninety days with an aggregate value equal to 104% of the amount of deposits and the agreed upon interest, if any.
- By an eligible surety bond payable to the Village for an amount equal to 100% of the aggregate amount of the deposits and the agreed upon interest, if any, executed by an insurance company authorized to do business in New York State, whose claims paying ability is rated in the highest category by at least two nationally recognized statistical rating organizations.

2. CASH AND CASH EQUIVALENTS (Continued)

Custodial Credit Risk – Deposits (Continued)

The City does not have any foreign currency investments, securities lending agreements, or derivative instruments.

Total deposits of cash and cash equivalents, excluding petty cash in the amount of \$850 are as follows for the year ended December 31, 2017:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Money market accounts	\$ 3,318,873	\$ 3,318,873
Cash	<u>9,490,595</u>	<u>8,984,610</u>
Total	<u>\$ 12,809,468</u>	<u>\$ 12,303,483</u>

These deposits were insured or collateralized as follows:

FDIC insurance	\$ 750,000
Collateralized by third party	<u>12,059,468</u>
Total	<u>\$ 12,809,468</u>

3. LOANS RECEIVABLE

Revolving loans

The Community Development Fund provides loans to small businesses to develop innovative products and services and to create jobs. The program is funded through the City's Federal Community Development Block Grant. The various loans range from \$7,000 to \$25,000. The loans are to be repaid in monthly installments over 5 to 10 years at interest rates ranging from 1.75% to 4.75%.

The following is a schedule of further loan payments to the City as of December 31, 2017:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 56,991	\$ 5,487	\$ 62,478
2019	39,626	2,622	42,248
2020	37,170	1,434	38,604
2021	<u>31,275</u>	<u>444</u>	<u>31,719</u>
Total	<u>\$ 165,062</u>	<u>\$ 9,987</u>	<u>\$ 175,049</u>

Facade loans

The Community Development Fund provides loans to small businesses to enhance the appearance of street front and lane facades. The program is funded through the City's Federal Community Development Block Grant. The various loans range from \$10,000 to 27,997. The loans are to be repaid in monthly installments over five years at interest rates ranging from .94% to 1.00%.

The following is a schedule of future loan payments to the City as of December 31, 2017:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 35,971	\$ 455	\$ 36,426
2019	5,599	144	5,743
2020	5,655	88	5,743
2021	<u>5,712</u>	<u>31</u>	<u>5,743</u>
Total	<u>\$ 52,937</u>	<u>\$ 718</u>	<u>\$ 53,655</u>

4. CAPITAL ASSETS AND DEPRECIATION SCHEDULE

Capital asset activity for the year ended December 31, 2017 for governmental activities was as follows:

	Beginning Balance (As restated)	Increases	Decreases	Ending Balance
Nondepreciable:				
Land	\$ 2,997,802	\$ 6,000	\$ (277,400)	\$ 2,726,402
Construction in Progress	<u>1,043,922</u>	<u>1,680,762</u>	<u>(188,233)</u>	<u>2,536,451</u>
Subtotal	<u>4,041,724</u>	<u>1,686,762</u>	<u>(465,633)</u>	<u>5,262,853</u>
Depreciable:				
Buildings	44,192,229	257,819	-	44,450,048
Infrastructure	40,031,461	16,623	-	40,048,084
Improvements	3,960,691	-	-	3,960,691
Equipment	<u>8,772,740</u>	<u>448,692</u>	<u>-</u>	<u>9,221,432</u>
Subtotal	<u>96,957,121</u>	<u>723,134</u>	<u>-</u>	<u>97,680,255</u>
Total capital assets	<u>100,998,845</u>	<u>2,409,896</u>	<u>(465,633)</u>	<u>102,943,108</u>
Accumulated depreciation:				
Buildings	24,206,102	1,283,906	-	25,490,008
Infrastructure	30,540,899	476,759	-	31,017,658
Improvements	1,563,287	166,132	-	1,729,419
Equipment	<u>5,739,607</u>	<u>583,730</u>	<u>-</u>	<u>6,323,337</u>
Total	<u>62,049,895</u>	<u>2,510,527</u>	<u>-</u>	<u>64,560,422</u>
Net capital assets	<u>\$ 38,948,950</u>	<u>\$ (100,631)</u>	<u>\$ (465,633)</u>	<u>\$ 38,382,686</u>

Depreciation was charged to governmental activities as follows:

General government support	\$ 7,267
Public safety	220,389
Transportation	613,020
Home and community services	1,614,617
Culture and Recreation	<u>55,234</u>
Total depreciation expense	<u>\$ 2,510,527</u>

5. SHORT-TERM DEBT

Short-term bond anticipation note payable and activity for the year are summarized below:

<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
10/10/2018	1.180%	\$ _____ -	\$ <u>3,628,433</u>	\$ _____ -	\$ <u>3,628,433</u>
		\$ _____ -	\$ <u>3,628,433</u>	\$ _____ -	\$ <u>3,628,433</u>

In October 2017, the City issued a Bond Anticipation Note in the amount of \$3,628,433 at 1.180%, maturing in October 2018. This short-term financing is for various capital projects.

6. LONG-TERM OBLIGATIONS

Summary of Long-Term Obligations

The following is a summary of all long-term obligations outstanding as of December 31, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One year</u>
Serial bonds payable	\$13,234,795	\$ -	\$ 1,063,837	\$ 12,170,958	\$ 1,064,134
Capital lease notes	53,785	-	53,785	-	-
Other postemployment benefits	16,801,074	1,469,548	1,139,607	17,131,015	-
Net pension liability - ERS	1,794,936	-	722,296	1,072,640	-
Net pension liability - PFRS	3,199,691	-	1,030,514	2,169,177	-
Compensated absences	<u>1,118,279</u>	<u>1,260,727</u>	<u>-</u>	<u>2,379,007</u>	<u>-</u>
Long-term liabilities	<u>\$36,202,560</u>	<u>\$ 2,730,275</u>	<u>\$ 4,010,039</u>	<u>\$ 34,922,796</u>	<u>\$ 1,064,134</u>

As of December 31, 2017, amounts due to service serial bonds payable principal and interest in future years for governmental activities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,064,134	\$ 151,926	\$ 1,216,060
2019	1,074,134	132,698	1,206,832
2020	824,134	115,663	939,797
2021	814,134	101,588	915,722
2022	829,134	87,638	916,772
2023-2027	3,285,670	250,450	3,536,120
2028-2032	2,255,670	43,461	2,299,131
2033-2037	1,445,670	-	1,445,670
2038-2039	<u>578,278</u>	<u>-</u>	<u>578,278</u>
Total	<u>\$ 12,170,958</u>	<u>\$ 883,424</u>	<u>\$ 13,054,382</u>

7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Receivables and Payables

To improve cash management, most City disbursements are made from a pooled account in General Fund. This cash management practice, as well as normal delays in processing interfund transfers and reimbursement, is the main reason why interfund receivables and payables exist. These receivables and payables are short term in nature and are typically repaid in less than one year.

The following schedule summarizes individual fund interfund receivables and payables at December 31, 2017:

	<u>Amount Receivable</u>	<u>Amount Payable</u>
General Fund	\$ 1,957,272	\$ -
Community Development Fund	150,240	1,650,240
Water Fund	123	-
Sewer Fund	1,797	-
Capital Fund	<u>-</u>	<u>459,192</u>
Total	<u>\$ 2,109,432</u>	<u>\$ 2,109,432</u>

Transfers

Interfund transfers for the year ended December 31, 2017, which were routine in nature, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 300,863	\$ -
Miscellaneous Special Revenue Fund	-	31,069
Water Fund	99,330	191,884
Sewer Fund	-	594,678
Capital Projects	<u>586,838</u>	<u>169,400</u>
Total	<u>\$ 987,031</u>	<u>\$ 987,031</u>

8. RETIREMENT PLAN

New York State Employee Retirement System (NYSERS) and Police and Fire Retirement System (NYSPFRS)

The City participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system, providing retirement benefits as well as death and disability benefits. The net position of the NYSERS is held in the New York State Common Retirement Fund (the Fund), established to hold all net position and record changes in plan net position allocated to the NYSERS. The NYSERS benefits are established under the provisions of the New York State Retirement and Social Security Law (NYS RSSL). Once an employer elects to participate in the NYSERS, the election is irrevocable.

The City also participates in the New York State and Local Police and Fire Retirement System (PFRS). This is a cost-sharing multiple-employer retirement system, providing retirement benefits as well as death and disability benefits. The net position of the NYSPFRS is held in the New York State Common Retirement Fund (the Fund), established to hold all net position and record changes in plan net position allocated to the NYSPFRS. The NYSPFRS benefits are established under the provisions of the New York State Retirement and Social Security Law (NYS RSSL). Once an employer elects to participate in the NYSPFRS, the election is irrevocable.

The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The City, SURA and the District also participate in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The system is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The NYSERS and NYSPFRS are noncontributory except for employees who joined the NYSERS and NYSPFRS after July 27th, 1976, who contribute 3.0% percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% percent of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the NYSERS' and NYSPFRS' fiscal year ending March 31.

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

<u>Year</u>		<u>ERS</u>		<u>PFRS</u>
2017	\$	505,200	\$	744,416
2016	\$	557,773	\$	802,885
2015	\$	544,656	\$	752,855

8. RETIREMENT PLAN (Continued)

New York State Employee Retirement System (ERS) and Police and Fire Retirement System (PFRS) (Continued)

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

At December 31, 2017, the City reported a net pension liability of \$1,072,640 for its proportionate share of the NYS ERS net pension liability. The net pension liability was measured as of March 31, 2017, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuations as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2017, the City's proportion was .0114157%.

At December 31, 2017, the City reported a net pension liability of \$2,169,177 for its proportionate share of the NYS PFRS net pension liability. The net pension liability was measured as of March 31, 2017, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuations as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2017, the City's proportion was .1046571%.

For the year ended December 31, 2017, the City recognized pension expense of \$1,848,319. At December 31, 2017, the City reported deferred outflows/inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	
	<u>ERS</u>	<u>PFRS</u>
Differences between expected and actual experience	\$ 26,879	\$ 284,559
Changes of assumptions	366,453	1,068,662
Net difference between projected and actual earnings on pension plan investments	214,250	323,963
Changes in proportion and differences between the City's contributions and proportionate share of contributions	89,609	-
Contributions made subsequent to the measurement date	<u>412,550</u>	<u>609,517</u>
Total	<u>\$ 1,109,741</u>	<u>\$ 2,286,701</u>

	<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>PFRS</u>
Differences between expected and actual experience	\$ 162,886	\$ 374,786
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between the City's contributions and proportionate share of contributions	<u>17,937</u>	<u>269,199</u>
Total	<u>\$ 180,823</u>	<u>\$ 643,985</u>

8. RETIREMENT PLAN (Continued)

New York State Employee Retirement System (ERS) and Police and Fire Retirement System (PFRS) (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>ERS</u>	<u>PFRS</u>
2018	\$ 227,243	\$ 363,870
2019	227,243	363,870
2020	193,152	339,691
2021	(131,270)	(62,466)
2022	-	28,234
Total	<u>\$ 516,368</u>	<u>\$ 1,033,199</u>

The County recognized \$1,022,067 as a deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2017 which will be recognized as a reduction of the net pension liability in the year ended December 31, 2017.

Actuarial Assumptions

The total pension liability was determined by using an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total pension liability to March 31, 2017.

The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary scale	3.80% ERS, 4.5% PFRS, indexed by service
Investment rate of return, including inflation	7.00% compounded annually, net of investment expenses
Projected COLAs	1.30% compounded annually
Decrements	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014

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

8. RETIREMENT PLAN (Continued)

New York State Employee Retirement System (ERS) and Police and Fire Retirement System (PFRS) (Continued)

Actuarial Assumptions (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2017 are summarized below:

Long Term Expected Rate of Return

<u>Asset Type</u>	<u>Target Allocations in %</u>	<u>Long-Term expected real rate of return in %</u>
Domestic Equity	36.0	4.55
International Equity	14.0	6.35
Private Equity	10.0	7.75
Real Estate	10.0	5.80
Absolute Return	2.0	4.00
Opportunistic Portfolio	3.0	5.89
Real Asset	3.0	5.54
Bonds & Mortgages	17.0	1.31
Cash	1.0	(0.25)
Inflation Indexed Bonds	<u>4.0</u>	1.50
Total	<u>100.0</u>	

Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

8. RETIREMENT PLANS (Continued)

New York State Employee Retirement System (ERS) and Police and Fire Retirement System (PFRS) (Continued)

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.0%) or 1% higher (8.0%) than the current rate:

	1% Decrease <u>(6.0%)</u>	Current Discount <u>(7.0%)</u>	1% Increase <u>(8.0%)</u>
Proportionate Share of Net Pension liability (asset) – ERS	\$ 3,425,800	\$ 1,072,640	\$ (916,952)
Proportionate Share of Net Pension liability (asset) – PFRS	\$ 6,149,491	\$ 2,169,177	\$ (1,169,332)

Pension Plan Fiduciary Net Position (000's)

The components of the current-year net pension liability of the employers as of March 31, 2017 were as follows:

	ERS	PFRS
Total pension liability	\$ 177,400,586	\$ 31,670,483
Net position	<u>(168,004,363)</u>	<u>(29,597,831)</u>
Net pension liability (asset)	<u>\$ 9,396,223</u>	<u>\$ 2,072,652</u>
Net position as a percentage of total pension liability	<u>94.70%</u>	<u>93.50%</u>

9. OTHER POST EMPLOYMENT BENEFITS

Plan Description

The City administers the Medical Plan to its employees under a single-employer, self-insured benefit plan. The plan provides for continuation of medical insurance benefits for certain retirees and their spouses and can be amended by action of the City subject to applicable collective bargaining and employee agreements. The financial information for the City's plan is contained solely within these basic financial statements.

9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy

The obligations of the Plan members, employees, and other entities are established by action of the City pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the member vary depending on the applicable agreement. The retirees currently contribute enough money to the Plan to satisfy current obligations on a pay-as-you go basis. For the year ended December 31, 2017, the City contributed a total of \$1,139,607. The costs of administering the Plan are paid by the City.

Annual OPEB Cost and Net 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 the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and the amortized amount of any unfunded actuarially accrued liabilities (UAAL) over a period of thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and the changes in the City's net OPEB obligation.

	<u>City</u>
Annual required contribution	\$ 1,982,243
Interest on net OPEB obligation	672,043
Adjustment to annual required contribution	<u>(1,184,738)</u>
Annual OPEB cost (expense)	1,469,548
Contributions made	<u>(1,139,607)</u>
Increase in net OPEB obligation	329,941
Net OPEB obligation - Beginning of Year	<u>16,801,074</u>
Net OPEB obligation - End of Year	<u>\$ 17,131,015</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the preceding two years were as follows:

	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2015	\$ 1,373,750	90.1%	\$ 16,454,424
December 31, 2016	\$ 1,411,098	75.4%	\$ 16,801,074
December 31, 2017	\$ 1,469,548	77.5%	\$ 17,131,015

9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funding Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statement, present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the 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 January 1, 2015, actuarial valuation, the following methods and assumptions were used:

Actuarial valuation method	Projected Unit Credit
Amortization method	Open basis
Discount rate	4.0%
Medical care cost trend rate	9.0%
Amortization period	30 years
Mortality Rates	RP 2000 Healthy Male and Female Tables with improvements using the Projections Scale AA for 15 years

10. NEW AND UPCOMING PRONOUNCEMENTS

New Pronouncements

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pension (other postemployment benefits or OPEB) included in the general purposes external financial reports of statement local governmental OPEB plans for making decisions and assessing accountability. The City adopted the provisions of Statement No. 74 for the year ending December 31, 2017 with no material effect.

In January 2016, the GASB issues Statement No. 80, *Blending Requirements for Certain Component Units; an Amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirement established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. The City adopted the provisions of Statement No. 80 for the year ending December 31, 2017 with no material effect.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The City adopted the provisions of Statement No. 74 for the year ending December 31, 2017 with no material effect.

In March 2016, the GASB issued Statement No. 82, *Pension Issues; an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Pending the measurement date of the employer's pension liability, the Corporation is required to adopt the provisions of Statement No. 82 for the year ended December 31, 2017 or 2018. The City adopted the provisions of the Statement No. 82 for the year ending December 31, 2017 with no material effect.

10. NEW AND UPCOMING PRONOUNCEMENTS (Continued)

Upcoming Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pension (other postemployment benefits or OPEB). The City is required to adopt the provisions of Statement No. 75 for the year ending December 31, 2018.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. This Statement also requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The best estimate should include probability weighting of all potential outcomes, when such information is available or can be obtained at reasonable cost. The City is required to adopt the provisions of this Statement for the year ending December 31, 2019.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments with a focus on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. The City is required to adopt the provisions of this Statement for the year ending December 31, 2019.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is address practice issues specific to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The City is required to adopt the provisions of this Statement for the year ending December 31, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. The City is required to adopt the provisions of this Statement for the year ending December 31, 2018.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The City is required to adopt the provisions of this Statement for the year ending December 31, 2020.

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

CITY OF ONEIDA, NEW YORK

**BUDGETARY COMPARISON SCHEDULE
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Modified		
Budgetary fund balance, January 1	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Real property taxes	3,978,319	3,980,319	3,884,964	(95,355)
Other real property tax items	215,000	213,000	259,941	46,941
Non-property taxes	4,853,000	4,850,500	4,890,066	39,566
Departmental revenues	211,760	214,260	181,194	(33,066)
Intergovernmental charges	22,650	22,650	22,626	(24)
Tribal Compact moneys	173,967	173,967	185,837	11,870
Use of money and property	27,800	27,800	12,431	(15,369)
Licenses and permits	64,540	64,540	279,954	215,414
Fines and forfeitures	104,000	104,000	100,346	(3,654)
State aid	1,900,797	1,902,097	2,026,221	124,124
Federal aid	-	-	2,215	2,215
Sale of property and compensation for loss	73,500	94,388	119,523	25,135
Miscellaneous	18,937	18,937	-	(18,937)
Amounts available for appropriation	<u>11,644,270</u>	<u>11,666,458</u>	<u>11,965,318</u>	<u>298,860</u>
Charges to appropriations:				
General government support	1,195,051	1,240,194	1,178,564	(61,630)
Public safety	4,091,630	4,199,169	4,184,327	(14,842)
Health	13,855	10,365	5,806	(4,559)
Transportation	1,097,691	1,158,828	1,071,350	(87,478)
Economic assistance and opportunity	750	750	750	-
Culture and recreation	423,441	442,234	404,233	(38,001)
Home and community services	468,002	468,002	427,640	(40,362)
Employee benefits	4,277,255	4,277,255	4,083,804	(193,451)
Debt service - principal	437,208	437,208	437,208	-
Debt service - interest	108,580	108,580	108,577	(3)
Total charges to appropriations	<u>12,113,463</u>	<u>12,342,585</u>	<u>11,902,259</u>	<u>(440,326)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(469,193)</u>	<u>(676,127)</u>	<u>63,059</u>	<u>(141,466)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	144,709	144,709	300,863	156,154
Operating transfers out	(41,333)	(41,333)	-	41,333
Total other financing sources (uses)	<u>103,376.00</u>	<u>103,376</u>	<u>300,863</u>	<u>197,487</u>
NET CHANGE IN FUND BALANCE	<u>\$ (365,817)</u>	<u>\$ (572,751)</u>	<u>\$ 363,922</u>	<u>\$ 56,021</u>

See Notes to the Required Supplementary Information.

CITY OF ONEIDA, NEW YORK

**BUDGETARY COMPARISON SCHEDULE
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 BUDGET AND ACTUAL - WATER FUND
 FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Modified		
Budgetary fund balance, January 1	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Departmental income	3,236,421	3,236,421	3,225,467	(10,954)
Use of money and property	7,403	7,403	7,485	82
Sale of property and compensation for a loss	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
Amounts available for appropriation	<u>3,253,824</u>	<u>3,253,824</u>	<u>3,232,952</u>	<u>(20,872)</u>
Charges to appropriations:				
Home and community services	2,035,614	2,047,712	1,843,669	(204,043)
Employee Benefits	609,605	609,605	557,070	(52,535)
Debt Service - Principal	400,000	400,000	400,000	-
Debt Service - interest	<u>66,177</u>	<u>66,177</u>	<u>66,177</u>	<u>-</u>
Total charges to appropriations	<u>3,111,396</u>	<u>3,123,494</u>	<u>2,866,916</u>	<u>(256,578)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>142,428</u>	<u>130,330</u>	<u>366,036</u>	<u>(277,450)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers from	107,336	107,336	99,330	(8,006)
Operating transfers to	<u>(249,764)</u>	<u>(292,284)</u>	<u>(191,884)</u>	<u>100,400</u>
Total other financing sources (uses)	<u>(142,428)</u>	<u>(184,948)</u>	<u>(92,554)</u>	<u>92,394</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (54,618)</u>	<u>\$ 273,482</u>	<u>\$ (185,056)</u>

See Notes to the Required Supplementary Information.

CITY OF ONEIDA, NEW YORK

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS PLAN SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED DECEMBER 31, 2017**

<u>Fiscal Year</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2017	1/1/2015	\$ -	\$ 25,363,814	\$ 25,363,814	0%	\$ 6,934,485	366.0%
12/31/2016	1/1/2015	\$ -	\$ 24,989,538	\$ 24,989,538	0%	\$ 6,907,811	362.0%
12/31/2015	1/1/2015	\$ -	\$ 24,575,806	\$ 24,575,806	0%	\$ 6,828,572	360.0%

See Notes to the Required Supplementary Information.

CITY OF ONEIDA, NEW YORK

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
 FOR THE YEAR ENDED DECEMBER 31, 2017

Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN:										
Proportion of the net pension liability (asset)	0.0114157%	0.0111832%	0.0012297%							
Proportionate share of the net pension liability (asset)	\$ 1,072,640	\$ 1,794,936	\$ 415,434							
Covered-employee payroll	3,442,685	3,054,725	3,243,110							
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	31.16%	58.76%	12.81%							
Plan fiduciary net position as a percentage of the total pension liability (asset)	94.70%	90.70%	97.90%							
NEW YORK STATE POLICE AND FIRE RETIREMENT SYSTEM PLAN:										
Proportion of the net pension liability (asset)	0.1046571%	0.1080690%	0.1086180%							
Proportionate share of the net pension liability (asset)	\$ 2,169,177	\$ 3,199,691	\$ 299,157							
Covered-employee payroll	3,491,800	3,230,831	3,270,342							
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	62.12%	99.04%	9.15%							
Plan fiduciary net position as a percentage of the total pension liability (asset)	93.46%	90.20%	99.00%							

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as it becomes available.

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as it becomes available.

CITY OF ONEIDA, NEW YORK

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CONTRIBUTIONS - PENSION PLANS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Last 10 Fiscal Years									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN:										
Contractually required contribution	\$ 505,200	\$ 557,773	\$ 544,656							
Contributions in relation to the contractually required contribution	<u>(505,200)</u>	<u>(557,773)</u>	<u>(544,656)</u>							
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>							
Covered-employee payroll	3,442,685.00	3,355,870	3,054,725							
Contributions as a percentage of covered-employee payroll	14.67%	16.62%	17.83%							
<div style="border: 1px solid black; padding: 10px; background-color: #e0f0ff; margin: 10px auto; width: 80%;"> Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as it becomes available. </div>										
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
NEW YORK STATE POLICE AND FIRE RETIREMENT SYSTEM PLAN:										
Contractually required contribution	\$ 744,416	\$ 802,885	\$ 752,885							
Contributions in relation to the contractually required contribution	<u>(744,416)</u>	<u>(802,885)</u>	<u>(752,882)</u>							
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>							
Covered-employee payroll	3,491,800	3,351,258	3,230,831							
Contributions as a percentage of covered-employee payroll	21.32%	23.96%	23.30%							
<div style="border: 1px solid black; padding: 10px; background-color: #e0f0ff; margin: 10px auto; width: 80%;"> Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as it becomes available. </div>										

See Notes to Required Supplementary Information.

CITY OF ONEIDA, NEW YORK

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) DECEMBER 31, 2017

1. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Policies

The budget policies are as follows:

- 1) No later than October 31st of each year, the Mayor submits a tentative budget to Common Council for the fiscal year commencing the following January 1st. The tentative budget includes proposed expenditures and the proposed means of financing for all funds of the City.
- 2) After public hearings are conducted to obtain taxpayer comments, the Common Council adopts the budget. Appropriations established by the budget constitute a limitation on expenditures which may be incurred.
- 3) All modifications of the budget must be approved by the City Board and all appropriations lapse at fiscal year-end.
- 4) Legally adopted budgets include the General Fund and the Water Fund.

Budget Basis of Accounting

Budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States. Budgetary comparisons presented in this report are on a GAAP basis and represent the budget as modified.

CITY OF ONEIDA, NEW YORK

**BALANCE SHEET
GOVERNMENTAL FUNDS - NONMAJOR GOVERNMENTAL FUNDS
SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017**

	Miscellaneous Special Revenue <u>Fund</u>	Sewer <u>Fund</u>	<u>Total</u>
ASSETS			
Unrestricted cash & cash equivalents	\$ 43,664	\$ 1,464,013	\$ 1,507,677.00
Accounts receivable	-	85,069	85,069
Due from other funds	-	1,797	1,797
Prepaid expenditures	<u>-</u>	<u>32,515</u>	<u>32,515</u>
Total assets	<u>\$ 43,664</u>	<u>\$ 1,583,394</u>	<u>\$ 1,627,058</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 55,736	\$ 55,736
Accrued liabilities	-	9,825	9,825
Due to other governments	<u>-</u>	<u>66,673</u>	<u>66,673</u>
Total liabilities	<u>-</u>	<u>132,234</u>	<u>132,234</u>
Fund balances:			
Nonspendable	-	32,515	32,515
Assigned	<u>43,664</u>	<u>1,418,645</u>	<u>1,462,309</u>
Total fund balances	<u>43,664</u>	<u>1,451,160</u>	<u>1,494,824</u>
Total liabilities and fund balances	<u>\$ 43,664</u>	<u>\$ 1,583,394</u>	<u>\$ 1,627,058</u>

CITY OF ONEIDA, NEW YORK

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017**

	Miscellaneous Special Revenue <u>Fund</u>	Sewer <u>Fund</u>	<u>Total</u>
REVENUES:			
Real property taxes	\$ 36,515	\$ -	\$ 36,515
Departmental Income	9,391	2,177,535	2,186,926
Use of money and Property	118	3,760	3,878
Licenses and Permits	<u>-</u>	<u>200</u>	<u>200</u>
Total revenues	<u>46,024</u>	<u>2,181,495</u>	<u>2,227,519</u>
EXPENDITURES:			
Home and community services	16,784	1,590,202	1,606,986
Employee benefits	-	343,406	343,406
Debt Service - Principal	<u>-</u>	<u>289,134</u>	<u>289,134</u>
Total expenditures	<u>16,784</u>	<u>2,222,742</u>	<u>2,239,526</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>29,240</u>	<u>(41,247)</u>	<u>(12,007)</u>
OTHER FINANCING (USES):			
Interfund transfers out	<u>(31,069)</u>	<u>(594,678)</u>	<u>(625,747)</u>
Total other financing (uses)	<u>(31,069)</u>	<u>(594,678)</u>	<u>(625,747)</u>
CHANGE IN FUND BALANCE	(1,829)	(635,925)	(637,754)
FUND BALANCE - beginning of year	<u>45,493</u>	<u>2,087,085</u>	<u>2,132,578</u>
FUND BALANCE - end of year	<u>\$ 43,664</u>	<u>\$ 1,451,160</u>	<u>\$ 1,494,824</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

June 25, 2018

To the Common Council of the
City of Oneida, New York:

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Oneida, New York (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 25, 2018. In our report on the financial statements, we issued an adverse opinion on the discretely presented component unit because the Oneida Public Library was excluded from the City's financial statements. All other opinion units were issued unmodified opinions.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 that we consider to be material weaknesses as items 2017-001 through 2017-002.

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 deficiency described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency as item 2017-003.

432 North Franklin Street, Suite 60
Syracuse, New York 13204
p (315) 476-4004
f (315) 475-1513

www.bonadio.com

(Continued)

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)

Internal Control over Financial Reporting (Continued)

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Oneida, New York'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 matter that are required to be reported under *Government Auditing Standards*.

City of Oneida, New York's Response to Findings

City of Oneida's, New York's responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Oneida, New York'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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

June 25, 2018

To the Common Council of the
City of Oneida, New York:

Report on Compliance for Each Major Federal Program

We have audited the City of Oneida, New York's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the City's major federal programs for the year ended December 31, 2017. The City's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

432 North Franklin Street, Suite 60
Syracuse, New York 13204
p (315) 476-4004
f (315) 475-1513

www.bonadio.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Auditor's Responsibility
(Continued)

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's compliance.

Opinion on Each Major Federal Program

In our opinion, the City 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 December 31, 2017.

Report on Internal Control over Compliance

Management of the City 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'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 the Uniform Guidance, 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 the City'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.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**
(Continued)

Report on Internal Control over Compliance
(Continued)

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CITY OF ONEIDA, NEW YORK

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Federal Grantor/Pass-through Grantor/Program Title	CFDA #	Grant Identifying Number	Agency or Pass-Through Number	Federal Expenditures
U.S. Department of Housing and Urban Development				
Passed-through NYS Homes & Community Renewal:				
HOME Investment Partnership Program		14.239	2015-3009	\$ <u>157,125</u>
Total Passed-through NYS Homes & Community Renewal				<u>157,125</u>
Total U.S. Department of Housing and Urban Development				<u>157,125</u>
U.S. Department of Homeland Security				
Passed-through NYS Division of Homeland Security:				
Hazard Mitigation Grant		97.039	4031-0035	4,843,781
Hazard Mitigation Grant		97.039	4129-PW-0052	<u>749,131</u>
Total U.S. Department Homeland Security				<u>5,592,912</u>
Total Expenditures of Federal Awards				<u>\$ 5,750,037</u>

CITY OF ONEIDA, NEW YORK

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2017

1. BASIS OF PRESENTATION

Pass-Through Programs

Where the City of Oneida, New York (the City) receives funds from a government entity other than the federal government (pass-through), the funds are accumulated based upon the Catalog of Federal Domestic Assistance (CFDA) number when advised by the pass through grantor. Identifying numbers, other than CFDA numbers, which may be assigned by pass-through grantors, are not maintained in the City's financial management system. City management has identified certain pass-through identifying numbers and included them in the schedule of expenditures of federal awards (SEFA).

2. BASIS OF ACCOUNTING

The SEFA is presented in accordance with accounting principles generally accepted in the United States of America and is derived from the City's general ledger. Federal expenditures are recorded when an allowable cost is incurred under the applicable program and is due and payable. For programs with funding ceilings and caps, federal expenditures are only recorded and presented in the SEFA up to such amounts.

3. LOANS RECEIVABLE – Community Development Block Grant (CFDA 14.218)

The City of Oneida provides loans to small businesses to develop innovative products and services, and create jobs. The program is funded through the City's Federal Community Development Block Grant. The various loans awarded range from \$7,000 to \$75,000. The loans are to be repaid in monthly installments over 5 to 28 years at an interest rate of 1.75 to 4.75%. The interest received is considered to be program income and is used to pay administrative costs associated with the program as well as for subsequent loans. At December 31, 2017 the outstanding principal balance of those loans were \$216,410.

4. INDIRECT COSTS

Indirect costs are included in the reported expenditures to the extent such costs are included in the federal financial reports used as the source for the data presented. The City has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

5. MATCHING COSTS

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

CITY OF ONEIDA, NEW YORK

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Part I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the City's financial statements were prepared in accordance with GAAP:
Unmodified - governmental activities, each major fund and aggregate remaining fund information
Adverse – aggregate discretely presented component unit

Internal control over financial reporting:

Material weakness(es) identified?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no
Significant deficiencies identified?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiencies identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?

<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
------------------------------	--

The dollar threshold to distinguish between Type A and B programs was \$750,000.

The major federal program of the City for the year ended December 31, 2017 was as follows:

U.S. Department of Homeland Security

- Hazard Mitigation Grant (97.039)
- The City was not considered a low-risk auditee for the year ended December 31, 2017.

Part II - Financial Statement Findings

Reference: 2017-001

Financial Reporting

Criteria:

Internal controls over financial reporting should be properly designed, documented and implemented to ensure all material transactions are recorded properly in accordance with Generally Accepted Accounting Principles.

Cause/Condition:

Activity and transactions are incurred during the year, and are not recorded in the general ledger.

Effect:

Material audit adjustments were recorded in the following funds/departments as a result of our audit that are summarized below and communicated separately in our required communications letter:

Community Development Fund

Expense	\$238,000	
Accounts Payable		\$238,000

Sewer Fund

Expense	\$37,840	
Accounts Payable		\$37,840

Capital Fund

Expense	\$439,593	
Accounts Payable		\$439,593

Prior Period Adjustment – Water Fund

Fund Balance	\$117,318	
Accounts Receivable		\$117,318

Prior Period Adjustment – Community Development Fund

Fund Balance	\$217,999	
Unearned Revenue		\$217,999

Recommendation:

We recommend management develop and document policies and procedures that require all activity and transactions at year end be recorded in the correct fiscal year in accordance with Generally Accepted Accounting Principles. Management should review all items within sixty days of year end and appropriate adjustments should be made as necessary.

Management's Response:

The City will develop and implement a year end policy to capture all year end expenditures appropriately.

Part II - Financial Statement Findings

Reference: 2017-002

Financial Reporting

Criteria:

Internal controls should ensure capital asset transactions are recorded in accordance with generally accepted accounting principles.

Cause/Condition:

Management's current policies and procedures are not adequate to ensure the completeness and accuracy of capital asset records at fiscal yearend.

Effect:

Material audit adjustments were necessary to record construction in progress, capital assets at cost and related depreciation expense. The effect of certain adjustments as noted below were required to be reflected through the opening balance of net position for the year ending December 31, 2017.

Capital Assets	\$637,801	
Accumulated Depreciation		\$4,861,293
Net Position	\$4,223,492	

Recommendation:

We recommend the City to develop and document policies and procedures to ensure proper reconciliation of the capital asset activity to supporting documentation. Depreciation expense should be calculated on all depreciable assets. Construction in progress on all capital projects should be capitalized at costs as a non-depreciable asset, until project completion.

Management's Response:

Although capital asset documentation has been a developing project for the last three years, the City anticipates their new software will provide them with assistance in the proper reconciliation of the capital asset activity to supporting documentation.

Part II - Financial Statement Findings

Reference: 2017-003

Financial Reporting

Criteria:

Internal controls should be properly designed, documented and implemented to ensure the timeliness of the tax sale certificate and properties acquired for taxes.

Cause/Condition:

The City Charter is not updated to reflect current practices.

Effect:

Properties may not be acquired by the City within the two years as noted by the Charter causing the property to remain delinquent. In addition, properties acquired are not being put up for sale or auctioned to get the property back on the tax roll in a reasonable amount of time.

Recommendation:

We recommend the City update the Charter to clearly define the policies for tax sale certificates and properties acquired for taxes. In additions, we recommend that management enforce these policies as written in the Charter.

Management's Response:

The current delinquencies are being discussed and steps will be taken to follow the charter appropriately.