

**CITY OF ONEIDA, NEW YORK**

**Financial Statements as of  
December 31, 2019**

**Together with Independent Auditor's Report and Reports  
Required by the Uniform Guidance and *Government  
Auditing Standards***

**Bonadio & Co., LLP**  
Certified Public Accountants

CITY OF ONEIDA, NEW YORK

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**INDEPENDENT AUDITOR'S REPORT**

June 22, 2020

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, 2019, 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.

## 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: Water Fund	Unmodified
Major Fund: Capital Fund	Unmodified
Major Fund: Sewer Fund	Unmodified
Major Fund: Debt Service - Library	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, 2019, 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, 2019, 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.

### **Other Matters**

#### *Change in Accounting Principle*

As discussed in Note 1 to the financial statements, in 2019 the City adopted new accounting guidance, *Governmental Accounting Standards Board Statement No. 84*, Fiduciary Activities. Our opinions are not modified with respect to this matter.

## **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 changes in total other postemployment benefit liabilities and related ratios, schedules of proportionate share of net pension liability(asset) 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 and individual nonmajor fund financial statements and the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2020, 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)

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The City of Oneida's management discussion and analysis provides an overview of the City's activities for the fiscal year ended December 31, 2019. 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 \$(6,597,090)

The General Fund's fund balance decreased 3.16% to a total balance of \$3,693,470.

The Water Fund's fund balance increased 11.42% to a total balance of \$4,445,249.

The Sewer Fund's fund balance increased 17.93% to a total balance of \$1,801,596.

#### 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)**

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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 seven individual governmental funds. General, Water, Sewer, Capital and Debt Service Library fund, is considered to be a major fund and is presented separately in the fund financial statement. The Miscellaneous Special Revenue and Community Development fund are presented as the Non-Major Governmental Funds on the fund financial statement.

**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.

**CITY OF ONEIDA, NEW YORK**

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

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

**Net Position**

The City's total Net Position increased \$14,026,899 between fiscal year 2019 and 2018. A summary of the City's Statement of Net Position at December 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>	Increase (Decrease)	% Change
Current and Other Assets	\$ 18,520,711	\$ 13,187,690	\$ 5,333,021	40.4%
Capital Assets, (Net of Accumulated Depreciation)	<u>41,971,297</u>	<u>40,605,560</u>	1,365,737	3.4%
<b>Total Assets</b>	<u><b>60,492,008</b></u>	<u><b>53,793,250</b></u>	6,698,758	12.5%
Deferred Outflows of Resources-Pensions	<u>2,538,602</u>	<u>4,072,939</u>	(1,534,337)	-37.7%
<b>Total Assets and Deferred Outflows of Resources</b>	<u><b>63,030,610</b></u>	<u><b>57,866,189</b></u>	5,164,421	8.9%
Current Liabilities	2,699,508	1,915,056	784,452	41.0%
Bond Anticipation Note Payable	6,060,599	624,000	5,436,599	871.2%
Pension Liability-Proportionate Share	2,444,652	1,391,254	1,053,398	75.7%
Long Term Liabilities	<u>66,228,783</u>	<u>56,742,236</u>	9,486,547	16.7%
<b>Total liabilities</b>	<u><b>77,433,542</b></u>	<u><b>60,672,546</b></u>	16,760,996	27.6%
Deferred Inflows of Resources-Pensions	<u>1,056,636</u>	<u>3,421,299</u>	(2,364,663)	-69.1%
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u><b>78,490,178</b></u>	<u><b>64,093,845</b></u>	14,396,333	22.5%
<b>Net Position</b>				
Net investment in Capital Assets	26,921,849	25,702,456	1,219,393	4.7%
Restricted	9,170,829	7,270,917	1,899,912	26.1%
Unrestricted (Deficit)	<u>(42,689,768)</u>	<u>(39,201,029)</u>	(3,488,739)	8.9%
<b>Total Net Position</b>	<u><b>(6,597,090)</b></u>	<u><b>(6,227,656)</b></u>	(369,434)	5.9%
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<u><b>\$ 71,893,088</b></u>	<u><b>\$ 57,866,189</b></u>	\$ 14,026,899	24.2%

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, 2019 is \$42,689,768 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.

**CITY OF ONEIDA, NEW YORK**

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

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**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.

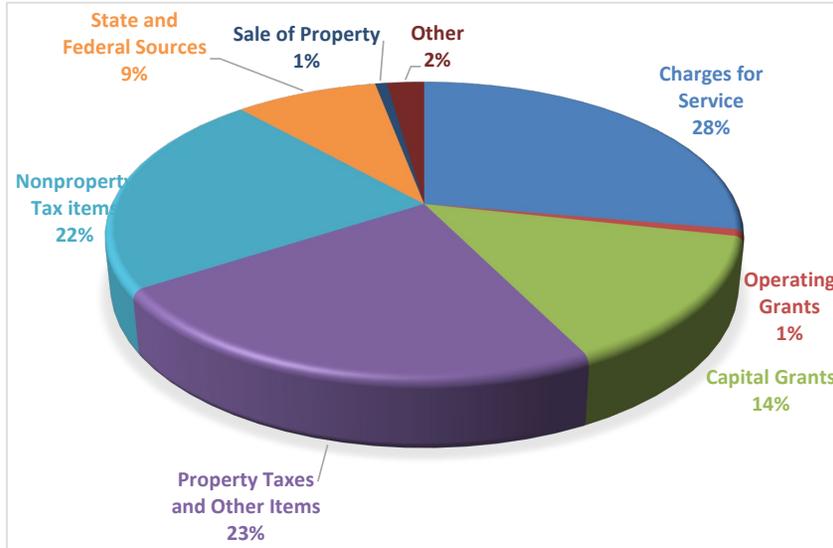
A summary of this statement for the years ending December 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
<b>Revenues</b>				
<b>Program Revenues</b>				
Charges for Service	\$ 6,228,341	\$ 6,118,516	\$ 109,825	1.8%
Operating Grants	165,281	204,470	(39,189)	-19.2%
Capital Grants	3,183,253	8,832,915	(5,649,662)	-64.0%
<b>General Revenues</b>				
Property Taxes and Other Items	5,203,527	4,065,926	1,137,601	28.0%
Nonproperty Tax items	5,051,939	4,707,367	344,572	7.3%
State and Federal Sources	1,944,522	1,933,584	10,938	0.6%
Sale of Property	157,456	105,885	51,571	48.7%
Other	<u>508,858</u>	<u>521,042</u>	(12,184)	-2.3%
<b>Total Revenues</b>	<u>22,443,177</u>	<u>26,489,705</u>	(4,046,528)	-15.3%
<b>Expenditures</b>				
General Government Support	1,652,789	1,297,867	354,922	27.3%
Public Safety	4,788,763	4,633,339	155,424	3.4%
Public Health	74,327	69,348	4,979	7.2%
Transportation	3,628,201	2,009,866	1,618,335	80.5%
Economic Assistance and Opportunity	1,000	1,000	-	0.0%
Home and Community Services	6,392,034	13,476,297	(7,084,263)	-52.6%
Culture & Recreation	377,170	542,634	(165,464)	-30.5%
Employee Benefits	5,537,918	5,963,267	(425,349)	-7.1%
Interest on long-term debt	<u>360,409</u>	<u>194,742</u>	165,667	85.1%
<b>Total Expenditures</b>	<u>22,812,611</u>	<u>28,188,360</u>	(5,375,749)	-19.1%
<b>Change in Net Position</b>	<u>\$ (369,434)</u>	<u>\$ (1,698,655)</u>	\$ 1,329,221	-78.3%

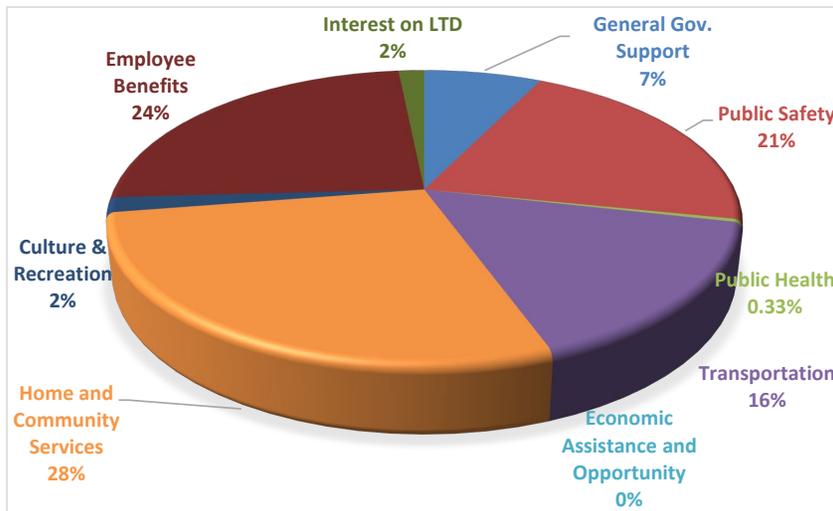
Management's Discussion and Analysis (Unaudited)

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A graphic display of the distribution of revenues is as follows:  
For the year ended December 31, 2019



A graphic display of the distribution of expenditures is as follows:  
For the year ended December 31, 2019



CITY OF ONEIDA, NEW YORK

Management's Discussion and Analysis (Unaudited)

FINANCIAL ANALYSIS OF THE CITY'S FUND BALANCE

At December 31, 2019, the City's governmental funds reported a combined fund balance of \$9,011,179. This was a decrease of \$510,980. The slight decrease was primarily due to maintaining the proper balance between revenues and expenditures and the required addition of the debt service Library Fund.

	<u>2019</u>	<u>2018</u>	Increase (Decrease)
General Fund			
Nonspendable	\$ 838,216	\$ 554,358	\$ 283,858
Restricted	88,731	52,420	36,311
Assigned	12,762	158,846	(146,084)
Unassigned	<u>2,753,761</u>	<u>3,048,216</u>	<u>(294,455)</u>
	<u>3,693,470</u>	<u>3,813,840</u>	<u>(120,370)</u>
Community Development Fund			
Restricted	656,702	515,602	141,100
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
	<u>656,702</u>	<u>515,602</u>	<u>141,100</u>
Water Fund			
Nonspendable	186,819	157,603	29,216
Restricted	677,290	3,831,912	(3,154,622)
Unrestricted	<u>3,581,140</u>	<u>-</u>	<u>3,581,140</u>
	<u>4,445,249</u>	<u>3,989,515</u>	<u>455,734</u>
Capital Fund			
Restricted	2,600,172	1,325,364	1,274,808
Unassigned	<u>(3,231,066)</u>	<u>(1,695,653)</u>	<u>(1,535,413)</u>
	<u>(630,894)</u>	<u>(370,289)</u>	<u>(260,605)</u>
Sewer Fund			
Nonspendable	40,017	27,872	12,145
Restricted	<u>1,761,579</u>	<u>1,499,796</u>	<u>261,783</u>
	<u>1,801,596</u>	<u>1,527,668</u>	<u>273,928</u>
Miscellaneous Special Revenue Fund			
Restricted	<u>50,245</u>	<u>45,823</u>	<u>4,422</u>
	<u>50,245</u>	<u>45,823</u>	<u>4,422</u>
Debt Service Library Fund			
Restricted	3,336,110	-	3,336,110
Assigned	19,300	-	19,300
Unrestricted	<u>(4,360,599)</u>	<u>-</u>	<u>(4,360,599)</u>
	<u>(1,005,189)</u>	<u>-</u>	<u>(1,005,189)</u>
Total Fund Balance	<u>\$ 9,011,179</u>	<u>\$ 9,522,159</u>	<u>\$ (510,980)</u>

**CITY OF ONEIDA, NEW YORK**

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

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The City's adopted budget for the year ended December 31, 2019, for the General Fund totaled \$13,266,665. The original budget allowed for the use of fund balance in the amount of \$397,761. With the collection of prior tax sale debt and a decrease in public safety expenses, only \$120,370 was needed to cover the deficit in expenses to revenues.

**General Fund Balance Budget**

	Original 2019	Modified 2019	Actual 2019	Variance Positive (Negative)
<b>Estimated Revenues</b>				
Property Tax Levy	\$ 4,370,040	\$ 4,370,040	\$ 4,655,449	\$ 285,409
Other Property Tax Items	256,000	256,000	226,543	(29,457)
Non Property Tax Items	5,107,602	5,107,602	5,051,939	(55,663)
Departmental	260,430	244,281	193,464	(50,817)
Intergovernmental Charges	10,150	10,150	13,099	2,949
Tribal Compact Money	190,000	190,000	210,184	20,184
Use of Money & Property	16,800	16,800	39,707	22,907
Licenses and Permits	227,540	227,540	82,338	(145,202)
Fines and Forfeitures	93,500	93,500	84,966	(8,534)
Sale of Property & Compensation for Loss	75,000	142,705	145,379	2,674
Miscellaneous	11,050	11,050	16,130	5,080
State Aid	1,997,827	1,997,827	1,997,741	(86)
Transfer from Other Funds	252,945	252,945	253,783	838
<b>Total Estimated Revenues</b>	<b>12,868,884</b>	<b>12,920,440</b>	<b>12,970,722</b>	<b>50,282</b>
<b>Estimated Expenditures</b>				
General Govt Support	1,434,112	1,386,730	1,314,082	(72,648)
Public Safety	4,591,127	4,754,005	4,523,834	(230,171)
Public Health	79,745	76,308	74,327	(1,981)
Transportation	1,439,777	1,532,155	1,523,458	(8,697)
Economic Assistance & Opportunity	1,000	1,000	1,000	-
Culture and Recreation	462,135	495,498	459,074	(36,424)
Home and Community Services	241,300	245,454	225,579	(19,875)
Employee Benefits	4,066,942	4,053,312	4,003,888	(49,424)
Debt Service-Principle	591,982	666,909	591,980	(74,929)
Debt Service-Interest	158,545	158,545	158,545	-
Transfer to Other Funds	200,000	215,325	215,325	-
<b>Total Estimated Expenditures</b>	<b>13,266,665</b>	<b>13,585,241</b>	<b>13,091,092</b>	<b>\$ (494,149)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (397,781)</b>	<b>\$ (664,801)</b>	<b>\$ (120,370)</b>	

**CITY OF ONEIDA, NEW YORK**

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

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The City's total depreciation expense is \$3,004,232, however with the addition of numerous capital projects and construction in progress, the total net capital assets at year end ended with a net increase of \$1,365,737.

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
Nondepreciable			
Land	\$ 2,738,102	\$ 2,730,602	\$ 7,500
Construction in Progress	<u>6,681,247</u>	<u>3,529,765</u>	<u>3,151,482</u>
	<u>9,419,349</u>	<u>6,260,367</u>	<u>3,158,982</u>
Depreciable			
Buildings	45,904,560	45,830,379	74,181
Infrastructure	41,314,678	40,815,963	498,715
Improvements	4,108,691	3,960,691	148,000
Equipment	<u>11,708,353</u>	<u>11,226,483</u>	<u>481,870</u>
Subtotal	<u>103,036,282</u>	<u>101,833,516</u>	<u>1,202,766</u>
Total Capital Assets	<u>112,455,631</u>	<u>108,093,883</u>	<u>4,361,748</u>
Accumulated Depreciation			
Buildings	(28,191,494)	(26,837,537)	(1,353,957)
Infrastructure	(32,306,696)	(31,642,705)	(663,991)
Improvements	(2,072,449)	(1,894,303)	(178,146)
Equipment	<u>(7,913,695)</u>	<u>(7,113,778)</u>	<u>(799,917)</u>
Total Accumulated Depreciation	<u>(70,484,334)</u>	<u>(67,488,323)</u>	<u>(2,996,011)</u>
<b>Total Net Capital Assets</b>	<u>\$ 41,971,297</u>	<u>\$ 40,605,560</u>	<u>\$ 1,365,737</u>

**Debt administration**

Short Term Debt

The City re-issued a Bond Anticipation Note of \$600,000 in October 2019 with an interest rate of 1.79% to pay for a portion of the Wastewater Treatment Plant Hazard Mitigation capital project. Upon maturity the Bond Anticipation Note will be turned to a Serial Bond less any FEMA grant funds received. The Bond Anticipation Note is listed in the debt service schedule below.

In anticipation of 0% short and long term debt financing through Environmental Facilities Corp, the City decided to issue a Bond Anticipation Note of \$1,100,000 with an interest rate of 1.79% to begin preliminary engineering designs for a guaranteed savings and revenue producing Wastewater Treatment Plant Expansion project. The project is necessary to fulfill the requirements of a Department of Environmental Conservation consent order for long term improvements to the facility.

**CITY OF ONEIDA, NEW YORK**

**Management’s Discussion and Analysis (Unaudited)**

In July 2019, the City issued a joint bond anticipation note with the Towns of Lenox, Lincoln, Verona, Vernon and Vienna in the amount of \$4,360,559 at 2.250%. This short-term financing is for the construction of the Oneida Public Library. The Library does not have authority to issue general obligation debt under the Constitution and Local Finance Law. The City was apportioned 62.8574%, or \$2,740,959 of the joint indebtedness.

Long Term Debt

The City turned \$1,506,758 Bond Anticipation Notes into Serial Bonds in October 2019 at an interest rate of 2.0%. The total long-term debt for the General, Water and Sewer Funds totals at year end 2019 was \$16,749,448. Principal payments for 2019 equal \$1,384,416 and interest payments equal \$270,065 for total debt service payments of \$1,654,481 in 2019. The Serial Bonds outstanding at the start of 2019 are listed in the debt service schedule below.

Debt Service Schedule-Long and Short Term Debt Service

	<b>Year of Maturity</b>	<b>2019 Beginning Balance</b>	<b>Principal Payment</b>	<b>Interest Payment</b>	<b>2019 Year End Balance</b>
<b>General Fund</b>					
2011 108-114 Main Street City Court Bldg	2023	\$ 195,850	\$ 36,300	\$ 7,268	\$ 159,550
2011 Asbestos Abatement	2023	22,650	4,100	974	18,550
2011 Asbestos Abatement 456 Elizabeth St	2023	121,860	22,590	4,522	99,270
2011 Demolition of Building	2023	20,880	3,880	775	17,000
2011 Dump Truck	2023	19,590	3,630	727	15,960
2011 Fire Department Addition	2023	214,510	39,760	7,961	174,750
2011 Fire Truck	2023	191,510	35,500	7,107	156,010
2011 Oneida Justice Center	2023	237,780	44,050	8,824	193,730
2011 Reconstruction of West Sands St	2023	48,960	9,080	1,817	39,880
2011 Salt Shed	2023	43,320	8,030	1,608	35,290
2011 Sidewalk Plow	2023	43,090	7,990	1,599	35,100
2015 Municipal Roof Project	2029	520,000	40,000	12,950	480,000
2016 Armory Boiler	2026	49,000	6,000	989	43,000
2016 Debris Cleanup	2020	55,000	30,000	1,100	25,000
2016 Fire Engine	2031	664,000	40,000	15,155	624,000
2016 Kallet Chiller	2026	155,000	15,000	3,125	140,000
2016 Plow truck	2030	204,000	13,000	4,505	191,000
2016 Rescue Truck	2030	158,000	11,000	3,514	147,000
2017 City Hall Security Upgrades	2027	203,988	23,988	6,106	180,000
2017 DPW Fleet Replacement	2032	393,146	23,146	12,046	370,000
2017 City Hall Security Upgrades	2032	450,000	32,000	13,783	418,000
2017 City Hall Lateral Support Wall	2042	199,000	8,000	6,478	191,000
2018 Emergency Generator	2028	60,000	6,000	1,804	54,000
2018 Police Vehicles	2021	113,264	33,264	3,322	80,000
2018 Software Conversion	2023	160,000	30,000	4,694	130,000
2018 Skid Steer	2033	71,000	4,000	2,187	67,000
2018 Snow Plow 4x4	2033	273,634	20,634	8,425	253,000
2018 Street Sweeper	2033	195,166	13,166	5,955	182,000
2018 Fire Ladder Truck	2032	50,000	3,500	1,529	46,500
2018 Additional City Hall Repairs	2042	155,500	6,000	5,054	149,500
2018 LED Street Lighting Design	2023	93,284	18,284	2,736	75,000
Serial Bond Payment		<u>\$ 5,382,982</u>	<u>\$ 591,892</u>	<u>\$ 158,639</u>	<u>\$ 4,791,090</u>
<b>Total General Fund 2019 Debt Service Expenditure</b>					<u>750,531</u>

**CITY OF ONEIDA, NEW YORK**

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

**Water Fund**

2011 Water Storage	2019	\$ 270,000	\$ 270,000	\$ 3,510	\$ -
2015 Fish Creek	2029	<u>1,800,000</u>	<u>145,000</u>	<u>44,800</u>	<u>1,655,000</u>
Serial Bond Payment		<u>\$ 2,070,000</u>	<u>\$ 415,000</u>	<u>\$ 48,310</u>	<u>\$ 1,655,000</u>
<b>Total Water Fund 2019 Debt Service Expenditure</b>					<u>463,310</u>

**Sewer Fund**

2009 WWTP Clean Water EFC	2039	\$ 6,071,824	\$ 289,134	\$ -	\$ 5,782,690
2017 WWTP Aeration Impr.	2042	<u>1,140,000</u>	<u>46,000</u>	<u>37,182</u>	<u>1,094,000</u>
2017 WWTP Fleet Replacement	2032	<u>238,300</u>	<u>18,300</u>	<u>7,308</u>	<u>220,000</u>
Serial Bond Payment		<u>\$ 7,450,124</u>	<u>\$ 353,434</u>	<u>\$ 44,490</u>	<u>\$ 7,096,690</u>
<b>Total Sewer Fund 2019 Debt Service Expenditure</b>					<u>397,924</u>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The 2020 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 (36.436%) and property tax (33.963%) with a 6.0% property tax increase in the 2020 budget. Although the City did allow funds for sidewalk repair and maintenance and demolitions, employee benefits still come in the highest expense totaling 30.91% 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, 2021
Oneida Police Benevolent Association	25	December 31, 2021

**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 to move forward with the construction 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. The LED conversion project is expected to start the replacement in the summer of 2020.

**West Elm Street Extension**

The City is in the final steps of extending the water and sewer infrastructure to the western boundary of West Elm Street to accommodate manufacturing-industrial development of 295 acres. 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 \$850,000 in grant funds from the City's and County's Revolving Loan Funds.

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

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Green Empire Farms has completed construction on two of the three 32-acre greenhouses, with a remaining 15-acre greenhouse to be built, as well as additional living quarters and recreational fields for onsite employees. This has added approximately 200 new jobs in 2019 with additional jobs to be available at full build out. The water and sewer extension will also open up an additional 400+ acres for future manufacturing use.

**Wastewater Treatment Plant Long Term Improvements**

A DEC Consent Order was issued for the Wastewater Treatment Plant to increase their aeration and to make long term improvements. This project upgraded the diffuser and piping to increase the aeration to the biological environment necessary for the plant to operate. The City has contracted with ESG to design an energy performance contract with guaranteed savings and revenue for the long-term improvements to the wastewater treatment plant. Environmental Facility Corp has offered a 0% interest short- and long-term program to the city for a majority of the project funding. The City approved a bond resolution in the amount of \$44,000,000 as an estimated cost for the total expansion. Applications for the short-term funding was submitted on June 27, 2019.

**Citywide Software Conversion**

The City of Oneida has contracted with Tyler Technologies to convert the outdated software to an up to date program. The financial and payroll conversion will take place first in April 2019 followed shortly after by utilities in June 2019 and will be finishing in October 2020 with the tax bills. The new software will benefit property owners with online access to data and payment options, email and text messaging alerts and overall improved efficiency for city personnel.

**Enterprise Fleet Management Partnership**

The annual budget has been adjusted to reflect a change in the city vehicle replacement program. In March 2019 the Common Council approved a partnership with Enterprise Fleet Management to lease city vehicles instead of purchasing them. Enterprise will manage the fleet and notify city departments when it is the optimum time to sell a vehicle for the best return and replace it with a new vehicle. The City anticipates savings in administration and maintenance costs will decrease the annual funds needed to maintain the fleet.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the City of Oneida's citizens and taxpayers, and the clients of the City, with a general overview of the City's finances. If you have questions about this report or need additional financial information, contact the Comptroller, City of Oneida, New York, 109 N. Main Street, Oneida, New York 13421.

**CITY OF ONEIDA, NEW YORK****Statement of Net Position  
December 31, 2019**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 5,380,856
Cash and cash equivalents, restricted	7,705,993
Tax sale certificates, net	1,234,640
Property acquired for taxes	463,992
Assessments receivable	8,003
Accounts receivable	1,529,199
Taxes receivable	569,309
Loans receivable	149,189
Due from other governments	1,218,634
Prepaid expenses	260,896
Total current assets	<u>18,520,711</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>41,971,297</u>
Total assets	<u>60,492,008</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows - OPEB	8,862,478
Deferred outflows - pension related	<u>2,538,602</u>
Total deferred outflows of resources	<u>11,401,080</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	1,557,594
Accrued liabilities	194,173
Accrued interest	102,364
Due to other governments	681,987
Unearned grant revenue	163,390
Bond anticipation note payable	6,060,599
Total current liabilities	<u>8,760,107</u>
Long term obligations:	
Net Pensions Liability	2,444,652
Due within one year	1,205,892
Due in more than one year	65,022,891
Total long term obligations	<u>68,673,435</u>
Total liabilities	<u>77,433,542</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows - pension related	<u>1,056,636</u>
<b>NET POSITION</b>	
Net investment in capital assets	26,921,849
Restricted	9,170,829
Unrestricted	<u>(42,689,768)</u>
Total net position	<u>\$ (6,597,090)</u>

The accompanying notes are an integral part of these statements.



CITY OF ONEIDA, NEW YORK

Balance Sheet  
 Governmental Funds  
 December 31, 2019

	Governmental						Total Governmental Funds
	General Fund	Water Fund	Capital Fund	Sewer Fund	Debt Service Library Fund	Nonmajor Governmental Fund	
<b>ASSETS</b>							
Unrestricted cash & cash equivalents	\$ 1,645,679	\$ 3,080,654	\$ -	\$ 604,278	\$ -	\$ 50,245	\$ 5,380,856
Restricted cash	88,731	677,290	2,600,172	-	3,355,410	984,390	7,705,993
Tax sale certificates, net	1,234,640	-	-	-	-	-	1,234,640
Property acquired for taxes	463,992	-	-	-	-	-	463,992
Assessments receivable	8,003	-	-	-	-	-	8,003
Accounts receivable	364,327	126,076	977,719	61,077	-	-	1,529,199
Loans receivable	-	-	-	-	-	149,189	149,189
Due from other funds	992,898	451,094	17,000	1,227,243	-	100,000	2,788,235
Due from other governments	320,194	-	726,128	-	-	172,312	1,218,634
Prepaid expenditures	374,224	186,819	-	40,017	-	-	601,060
<b>Total assets</b>	<b>\$ 5,492,688</b>	<b>\$ 4,521,933</b>	<b>\$ 4,321,019</b>	<b>\$ 1,932,615</b>	<b>\$ 3,355,410</b>	<b>\$ 1,456,136</b>	<b>\$ 21,079,801</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 402,504	\$ 22,764	\$ 1,080,678	\$ 51,648	\$ -	\$ -	\$ 1,557,594
Accrued liabilities	158,365	22,719	-	13,089	-	-	194,173
Due to other funds	-	17,000	2,171,235	-	-	600,000	2,788,235
Unearned grant revenue	-	14,201	-	-	-	149,189	163,390
BAN payable	-	-	1,700,000	-	4,360,599	-	6,060,599
Due to other governments	46,396	-	-	66,282	-	-	112,678
<b>Total liabilities</b>	<b>607,265</b>	<b>76,684</b>	<b>4,951,913</b>	<b>131,019</b>	<b>4,360,599</b>	<b>749,189</b>	<b>10,876,669</b>
<b>Deferred Inflows of Resources:</b>							
Unavailable revenue - real property taxes	1,191,953	-	-	-	-	-	1,191,953
<b>Fund balances:</b>							
Nonspendable	838,216	186,819	-	40,017	-	-	1,065,052
Restricted	88,731	677,290	2,600,172	1,761,579	3,336,110	706,947	9,170,829
Assigned	12,762	-	-	-	19,300	-	32,062
Unassigned	2,753,761	3,581,140	(3,231,066)	-	(4,360,599)	-	(1,256,764)
<b>Total fund balances</b>	<b>3,693,470</b>	<b>4,445,249</b>	<b>(630,894)</b>	<b>1,801,596</b>	<b>(1,005,189)</b>	<b>706,947</b>	<b>9,011,179</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 5,492,688</b>	<b>\$ 4,521,933</b>	<b>\$ 4,321,019</b>	<b>\$ 1,932,615</b>	<b>\$ 3,355,410</b>	<b>\$ 1,456,136</b>	<b>\$ 21,079,801</b>

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, 2019**

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Total fund balance - governmental funds		\$ 9,011,179
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	\$ 112,455,631	
Accumulated depreciation	<u>(70,484,334)</u>	
		41,971,297
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.		
		1,191,953
Revenue related to delinquent schools taxes in which collection is anticipated to exceed sixty days after year end.		
		569,309
Delinquent tax amounts that are not due and payable to Oneida City School District in the current period and therefore are not reported in the funds.		
		(569,309)
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	\$ 2,538,602	
Deferred inflows - relating to pensions	<u>(1,056,636)</u>	
		1,481,966
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)
Deferred outflows of resources related to other postemployment benefits are applicable to future periods and, therefore are not reported in the funds.		
		8,862,478
Accrued interest is not due and payable in the current period and therefore is not reported in the funds.		
		(102,364)
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	\$ (15,049,448)	
Compensated absences	(3,247,455)	
Net pension liability	(2,444,652)	
Other postemployment benefits	<u>(47,931,880)</u>	
		<u>(68,673,435)</u>
Net position of governmental activities		<u>\$ (6,597,090)</u>

The accompanying notes are an integral part of these statements.

CITY OF ONEIDA, NEW YORK

Statement of Revenues, Expenditures and Change in Fund Balances  
 Governmental Funds  
 For the year ended December 31, 2019

	Governmental					Total Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Water Fund	Capital Fund	Sewer Fund	Debt Service Library Fund		
REVENUES:							
Real property taxes	\$ 4,655,449	\$ -	\$ -	\$ -	\$ -	\$ 38,932	\$ 4,694,381
Other real property tax items	226,543	-	-	-	-	-	226,543
Non-property taxes	5,051,939	-	-	-	-	-	5,051,939
Departmental income	193,464	3,542,144	-	2,432,387	-	44,616	6,212,611
Intergovernmental charges	13,099	-	-	-	-	-	13,099
Tribal compact moneys	210,184	-	-	-	-	-	210,184
Use of money and property	39,707	3,648	-	-	19,300	2,841	65,496
Licenses and permits	82,338	-	-	500	-	-	82,838
Fines and forfeitures	84,966	-	-	-	-	-	84,966
Sale of property and compensation for loss	145,379	10,220	-	-	-	-	155,599
Miscellaneous	16,130	-	11,375	30,250	-	70	57,825
State aid	1,997,741	537	1,873,847	-	-	-	3,872,125
Federal aid	-	-	452,351	-	-	968,580	1,420,931
Total revenues	<u>12,716,939</u>	<u>3,556,549</u>	<u>2,337,573</u>	<u>2,463,137</u>	<u>19,300</u>	<u>1,055,039</u>	<u>22,148,537</u>
EXPENDITURES:							
General government support	1,314,082	-	-	-	-	-	1,314,082
Public safety	4,523,834	-	54,555	-	-	-	4,578,389
Public health	74,327	-	-	-	-	-	74,327
Transportation	1,523,458	-	1,338,287	-	-	-	2,861,745
Economic assistance and opportunity	1,000	-	-	-	-	-	1,000
Home and community services	225,579	1,876,786	3,101,753	1,307,102	1,036,526	874,349	8,422,095
Culture and recreation	459,074	-	-	-	-	-	459,074
Employee benefits	4,003,888	533,944	-	299,289	-	-	4,837,121
Debt Service - principal	591,980	415,000	-	353,434	-	-	1,360,414
Debt Service - interest	158,545	48,310	-	63,210	-	-	270,065
Total expenditures	<u>12,875,767</u>	<u>2,874,040</u>	<u>4,494,595</u>	<u>2,023,035</u>	<u>1,036,526</u>	<u>874,349</u>	<u>24,178,312</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(158,828)</u>	<u>682,509</u>	<u>(2,157,022)</u>	<u>440,102</u>	<u>(1,017,226)</u>	<u>180,690</u>	<u>(2,029,775)</u>
OTHER FINANCING SOURCES (USES):							
Proceeds from the issuance of debt	-	-	1,506,758	-	-	-	1,506,758
Premium on issuance of BAN	-	-	0	-	12,037	-	12,037
Interfund transfers in	253,783	127,232	620,209	210,833	-	1,411	1,213,468
Interfund transfers out	(215,325)	(354,007)	(230,550)	(377,007)	-	(36,579)	(1,213,468)
Total other financing sources (uses) - net	<u>38,458</u>	<u>(226,775)</u>	<u>1,896,417</u>	<u>(166,174)</u>	<u>12,037</u>	<u>(35,168)</u>	<u>1,518,795</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES	<u>(120,370)</u>	<u>455,734</u>	<u>(260,605)</u>	<u>273,928</u>	<u>(1,005,189)</u>	<u>145,522</u>	<u>(510,980)</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>3,813,840</u>	<u>3,989,515</u>	<u>(370,289)</u>	<u>1,527,668</u>	<u>-</u>	<u>561,425</u>	<u>9,522,159</u>
FUND BALANCES AT END OF YEAR	<u>\$ 3,693,470</u>	<u>\$ 4,445,249</u>	<u>\$ (630,894)</u>	<u>\$ 1,801,596</u>	<u>\$ (1,005,189)</u>	<u>\$ 706,947</u>	<u>\$ 9,011,179</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 Balances -  
 Governmental Funds to the Statement of Activities  
 For the year ended December 31, 2019

Net changes in fund balances - total governmental funds	\$ (510,980)
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.	(257,138)
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 capital outlays exceeded depreciation in the funds in the current period.	1,365,737
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the amount by which the unavailable revenue recorded as a deferred inflow of resources in the Balance Sheet changes from the prior year.	(286,706)
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the amount by which the City is owed for delinquent school taxes.	569,309
In the Statement of Activities, delinquent property taxes due to Oneida City School District, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(569,309)
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.	1,360,414
Bond proceeds are recorded as an other financing source in the governmental funds but are recorded as an increase in long-term debt in the statement of net position.	(1,506,758)
Decrease in proportionate share of net pension liability reported in the Statement of Activities do no provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.	(1,053,398)
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 in change from the prior year by which the deferred outflows exceeded the deferred inflows.	830,326
In the Statement of Activities, such as compensated absences and other employee benefits, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(90,344)
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 compensated absences obligations changed during the year.	<u>(220,587)</u>
Change in net position of governmental activities	<u>\$ (369,434)</u>

The accompanying notes are an integral part of these statements.

**CITY OF ONEIDA, NEW YORK**

**Statement of Fiduciary Net Position  
Fiduciary Funds  
December 31, 2019**

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	Custodial Funds
ASSETS:	
Restricted cash	\$ -
Other assets	<u>-</u>
Total assets	<u>-</u>
LIABILITIES:	
Accounts payable	<u>-</u>
Total liabilities	<u>-</u>
NET POSITION:	
Restricted net position	<u><u>\$ -</u></u>

**Statement of Change in Fiduciary Net Position  
Fiduciary Funds  
For the Year Ended December 31, 2019**

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	Custodial Funds
ADDITIONS:	
Tax collections for other governments	<u>\$ 4,710,973</u>
Total additions	<u>4,710,973</u>
DEDUCTIONS:	
Payments of tax to other governments	<u>4,710,973</u>
Total deductions	<u>4,710,973</u>
Net increase(decrease) in fiduciary net position	-
Total net position - beginning of year	<u>-</u>
Total net position - end of year	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these statements.

**Notes to Basic Financial Statements**

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**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.

*Excluded from the Reporting Entity:*

The following organization is not included in the City reporting entity because of the reasons noted:

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.

**Notes to Basic Financial Statements**

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**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.

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.

**Notes to Basic Financial Statements**

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*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.

*Debt Service Library Fund*

The Debt Service Fund is used to account for debt service payments made by the City which relate to the construction of the library. The City holds the BAN proceeds for the construction as the Library is without authority to issue general obligation debt in its own name.

**Fiduciary Fund Types:**

*Custodial Fund*

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

**Major Funds**

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

- General Fund - See above for description.
- Water Fund – See above for description.
- Sewer Fund – See above for description.
- Capital Fund – See above for description.
- Debt Service Library Fund - See above for description.

**Non-Major Fund**

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

**Notes to Basic Financial Statements**

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**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 Statement of Net Position, Statement of Activities, and Statement of Revenues, Expenses and Change in Net Position, the governmental activities 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.

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 (when applicable) and fiduciary funds utilize the accrual basis of accounting.

**Notes to Basic Financial Statements**

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**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.
- 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 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 future 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. Management believes an allowance for doubtful accounts is not required.

**Notes to Basic Financial Statements**

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**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. Management believes an allowance for doubtful accounts of 5% is required. The allowance at December 31, 2019 was \$61,732.

**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. Management believes an allowance for doubtful accounts is not required.

**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.

**Notes to Basic Financial Statements**

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**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

**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 association 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.

Notes to Basic Financial Statements

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**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.

*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, 2019.
- 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 \$12,762. 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.

**Notes to Basic Financial Statements**

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**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.

**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 1<sup>st</sup> to November 30<sup>th</sup>. On December 1<sup>st</sup>, unpaid City taxes are turned over to the City Chamberlain for tax sale. At this time the owner of the property has two years 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.

**Notes to Basic Financial Statements**

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**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.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - by character:           Current (further classified by function)  
  Debt service  
  Other financing uses

In the fund financial statements, governmental funds report expenditures of financial resources. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due. Allocations of costs, such as depreciation, are not recognized.

**Interfund Transfers**

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, transfers are eliminated upon consolidation.

**Restricted and Unrestricted Resources**

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**R. Use of Estimates**

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

**R. Prior Period Adjustment**

The City adopted GASB Statement No. 84, Fiduciary Activities, during the year ended December 31, 2019. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

**CITY OF ONEIDA, NEW YORK**

**Notes to Basic Financial Statements**

In accordance with this Statement, the City does not have a Custodial Fund, which is presented on the statement of fiduciary net position and statement of changes in fiduciary net position. In addition, this Statement clarified the criteria for reporting certain activities as governmental or fiduciary activities. As a result, beginning cash, liabilities, fund balance, and net position were adjusted as noted below for the following opinion units:

	Fiduciary Activities		General Fund		
	Cash	Liabilities	Cash	Liabilities	Fund Balance
Balance at December 31, 2018, as previously reported	\$ 23,578	\$ (23,578)	\$ 743,737	\$ (245,597)	\$ 3,813,840
Restatement of beginning balance - Adoption of GASB Statement No. 84	<u>(23,578)</u>	<u>23,578</u>	<u>23,578</u>	<u>(23,578)</u>	<u>-</u>
Balance at January 1, 2019 as restated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 767,315</u>	<u>\$ (269,175)</u>	<u>\$ 3,813,840</u>

	Governmental Activities		
	Cash	Liabilities	Net Position
Balance at December 31, 2018, as previously	\$ 23,578	\$ (23,578)	\$ (6,227,656)
GASB Statement No. 84	<u>(23,578)</u>	<u>23,578</u>	<u>-</u>
Balance at January 1, 2019 as restated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,227,656)</u>

**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.

CITY OF ONEIDA, NEW YORK

Notes to Basic Financial Statements

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At December 31, 2019, 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 City 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 City 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.

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, 2019:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Money market accounts	\$ 5,895,786	\$ 5,895,786
Cash	<u>7,489,014</u>	<u>7,190,213</u>
Total	<u>\$ 13,384,800</u>	<u>\$ 13,085,999</u>

These deposits were insured or collateralized as follows:

FDIC insurance	\$ 750,000
Collateralized by third party	<u>12,634,800</u>
Total	<u>\$ 13,384,800</u>

**Notes to Basic Financial Statements**

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**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 were issued at \$75,000. The loans are to be repaid in monthly installments over 5 to 10 years at an interest rate of 3.00%.

The following is a schedule of further loan payments to the City as of December 31, 2019:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 57,155	\$ 4,062	\$ 61,217
2021	35,333	662	35,995
2022	<u>6,950</u>	<u>28</u>	<u>6,978</u>
Total	<u>\$ 99,438</u>	<u>\$ 4,752</u>	<u>\$ 104,190</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 further loan payments to the City as of December 31, 2019:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 38,039	\$ 253	\$ 38,292
2021	5,655	56	5,711
2022	<u>6,057</u>	<u>57</u>	<u>6,114</u>
Total	<u>\$ 49,751</u>	<u>\$ 366</u>	<u>\$ 50,117</u>

CITY OF ONEIDA, NEW YORK

Notes to Basic Financial Statements

4. CAPITAL ASSETS AND DEPRECIATION SCHEDULE

Capital asset activity for the year ended December 31, 2019 for governmental activities was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Nondepreciable:				
Land	\$ 2,730,602	\$ 7,500	\$ -	\$ 2,738,102
Construction in Progress	<u>3,529,765</u>	<u>3,151,482</u>	<u>-</u>	<u>6,681,247</u>
Subtotal	<u>6,260,367</u>	<u>3,158,982</u>	<u>-</u>	<u>9,419,349</u>
Depreciable:				
Buildings	45,830,379	74,181	-	45,904,560
Infrastructure	40,815,963	498,715	-	41,314,678
Improvements	3,960,691	148,000	-	4,108,691
Equipment	<u>11,226,483</u>	<u>522,974</u>	<u>(41,104)</u>	<u>11,708,353</u>
Subtotal	<u>101,833,516</u>	<u>1,243,870</u>	<u>(41,104)</u>	<u>103,036,282</u>
Total capital assets	<u>108,093,883</u>	<u>4,402,852</u>	<u>(41,104)</u>	<u>112,455,631</u>
Accumulated depreciation:				
Buildings	(26,837,537)	(1,353,957)	-	(28,191,494)
Infrastructure	(31,642,705)	(663,991)	-	(32,306,696)
Improvements	(1,894,303)	(178,146)	-	(2,072,449)
Equipment	<u>(7,113,778)</u>	<u>(808,138)</u>	<u>8,221</u>	<u>(7,913,695)</u>
Total	<u>(67,488,323)</u>	<u>(3,004,232)</u>	<u>8,221</u>	<u>(70,484,334)</u>
Net capital assets	<u>\$ 40,605,560</u>	<u>\$ 1,398,620</u>	<u>\$ (32,883)</u>	<u>\$ 41,971,297</u>

Depreciation was charged to governmental activities as follows:

General government support	\$ 8,696
Public safety	263,729
Transportation	733,573
Home and community services	1,932,138
Culture and Recreation	<u>66,096</u>
Total depreciation expense	<u>\$ 3,004,232</u>

CITY OF ONEIDA, NEW YORK

Notes to Basic Financial Statements

5. SHORT-TERM DEBT

Short-term bond anticipation note payable and activity as of December 31, 2019:

Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
10/9/2019	3.000%	\$ 624,000	\$ -	\$ (624,000)	\$ -
7/10/2020	2.250%	-	4,360,599	-	4,360,599
10/8/2020	1.790%	-	600,000	-	600,000
10/8/2020	1.790%	-	1,100,000	-	1,100,000
		<u>\$ 624,000</u>	<u>\$ 6,060,599</u>	<u>\$ (624,000)</u>	<u>\$ 6,060,599</u>

In October 2019, the City renewed a Bond Anticipation Note in the amount of \$600,000 at 1.79%, maturing in October 2020. In October 2019, the City issued a Bond Anticipation Note in the amount of \$1,100,000 at 1.79% maturing in October 2020. This short-term financing is for various capital projects.

In July 2019, the City issued a joint bond anticipation note with the Towns of Lenox, Lincoln, Verona, Vernon and Vienna in the amount of \$4,360,559 at 2.250%. This short-term financing is for the construction of the Oneida Public Library. The Library does not have authority to issue general obligation debt under the Constitution and Local Finance Law. The City was apportioned 62.8574%, or \$2,740,959 of the joint indebtedness.

6. LONG-TERM OBLIGATIONS

Summary of Long-Term Obligations

The following is a summary of all long-term obligations outstanding as of December 31, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One year
Serial bonds payable	\$ 14,903,104	\$ 1,506,758	\$ (1,360,414)	\$ 15,049,448	\$ 1,205,892
Total bonds payable	\$ 14,903,104	\$ 1,506,758	\$ (1,360,414)	\$ 15,049,448	\$ 1,205,892
Other postemployment benefits	38,812,264	10,609,682	(1,490,066)	47,931,880	-
Net pension liability - ERS	360,065	413,493	-	773,558	-
Net pension liability - PFRS	1,031,189	639,905	-	1,671,094	-
Compensated absences	3,026,868	220,587	-	3,247,455	-
Long-term liabilities	<u>\$ 58,133,490</u>	<u>\$ 13,390,425</u>	<u>\$ (2,850,480)</u>	<u>\$ 68,673,435</u>	<u>\$ 1,205,892</u>

**CITY OF ONEIDA, NEW YORK**

**Notes to Basic Financial Statements**

As of December 31, 2019, 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>
2020	\$ 1,205,892	\$ 258,554	\$ 1,464,446
2021	1,199,134	234,044	1,433,178
2022	1,179,134	209,544	1,388,678
2023	1,204,134	184,494	1,388,628
2024	919,134	158,744	1,077,878
2025-2029	4,645,670	549,356	5,195,026
2030-2034	2,725,675	183,338	2,909,013
2035-2039	1,770,675	74,450	1,845,125
2040-2042	<u>200,000</u>	<u>15,219</u>	<u>215,219</u>
Total	<u>\$ 15,049,448</u>	<u>\$ 1,867,743</u>	<u>\$ 16,917,191</u>

**7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

**Receivables and Payables**

To improve cash management, most City disbursements are made from a pooled account in the 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, 2019:

	<u>Amount Receivable</u>	<u>Amount Payable</u>
General Fund	\$ 992,898	\$ -
Community Development Fund	100,000	600,000
Water Fund	451,094	17,000
Sewer Fund	1,227,243	-
Capital Fund	<u>17,000</u>	<u>2,171,235</u>
Total	<u>\$ 2,788,235</u>	<u>\$ 2,788,235</u>

Notes to Basic Financial Statements

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**Transfers**

Interfund transfers for the year ended December 31, 2019 which were routine in nature, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 253,783	\$ 215,325
Non-major Fund	1,411	36,579
Water Fund	127,232	354,007
Sewer Fund	210,833	377,007
Capital Fund	<u>620,209</u>	<u>230,550</u>
 Total	 <u>\$ 1,213,468</u>	 <u>\$ 1,213,468</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 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](http://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 27<sup>th</sup>, 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.

**CITY OF ONEIDA, NEW YORK**

**Notes to Basic Financial Statements**

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>
2019	\$ 504,218	\$ 812,805
2018	\$ 508,224	\$ 790,766
2017	\$ 505,200	\$ 744,416

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

At December 31, 2019, the City reported a net pension liability of \$773,558 for its proportionate share of the NYS ERS net pension liability. The net pension liability was measured as of March 31, 2019, 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, 2019, the City's proportion was 0.0109178%

At December 31, 2019, the City reported a net pension liability of \$1,671,094 for its proportionate share of the NYS PFRS net pension liability. The net pension liability was measured as of March 31, 2019, 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, 2019, the City's proportion was 0.0996440%

For the year ended December 31, 2019, the City recognized pension expense of \$1,556,673. At December 31, 2019, 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	\$ 152,330	\$ 405,955
Changes of assumptions	194,441	607,153
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	133,001	-
Contributions made subsequent to the measurement date	409,044	636,678
Total	<u>\$ 888,816</u>	<u>\$ 1,649,786</u>

CITY OF ONEIDA, NEW YORK

Notes to Basic Financial Statements

	<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>PFRS</u>
Differences between expected and actual experience	\$ 51,928	\$ 178,417
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan	198,538	334,679
Changes in proportion and differences between the City's contributions and proportionate share of contributions	<u>24,944</u>	<u>268,130</u>
 Total	 <u>\$ 275,410</u>	 <u>\$ 781,226</u>

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>
2020	\$ 194,239	\$ 241,103
2021	(115,919)	(140,795)
2022	9,069	(53,430)
2023	116,973	157,700
2024	<u>-</u>	<u>27,304</u>
 Total	 <u>\$ 204,362</u>	 <u>\$ 231,882</u>

The City recognized \$1,045,722 as a deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2019 which will be recognized as a reduction of the net pension liability in the year ended December 31, 2020.

**Actuarial Assumptions**

The total pension liability was determined by using an actuarial valuation as of April 1, 2018, with update procedures used to roll forward the total pension liability to March 31, 2019.

The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary scale	4.20% ERS, 5.0% 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

**CITY OF ONEIDA, NEW YORK**

**Notes to Basic Financial Statements**

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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.

Best estimates of arithmetic real rates of return for each major asset class included in the target allocation as of March 31, 2019 are summarized below:

Long Term Expected Rate of Return

Asset Type	Target Allocations in	Long-Term expected real rate of return in %
Domestic Equity	36.0%	4.55
International Equity	14.0%	6.35
Private Equity	10.0%	7.50
Real Estate	10.0%	5.55
Absolute Return Strategies	2.0%	3.75
Opportunistic Portfolio	3.0%	5.68
Real Asset	3.0%	5.29
Bonds & Mortgages	17.0%	1.31
Cash	1.0%	-0.25
Inflation-Indexed Bonds	<u>4.0%</u>	1.25
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.

**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:

Notes to Basic Financial Statements

	1.0% Decrease (6.0%)	Current Discount (7.0%)	1.0% Increase (8.0%)
Proportionate Share of Net Pension liability (asset) – ERS	\$ 3,382,119	\$ 773,558	\$ (1,417,818)
Proportionate Share of Net Pension liability (asset) – PFRS	\$ 6,039,083	\$ 1,671,094	\$ (1,976,684)

**Pension Plan Fiduciary Net Position (000's)**

The components of the current-year net pension liability of the employers as of March 31, 2019 were as follows:

	ERS	PFRS
Total pension liability	\$189,803,429	\$ 34,128,100
Net position	(182,718,124)	(32,451,037)
Net pension liability (asset)	\$ 7,085,305	\$ 1,677,063
Net position as a percentage of total pension liability	96.27%	95.09%

**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.

**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. The costs of administering the Plan are paid by the City.

**Employees Covered by Benefit Terms**

At December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	97
Inactive employees entitled to but not yet receiving benefits	-
Active Employees	112
Total Participants	209

**CITY OF ONEIDA, NEW YORK**

**Notes to Basic Financial Statements**

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**Total OPEB Liability**

The City's total OPEB liability of \$47,931,880 was measured as of December 31, 2019, and was determined by an actuarial valuation as of January 1, 2019.

**Changes in the Total OPEB Liability**

Balance at January 1, 2019	<u>\$ 38,812,264</u>
Changes for the year -	
Service cost	386,242
Interest	1,360,962
Changes in benefit terms	-
Changes in assumptions	8,862,478
Differences between expected and actual experience	-
Benefit payments	<u>(1,490,066)</u>
Net changes	<u>9,119,616</u>
Balance at December 31, 2019	<u>\$ 47,931,880</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.90% in 2018 to 2.90% in 2019.

**Actuarial Assumptions and Other Inputs**

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Discount rate 3.90% as of December 31, 2018; 2.90% as of December 31, 2019 Rates were based on an average of three 20-year bond indices.

Real wage growth 3.00%

Health Care Cost Trends

	<u>Year</u>	<u>Pre-65</u>	<u>Post 65</u>
Year 1	January 1, 2019	8.00%	8.00%
Ultimate Trend	January 1, 2025 & Later	5.00%	5.00%
Grading Per Year		0.50%	0.50%

Mortality Rates were based on RP 2014 Healthy Male and Female Tables based on the Employee and Healthy Annuitant Tables for both pre & post retirement projected with mortality improvement using the most current Society of Actuaries Mortality Improvement Scale MP-2018.

Retirement Rates Valuation is based on the most recent New York State Employees' Retirement System (ERS) and the New York State Police and Fire Retirement System (PFRS). ERS and PFRS tables are based on version released in 2015.

## Notes to Basic Financial Statements

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents that the total OPEB liability for the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.90%) or 1 percentage point higher (3.90%) than the current discount rate:

	1 % Decrease (1.90%)	Current Discount Rate (2.90%)	1 % Increase (3.90%)
Total OPEB Liability	\$ 60,642,648	\$ 47,931,880	\$ 39,121,804

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following present the total OPEB Liability of the City, as well as what the City's total OPEB liability would be if it were calculated using the healthcare cost trend rates that are 1 percentage point lower and 1 percentage point higher than the current healthcare cost trend rate:

	1 % Decrease	Current Healthcare Trend Rate	1 % Increase
Total OPEB Liability	\$ 38,181,012	\$ 47,931,880	\$ 62,432,641

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended December 31, 2019, the City recognized OPEB expense of \$9,119,616. At December 31, 2019, the City reported deferred outflows of resources related to OPEB of \$8,862,478.

**Assets Accumulated in Trust**

As of the date of the financial statement, New York State did not yet have legislation that would enable government entities to establish a qualifying trust for the purpose of funding other post employment benefits. As such, there are no assets accumulated in a trust that meets all of the criteria in *GASB Statement No. 75, Paragraph 4*.

**10. SUBSEQUENT EVENTS**

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

CITY OF ONEIDA, NEW YORK

**Budgetary Comparison Schedule  
Required Supplementary Information (Unaudited)  
Budget and Actual - General Fund  
For the year ended December 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance Positive <u>(Negative)</u>
	<u>Original</u>	<u>Modified</u>		
Resources:				
Real property taxes	\$ 4,370,040	\$ 4,370,040	\$ 4,655,449	\$ 285,409
Other real property tax items	256,000	256,000	226,543	(29,457)
Non-property taxes	5,107,602	5,107,602	5,051,939	(55,663)
Departmental revenues	260,430	244,281	193,464	(50,817)
Intergovernmental charges	10,150	10,150	13,099	2,949
Tribal Compact moneys	190,000	190,000	210,184	20,184
Use of money and property	16,800	16,800	39,707	22,907
Licenses and permits	227,540	227,540	82,338	(145,202)
Fines and forfeitures	93,500	93,500	84,966	(8,534)
State aid	1,997,827	1,997,827	1,997,741	(86)
Federal aid	-	-	-	-
Sale of property and compensation for loss	75,000	142,705	145,379	2,674
Miscellaneous	11,050	11,050	16,130	5,080
	<u>12,615,939</u>	<u>12,667,495</u>	<u>12,716,939</u>	<u>49,444</u>
Amounts available for appropriation				
Charges to appropriations:				
General government support	1,434,112	1,386,730	1,314,082	(72,648)
Public safety	4,591,127	4,754,005	4,523,834	(230,171)
Health	79,745	76,308	74,327	(1,981)
Transportation	1,439,777	1,532,155	1,523,458	(8,697)
Economic assistance and opportunity	1,000	1,000	1,000	-
Culture and recreation	462,135	495,498	459,074	(36,424)
Home and community services	241,300	245,454	225,579	(19,875)
Employee benefits	4,066,942	4,053,312	4,003,888	(49,424)
Debt service - principal	591,982	666,909	591,980	(74,929)
Debt service - interest	158,545	158,545	158,545	-
	<u>13,066,665</u>	<u>13,369,916</u>	<u>12,875,767</u>	<u>(494,149)</u>
Total charges to appropriations				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(450,726)</u>	<u>(702,421)</u>	<u>(158,828)</u>	<u>543,593</u>
OTHER FINANCING SOURCES:				
Operating transfers from	252,945	252,945	253,783	838
Operating transfers to	(200,000)	(215,325)	(215,325)	-
	<u>52,945</u>	<u>37,620</u>	<u>38,458</u>	<u>838</u>
Total other financing sources (uses)				
NET CHANGE IN FUND BALANCE	<u>\$ (397,781)</u>	<u>\$ (664,801)</u>	<u>\$ (120,370)</u>	<u>\$ 544,431</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, 2019**

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Modified		
Resources:				
Departmental income	\$ 3,224,911	\$ 3,229,303	\$ 3,542,144	\$ 312,841
Use of money and property	7,100	7,100	3,648	(3,452)
Sale of property and compensation for a loss	2,500	2,500	10,220	7,720
Miscellaneous	-	-	-	-
State Aid	-	-	537	537
Amounts available for appropriation	<u>3,234,511</u>	<u>3,238,903</u>	<u>3,556,549</u>	<u>317,646</u>
Charges to appropriations:				
Home and community services	2,070,962	2,135,899	1,876,786	(259,113)
Employee Benefits	574,192	560,192	533,944	(26,248)
Debt Service - Principal	415,000	438,394	415,000	(23,394)
Debt Service - interest	<u>48,310</u>	<u>48,310</u>	<u>48,310</u>	<u>-</u>
Total charges to appropriations	<u>3,108,464</u>	<u>3,182,795</u>	<u>2,874,040</u>	<u>(308,755)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>126,047</u>	<u>56,108</u>	<u>682,509</u>	<u>8,891</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers from	110,685	110,685	127,232	16,547
Operating transfers to	<u>(236,732)</u>	<u>(501,622)</u>	<u>(354,007)</u>	<u>147,615</u>
Total other financing sources (uses)	<u>(126,047)</u>	<u>(390,937)</u>	<u>(226,775)</u>	<u>164,162</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (334,829)</u>	<u>\$ 455,734</u>	<u>\$ 173,053</u>

See Notes to the Required Supplementary Information.

CITY OF ONEIDA, NEW YORK

**Budgetary Comparison Schedule**  
**Required Supplementary Information (Unaudited)**  
**Budget and Actual - Sewer Fund**  
**For the year ended December 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Modified		
Resources:				
Departmental income	\$ 2,292,029	\$ 2,292,029	\$ 2,432,387	\$ 140,358
Use of money and property	3,500	3,500	-	(3,500)
Licenses and permits	350	350	500	150
Miscellaneous	<u>8,500</u>	<u>9,951</u>	<u>30,250</u>	<u>20,299</u>
Amounts available for appropriation	<u>2,304,379</u>	<u>2,305,830</u>	<u>2,463,137</u>	<u>157,307</u>
Charges to appropriations:				
Home and community services	1,358,813	1,482,389	1,307,102	(175,287)
Employee Benefits	324,093	334,093	299,289	(34,804)
Debt Service - Principal	377,435	408,240	353,434	(54,806)
Debt Service - interest	<u>63,210</u>	<u>63,210</u>	<u>63,210</u>	<u>-</u>
Total charges to appropriations	<u>2,123,551</u>	<u>2,287,932</u>	<u>2,023,035</u>	<u>(264,897)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>180,828</u>	<u>17,898</u>	<u>440,102</u>	<u>(107,590)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers from	-	-	210,833	210,833
Operating transfers to	<u>(254,013)</u>	<u>(353,007)</u>	<u>(377,007)</u>	<u>(24,000)</u>
Total other financing sources (uses)	<u>(254,013)</u>	<u>(353,007)</u>	<u>(166,174)</u>	<u>186,833</u>
NET CHANGE IN FUND BALANCE	<u>\$ (73,185)</u>	<u>\$ (335,109)</u>	<u>\$ 273,928</u>	<u>\$ 79,243</u>

See Notes to the Required Supplementary Information.

CITY OF ONEIDA, NEW YORK

Required Supplementary Information (Unaudited)

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

For the year ended December 31, 2019

	Last 10 Fiscal Years									
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Total OPEB Liability</b>										
Service cost	\$ 386,242	\$ 305,810								
Interest	1,360,962	1,472,835								
Changes of benefit terms	-	-								
Differences between expected and actual experience	-	-								
Changes in assumptions	8,862,478	-								
Benefit payments	(1,490,066)	(1,462,737)								
<b>Total change in total OPEB liability</b>	<b>9,119,616</b>	<b>315,908</b>								
<b>Total OPEB liability - beginning</b>	<b><u>38,812,264</u></b>	<b><u>38,496,356</u></b>								
<b>Total OPEB liability - ending</b>	<b><u>\$ 47,931,880</u></b>	<b><u>\$ 38,812,264</u></b>								
<b>Covered-employee payroll</b>	<b>\$ 6,405,602</b>	<b>\$ 6,405,602</b>								
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	<b>748.3%</b>	<b>605.9%</b>								

Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.

Notes to schedule:

**Changes of assumptions:** Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following reflects the discount rate used each period:

Discount rate	2.90%	3.90%
---------------	-------	-------

Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.

**Plan assets:** No assets are accumulated in a trust that meets all of the criteria of GASB Statement No. 75, paragraph 4 to pay benefits.

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, 2019

	Last 10 Fiscal Years									
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN:</b>										
Proportion of the net pension liability (asset)	0.0109178%	0.0111564%	0.0114157%	0.0111832%	0.0012297%	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.				
Proportionate share of the net pension liability (asset)	\$ 773,558	360,065	\$ 1,072,640	\$ 1,794,936	\$ 415,434					
Covered-employee payroll	3,617,137	3,502,170	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	21.39%	10.28%	31.16%	58.76%	12.81%					
Plan fiduciary net position as a percentage of the total pension liability (asset)	96.27%	98.24%	94.70%	90.70%	97.90%					
<b>NEW YORK STATE POLICE AND FIRE RETIREMENT SYSTEM PLAN:</b>										
Proportion of the net pension liability (asset)	0.0996440%	0.1020214%	0.1046571%	0.1080690%	0.1086180%	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.				
Proportionate share of the net pension liability (asset)	\$ 1,671,094	\$ 1,031,189	\$ 2,169,177	\$ 3,199,691	\$ 299,157					
Covered-employee payroll	3,804,606	3,692,721	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	43.92%	27.92%	62.12%	99.04%	9.15%					
Plan fiduciary net position as a percentage of the total pension liability (asset)	95.09%	96.93%	93.46%	90.20%	99.00%					

See Notes to the Required Supplementary Information.

CITY OF ONEIDA, NEW YORK

Required Supplementary Information (Unaudited)  
 Schedule of Contributions - Pension Plans  
 For the year ended December 31, 2019

	Last 10 Fiscal Years														
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>					
<b>NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN:</b>															
Contractually required contribution	\$ 504,218	\$ 508,224	\$ 505,200	\$ 557,773	\$ 544,656	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.									
Contributions in relation to the contractually required contribution	<u>(504,218)</u>	<u>(508,224)</u>	<u>(505,200)</u>	<u>(557,773)</u>	<u>(544,656)</u>										
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -										
Covered-employee payroll	3,617,137	3,502,170	3,442,685	3,355,870	3,054,725										
Contributions as a percentage of covered-employee payroll	13.94%	14.51%	14.67%	16.62%	17.83%										
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>						<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>NEW YORK STATE POLICE AND FIRE RETIREMENT SYSTEM PLAN:</b>															
Contractually required contribution	\$ 812,805	\$ 790,766	\$ 744,416	\$ 802,885	\$ 752,885						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.				
Contributions in relation to the contractually required contribution	<u>(812,805)</u>	<u>(790,766)</u>	<u>(744,416)</u>	<u>(802,885)</u>	<u>(752,885)</u>										
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -										
Covered-employee payroll	3,804,606	3,692,721	3,491,800	3,351,258	3,230,831										
Contributions as a percentage of covered-employee payroll	21.36%	21.41%	21.32%	23.96%	23.30%										

See Notes to the Required Supplementary Information.

**Notes to the Required Supplementary Information (Unaudited)**

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**1. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

- 1) No later than October 31<sup>st</sup> of each year, the Mayor submits a tentative budget to Common Council for the fiscal year commencing the following January 1<sup>st</sup>. 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, Water Fund and the Sewer 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

Combining Balance Sheet - Nonmajor Governmental Funds  
December 31, 2019

	Community Development Fund	Miscellaneous Special Revenue Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Unrestricted cash & cash equivalents	\$ -	\$ 50,245	\$ 50,245
Restricted cash	984,390	-	984,390
Loans receivable	149,189	-	149,189
Due from other funds	100,000	-	100,000
Due from other governments	<u>172,312</u>	<u>-</u>	<u>172,312</u>
 Total assets	 <u>\$ 1,405,891</u>	 <u>\$ 50,245</u>	 <u>\$ 1,456,136</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Due to other funds	\$ 600,000	\$ -	\$ 600,000
Unearned grant revenue	<u>149,189</u>	<u>-</u>	<u>149,189</u>
 Total liabilities	 <u>749,189</u>	 <u>-</u>	 <u>749,189</u>
Fund balances:			
Restricted	<u>656,702</u>	<u>50,245</u>	<u>706,947</u>
 Total fund balances	 <u>656,702</u>	 <u>50,245</u>	 <u>706,947</u>
 Total liabilities and fund balances	 <u>\$ 1,405,891</u>	 <u>\$ 50,245</u>	 <u>\$ 1,456,136</u>

CITY OF ONEIDA, NEW YORK

Statement of Revenues, Expenditures, and Change in Fund Balances - Nonmajor Governmental Funds  
 For the year ended December 31, 2019

	Community Development Fund	Miscellaneous Special Revenue Fund	Total Nonmajor Governmental Funds
REVENUES:			
Real property taxes	\$ -	\$ 38,932	\$ 38,932
Departmental Income	33,880	10,736	44,616
Use of money and property	2,841	-	2,841
Miscellaneous	70	-	70
Federal Aid	<u>968,580</u>	<u>-</u>	<u>968,580</u>
Total revenues	<u>1,005,371</u>	<u>49,668</u>	<u>1,055,039</u>
EXPENDITURES:			
Home and community services	<u>864,271</u>	<u>10,078</u>	<u>874,349</u>
Total expenditures	<u>864,271</u>	<u>10,078</u>	<u>874,349</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>141,100</u>	<u>39,590</u>	<u>180,690</u>
OTHER FINANCING SOURCES (USES):			
Interfund transfers in	1,411	-	1,411
Interfund transfers out	<u>(1,411)</u>	<u>(35,168)</u>	<u>(36,579)</u>
Total other uses	<u>-</u>	<u>(35,168)</u>	<u>(35,168)</u>
CHANGE IN FUND BALANCE	141,100	4,422	145,522
FUND BALANCE - beginning of year	<u>515,602</u>	<u>45,823</u>	<u>561,425</u>
FUND BALANCE - end of year	<u>\$ 656,702</u>	<u>\$ 50,245</u>	<u>\$ 706,947</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 22, 2020

To the Common Council of  
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, 2019, 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 22, 2020. 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.

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.

*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 deficiency described in the accompanying schedule of findings and questioned costs as item 2019-001 to be a material weakness.

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 as item 2019-002 to be a significant deficiency.

**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, New York's responses to the findings identified in our audit are 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 22, 2020

To the Common Council of  
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, 2019. 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.

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.

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### ***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 its major federal program for the year ended December 31, 2019.

### **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.

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, 2019

Federal Grantor/Pass-through Grantor/Program Title	CFDA #	Agency or Pass-Through Number	Federal Expenditures	Amounts Passed Through to Subrecipients
<b>U.S. Department of Housing and Urban Development</b>				
Passed-through NYS Homes & Community Renewal:				
Community Development Block Grants/State's Program	14.228	N/A	\$ 162,000	\$ 162,000
Total Passed-through NYS Homes & Community Renewal			<u>162,000</u>	
Total U.S. Department of Housing and Urban Development			<u>162,000</u>	
<b>U.S. Department of Transportation</b>				
Passed-through NYS Department of Transportation:				
Highway Planning and Construction	20.205	D034690	<u>452,351</u>	
Total Passed-through NYS Department of Transportation			<u>452,351</u>	
Total U.S. Department of Transportation			<u>452,351</u>	
<b>U.S. Department of Homeland Security</b>				
Passed-through NYS Division of Homeland Security:				
Hazard Mitigation Grant	97.039	4031-0035	<u>630,145</u>	
Total Hazard Mitigation Grant			<u>630,145</u>	
Homeland Security Grant Program	97.067	T972079	<u>50,000</u>	
Total Homeland Security Grant			<u>50,000</u>	
Total Passed-through NYS Department of Homeland Security			<u>680,145</u>	
Total U.S. Department Homeland Security			<u>680,145</u>	
Total Expenditures of Federal Awards			<u>\$ 1,294,496</u>	

**Notes to the Schedule of Expenditures of Federal Awards  
For the year ended December 31, 2019**

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**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 \$10,000 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, 2019 the outstanding principal balance of those loans were \$149,189.

**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, 2019**

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**Part 1 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?  Yes  No

Significant deficiencies identified?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?  Yes  No

Significant deficiencies identified?  Yes  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?

Yes  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, 2019 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, 2019.

**CITY OF ONEIDA, NEW YORK**

**Schedule of Findings and Questioned Costs  
For the year ended December 31, 2019**

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**Part II Financial Statement Findings**

**Reference:** 2019-001

**Prior year audit finding number:** 2018-001

**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 (GAAP).

**Cause/Condition:**

Capital assets were understated for current year additions that were not identified and reflected as such in the in the governmental activities opinion unit. Errors were not detected until audit procedures were performed.

**Effect:**

Material audit adjustments were necessary so that the financial statements are presented in accordance with GAAP.

**Governmental Activities Opinion Unit**

Land Improvements	\$	148,000	
Building		58,900	
Vehicle		273,483	
Infrastructure		470,200	
Expense			\$ 950,583

**Schedule of Findings and Questioned Costs  
For the year ended December 31, 2019**

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**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 consider the necessity for additional procedures that will allow capital asset purchase expenditures to be identified in real time so that the government-wide financial statements can properly reflect capital asset balances at year end.

**Management's Response:** We are working with our new software to develop a solid capital asset program that will allow us to account for capital asset expenditures at the time the expense is incurred. We are also working on performing a full audit of the City's current capital assets.

**Reference:** 2019-002

**Prior year audit finding number:** 2018-002

**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 Mayor is working with the Chamberlain to address the issue of delinquent taxes past the charter requirements. .