

# CITY OF OSWEGO

## FINANCIAL REPORT

DECEMBER 31, 2015



**insero&co**

Certified Public Accountants | Business Advisors

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# CITY OF OSWEGO

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## **INDEPENDENT AUDITOR'S REPORT**

Mayor and Members of the Common Council  
City of Oswego  
Oswego, New York

### **Report on the Financial Statements**

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinions**

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

## **Prior Period Financial Statements**

The financial statements as of December 31, 2014, were audited by Ciaschi, Dietershagen, Little, Mickelson & Company, LLP, who merged with Inero & Co. CPAs, LLP as of January 1, 2016, and whose report date September 3, 2015 expressed an unmodified opinion on those statements.

## ***Emphasis of a Matter***

During the year ended December 31, 2015, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions - Amendment of GASB Statement No. 27," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." Our opinion is 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 Funding Progress, and the Schedules of Contributions and Proportionate Share of Net Pension Liability on pages 4-4j and 49-53 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.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining non-major 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 Title 2, U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements per Federal Awards, and is also not a required part of the basic financial statements.

The combining non-major fund financial statements and 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 non-major fund financial statements and Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2016 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Respectfully Submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPA, LLP  
Certified Public Accountants

Ithaca, New York  
September 20, 2016

# ***CITY OF OSWEGO***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015**

### ***Note 1* Summary of Significant Accounting Policies**

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

#### **Reporting Entity**

The City, which was incorporated in 1848, is governed by the Charter of the City, other general laws of the State of New York, and various local laws and ordinances.

The governing body of the City consists of a mayor and City Aldermen who make up the Common Council. The Mayor is the Chief Executive Officer who provides for the enforcement of all general and local laws and rules and regulations of the Common Council. The City Chamberlain is the Chief Fiscal Officer and is responsible for the receiving, disbursing, and holding of all City monies and the books of account of the City. In addition, the City Chamberlain is responsible for auditing and approval of the payment of all lawful claims against the City, and oversees the general administration of the City.

The financial reporting entity consists of the following, as defined by GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB No. 39, "Determining Whether Certain Organizations are Component Units" and GASB No. 61, "The Financial Reporting Entity: Omnibus."

1. The primary government, which is the City,
2. Organizations for which the primary government is financially accountable, and;
3. 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 basic financial statements to be misleading or incomplete.

The decision to include a potential component unit in the reporting entity is based on the criteria set forth in GASB Statement No. 14, as amended by GASB Statement Nos. 39 and 61, including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of a certain entity considered in determining the City's reporting entity.

# ***CITY OF OSWEGO***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015**

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **Excluded from the Reporting Entity**

The Simeon DeWitt Authority was created by the New York State Legislature. The governing board of the Authority is appointed by New York State. The City provides no subsidy to the Authority nor is it responsible for debt or operating deficits of the Authority. The Authority's debt is essentially supported by operating revenues of the Authority and is not guaranteed by the City. The City does not appoint management of the Authority nor does it approve the Authority's budget, contracts, or hiring of staff. The City has no oversight responsibility for funds of the Authority. Based on the criteria mentioned above, the authority is not part of the reporting entity.

#### **Basic Financial Statements**

The City's basic financial statements include both Government-wide (reporting the City as a whole) and fund level financial statements (reporting the City's Major Funds.) Both the Government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's general governmental support, education, public safety, health, transportation, highways and streets, economic assistance and opportunity, culture and recreation, and home and community services are classified as Governmental Activities. The City's sewer service is classified as a Business-type Activity.

#### **Government-wide Financial Statements**

The Government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of activities for the primary government. Government-wide financial statements do not include the activities reported in the Fiduciary Funds. This Government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

In the Government-wide Statement of Net Position, the Governmental Activities column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts - net investment in capital assets, restricted, and unrestricted. The City first utilizes restricted resources to finance qualifying activities.

The Statement of Activities reports both the gross and net cost for each of the City's functions or programs. Gross expenses are direct expenses, including depreciation, specifically associated with a service, program or department and, therefore, are clearly identifiable to a particular function. These expenses are offset by program revenues - charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the program or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the City, with certain limited exceptions. The net cost represents the extent to which each function or program is self-financing or draws from the general revenues of the City.



# ***CITY OF OSWEGO***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015**

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **Government-wide Financial Statements - Continued**

The City does not allocate indirect costs. Indirect costs are reported in the function entitled “general government.”

Financial transactions of the City are reported in individual funds in the Governmental Fund, Proprietary Fund, and Fiduciary Fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows of resources, reserves, fund equity, revenues, and expenditures or expenses. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The City records its transactions in the funds described below:

#### **Governmental Funds**

Governmental Funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources, and the related liabilities are accounted for through Governmental Funds. The measurement focus of the Governmental Funds is based upon determination of financial position and changes in financial position. The following are the City's Governmental Funds:

#### **Major Funds:**

- General Fund - Primary operating fund used to account for revenues (i.e., general, tax, and other from state, federal, and local sources) not required by law or other provision to be accounted for in other funds and which finance the basic governmental functions provided by the City.

#### **Special Revenue Fund:**

- Special Grant Fund - Accounts for monies distributed by the federal government and expended pursuant to rules and regulations as set forth by the Department of Housing and Urban Development and other federal agencies.

#### **Capital Project Funds:**

- Transportation Fund - Accounts for capital improvements related to transportation financed from current monies transferred from other funds, federal and state grants, and proceeds of obligations.
- Culture and Recreation Fund - Accounts for capital improvements related to culture and recreation financed from current monies transferred from other funds, federal and state grants, and proceeds of obligations.

# ***CITY OF OSWEGO***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015**

### ***Note 1* Summary of Significant Accounting Policies – Continued**

#### **Non-Major Funds:**

- Debt Service Fund - Accounts for the accumulation of resources for, and the payments of, general long-term debt principal, interest, and related costs.

#### **Special Revenue Fund:**

- Water Fund - Accounts for revenues derived from charges for water consumption, benefit assessments and the application of such revenues toward related operating expenses and debt retirement.

#### **Capital Projects Funds:**

- General Government Fund - Accounts for capital improvements related to general governmental support financed from current monies transferred from other funds, federal and state grants, and proceeds of obligations.
- Public Safety Fund - Accounts for capital improvements related to public safety financed from current monies transferred from other funds, federal and state grants, and proceeds of obligations.
- Home and Community Services Fund - Accounts for capital improvements related to home and community services financed from current monies transferred from other funds, federal and state grants, and proceeds of obligations.

#### **Proprietary Funds:**

Account for ongoing organizations or activities similar to those often found in the private sector. The measurement focus is based upon determination of net income, financial position, and changes in financial position. The following Proprietary Funds are utilized:

- Internal Service Fund - Accounts for special activities or services provided by one department to other departments or other governments on a cost-reimbursement basis. Included are the following:
  - Self-Insurance - Established by the City to accumulate funds for certain claims, judgments, and losses in lieu of purchasing insurance coverage.
  - Health Insurance - Established by the City to accumulate funds for health insurance claims.
- Enterprise Fund - Accounts for services provided to residents where the charges are expected to cover all costs of operations. Included are the following:
  - Sewer Fund - Accounts for revenues derived from charges for sewer usage, benefit assessments, and the application of such revenues toward related operating expenses and debt retirement.

# ***CITY OF OSWEGO***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015**

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **Fiduciary Funds:**

Account for assets held by the local government in a trustee or custodial capacity. The following Fiduciary Funds are

- Agency Funds - Account for money (and/or property) received and held in the capacity of trustee, custodian or agent.

#### **Basis of Accounting/Measurement Focus**

Basis of accounting refers to when revenues and expenditures and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured, i.e. expenditures or expenses.

- **Accrual Basis** - The Government-wide financial statements, Proprietary Fund financial statements, and Fiduciary Fund financial statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets and liabilities, including capital assets, as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.
- **Modified Accrual Basis** - Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Material revenues accrued include real property taxes, state and federal aid, sales tax, and certain user charges. The City considers property tax receivables collected within 60 days after year end to be available and recognizes them as revenues of the current year.

All other revenues deemed collectible within one year after year end are recognized as revenues in the current year. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made. Expenditures are recorded when incurred. The cost of capital assets is recognized as an expenditure when received. Exceptions to this general rule are that 1) principal and interest on indebtedness are not recognized as an expenditure until due, and 2) compensated absences, such as vacation and sick leave, which vests or accumulates, are charged as an expenditure when paid.

# ***CITY OF OSWEGO***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015**

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **Unearned Revenues**

The City reports unearned revenues on its Statement of Net Position and its Balance Sheet - Governmental Funds. On the Statement of Net Position, unearned revenues arise when resources are received by the City before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the City has legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

#### **Deferred Outflows and Inflows of Resources**

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports the deferred charge on defeased debt in the government-wide Statement of Net Position. A deferred charge on defeased debt results from the difference in the carrying value of the refunded debt and its recognition price. The amount is deferred and amortized over the life of the refunded or refunding debt. In addition, the City reports deferred outflows related to pensions in the Statement of Net Position, as described in Note 7.

In addition to liabilities, the Statement of Net Position and the Balance Sheet - Governmental Funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of deferred inflow, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the Balance Sheet - Governmental Funds. The governmental funds report unavailable revenues from loans receivable and taxes receivable that remain uncollected collected after 60 days after year-end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, the City reports deferred inflows related to pensions in the Statement of Net Position, as described in Note 7.

#### **Property Taxes**

The authority for levying taxes for the support of City government, the collection of Oswego County taxes levied in the City, and the enforcement of unpaid City school district taxes, has been delegated by the State Legislature to the governing board of the City through provisions of the Real Property Tax Law and the City Charter.

# ***CITY OF OSWEGO***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015**

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **Assessment and Levy**

For purposes of both City and County taxes, the value of real property is listed and established by the City for each parcel of real property therein. Amounts to be raised by tax are determined from the balanced budgets of the City and the County and levied on or before December 31st of each year. Tax rates are established by the ratio of taxes to be levied to real property value. In the instance of County taxes levied within the City, property values are equalized by the County Board of Legislators through establishment of the ratio that assessed value of the real property in the City and towns of the County bears to the full value therein.

County taxes thus apportioned to the City are certified by the County Board of Legislators to the City but levied on County tax rolls. The charter provides that these taxes, except such as are by law or court order stayed from collection, are payable to the County only for collected amounts; the City thus acquires no rights, title, and interest in any unpaid taxes. City School District taxes are levied by the Board of Education upon separate tax rolls.

#### **Collection**

City and County taxes are billed separately. City taxes may be paid in installments, one-half in April and one-half in June, with a 1% collection fee charged on the unpaid balance. A late fee of 1% per month thereafter is assessed. County taxes may be paid in full during the month of January without a fee. In April, the City returns unpaid County taxes to the County. School taxes are billed by the City School District and unpaid taxes are remitted to the City for collection in March with a late fee attached. A 1% per month fee plus a 5% collection fee is added by the City. In January, after the tax listing, the City remits the remaining unpaid balance to the City School District.

#### **Enforcement**

Unpaid City taxes of the prior year, and unpaid school taxes returned in the current year, along with accrued interest, are enforced through annual public sale held in September, pursuant to Title XII of the Charter. Tax sale certificates, whether held by third parties or by the City, bear interest at the rate of 10% per annum.

#### **Insurance**

The City assumes the liability for most risk including, but not limited to, property damage and personal injury liability.

#### **Unemployment Insurance**

As of January 1, 1978, City employees are covered by unemployment insurance. The City has chosen to discharge its liability to the New York State Unemployment Insurance Fund by means of the benefit reimbursement method. This is a dollar-for-dollar reimbursement to the Unemployment Insurance Fund for the benefits paid to former employees and charged to the City's account. The City is exempt from federal unemployment insurance tax.

# CITY OF OSWEGO

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

### *Note 1* Summary of Significant Accounting Policies - Continued

#### **Compensated Absences**

Pursuant to resolutions of the Common Council and contractual agreements, City employees are entitled to accrue sick leave. Upon retirement, certain City employees are entitled to be paid for unused sick leave. The expenditures for these fringe benefits are recorded in Governmental Funds at the time benefits are paid.

#### **Cash and Cash Equivalents**

For financial statement purposes, all highly liquid investments with an initial maturity of three months or less are considered cash equivalents.

#### **Capital Assets**

All capital assets are valued at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives of the assets. Capital assets purchased or acquired having a useful life of greater than one year are capitalized. The estimated capitalization threshold and useful lives for capital assets are as follows:

<u>Asset Class</u>	<u>Threshold</u>	<u>Useful Lives</u>
Buildings and improvements	\$ 5,000	10 - 30 years
Infrastructure	25,000	10 - 50 years
Machinery and equipment	1,000	3 - 20 years

No interest on construction in progress has been capitalized.

#### **Investments**

Investments are stated at cost, which is fair value.

#### **Use of Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

# ***CITY OF OSWEGO***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015**

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **Equity Classifications**

##### **Government-wide Financial Statements**

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

- Net investment in capital assets - Consists of capital assets including restricted 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 - Consists of resources with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted - Consists of all other resources that do not meet the definition of “restricted” or “net investment in capital assets.”

##### **Governmental Fund Financial Statements**

The City classifies fund balance to reflect spending constraints on resources, rather than availability for appropriation. This approach is intended to provide users more consistent and understandable information about a fund’s net resources.

Constraints are broken into five classifications: nonspendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

- Nonspendable - Consists of assets inherently nonspendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowments principal.
- Restricted - Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation. Most of the City’s legally adopted reserves are reported here.
- Committed - Consists of amounts subject to a purpose constraint imposed by formal action of the government’s highest level of decision-making authority prior to the end of the fiscal year, which requires the same level of formal action to remove said constraint.

# ***CITY OF OSWEGO***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015**

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **Governmental Fund Financial Statements - Continued**

- Assigned - Consists of amounts subject to a purpose constraint representing an intended use established by the government's highest level of decision-making authority, or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.
- Unassigned - Represents the residual classification of the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from overspending amounts restricted, committed, or assigned for specific purposes.

The City has not adopted any resolutions to commit fund balance. The City's policy is to apply expenditures against restricted fund balance, assigned fund balance, and unassigned fund balance.

#### **Interfund Activity**

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

The net effect of capital activity conducted for the benefit of the Enterprise Fund, less long-term debt transferred to the Enterprise Fund, is reported as an internal balance.

### ***Note 2* Stewardship, Compliance and Accountability**

#### **Negative Fund Balances**

At December 31, 2015, the Transportation Capital Projects Fund had a deficit fund balance of \$271,086. Also, the Culture and Recreation Capital Projects Fund had a deficit fund balance of \$1,014,300, and the Public Safety Capital Projects Fund had a negative fund balance of \$1,767. These deficits will be eliminated as short-term Bond Anticipation Notes are converted to long-term bonds or when other revenues, including grants and transfers from the General Fund, are realized.



# ***CITY OF OSWEGO***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015**

### ***Note 3*** **Cash and Investments**

Available cash of the City is deposited and invested in accordance with the provisions of applicable state statutes. The City also has its own written investment guidelines which have been established by the Common Council.

The City deposits cash into a number of bank accounts. Monies must be deposited in demand or time accounts at, or certificates of deposit issued by, FDIC-insured commercial banks or trust companies located within the state. Some of the City's accounts are mandated by various statutes and borrowing restrictions for specific funds, while the remainder are used for City operating cash and for investment purposes. The City's bank accounts are maintained in separate demand accounts with the respective offset being to various fund equities in pooled cash, investments, and restricted cash. Interest income from the pooled accounts is allocated based on the funds' respective share of the pool.

Permissible investments include obligations of the U.S. Treasury and U.S. agencies, contractual repurchase agreements, and obligations of New York State. Per existing policies, the underlying securities for repurchase transactions must be only federal obligations.

Collateral is required for deposits and certificates of deposit in an amount equal to or greater than the amount of all deposits not covered by federal deposit insurance. Banks satisfy collateral requirements by pledging eligible securities as specified in Section 10 of New York State General Municipal Law.

Deposits and investments are valued at cost or cost plus interest. Total financial institution (bank) balances at December 31, 2015, per the banks, were \$11,894,314, \$6,111,693 and \$339,164 in the Governmental Funds, Proprietary Fund, and Fiduciary Fund respectively. These deposits were fully insured and collateralized by securities held by the pledging financial institution's trust department or agent in the City's name. The carrying value of all City deposits was \$19,083,270 at year end.

The City does not typically purchase investments, is not exposed to material interest rate risk, does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

### ***Note 4*** **Property Taxes**

At December 31, 2015, the City had total real property tax assets of \$2,106,538. In the Governmental Fund financial statements, the tax assets are offset by deferred inflows of resources of \$1,611,895, and represent an estimate of the tax liens which will not be collected within the first 60 days of the subsequent year.

# CITY OF OSWEGO

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

### Note 5 Other Receivables

#### Current Receivables

Other current receivables at December 31, 2015 is comprised of the following:

#### Governmental Activities

##### Major Funds:

##### General Fund:

Ambulance Charges Receivable (Net of \$1,157,421 allowance for doubtful accounts)	\$ 202,581
--	------------

##### Special Grant Fund:

Miscellaneous	350
<b>Total Major Funds</b>	<u>202,931</u>

##### Non-Major Funds:

##### Special Revenue Funds:

##### Water Fund:

Water Rents Receivable (Net of \$28,216 allowance for doubtful accounts)	<u>364,248</u>
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<b>Total Governmental Activities</b>	<u><u>\$ 567,179</u></u>
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#### Business-Type Activities

##### Sewer Fund:

Sewer Rents Receivable	\$ <u>896,174</u>
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<b>Total Business-Type Activities</b>	<u><u>\$ 896,174</u></u>
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#### Noncurrent Receivables

During the year ended December 31, 2000, the City signed an agreement with the owners of Crestwood Development to share the cost of installation of water and sewer lines to the development site. The agreement states the City will collect \$3,847 for each of the lots at Hillside Heights and \$6,377 for each of the lots at Jordan's Way, plus 7% interest at the time the lots are sold or by August 1, 2009, whichever comes first.

The remaining amount due from Crestwood Development at December 31, 2015 was \$231,325. The City is negotiating with the owners of Crestwood Development related to the disposition of this receivable.

# CITY OF OSWEGO

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

### Note 6 Fixed Assets

A summary of changes in capital assets at December 31, 2015 follows:

<u>Governmental Activities</u>	<u>Balance at 12/31/14 (Restated)</u>	<u>Additions</u>	<u>Retirements/ Reclassifica- tions</u>	<u>Balance at 12/31/15</u>
Non-depreciable Capital Assets:				
Land	\$ 6,392,814	\$	\$	\$ 6,392,814
Construction in Progress	<u>2,700,444</u>	<u>2,604,575</u>		<u>5,305,019</u>
Total Non-depreciable Capital Assets	<u>9,093,258</u>	<u>2,604,575</u>	<u>-</u>	<u>11,697,833</u>
Depreciable Capital Assets:				
Buildings and improvements	33,170,482			33,170,482
Infrastructure	138,082,194	826,345		138,908,539
Machinery and equipment	<u>12,357,866</u>	<u>845,982</u>	<u>(188,191)</u>	<u>13,015,657</u>
Total Depreciable Capital Assets	<u>183,610,542</u>	<u>1,672,327</u>	<u>(188,191)</u>	<u>185,094,678</u>
Total Historical Cost	<u>192,703,800</u>	<u>4,276,902</u>	<u>(188,191)</u>	<u>196,792,511</u>
Less Accumulated Depreciation:				
Buildings and improvements	(22,664,355)	(933,780)		(23,598,135)
Infrastructure	(119,083,469)	(1,960,805)		(121,044,274)
Machinery and equipment	<u>(7,863,316)</u>	<u>(840,539)</u>	<u>181,593</u>	<u>(8,522,262)</u>
Total Accumulated Depreciation	<u>(149,611,140)</u>	<u>(3,735,124)</u>	<u>181,593</u>	<u>(153,164,671)</u>
<b>Governmental Activities Capital Assets, Net</b>	<b><u>\$ 43,092,660</u></b>	<b><u>\$ 541,778</u></b>	<b><u>\$ (6,598)</u></b>	<b><u>\$ 43,627,840</u></b>

# CITY OF OSWEGO

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

**Note 6 Fixed Assets - Continued**

Depreciation expense was charged to governmental activities as follows:

**Governmental Activities**

General governmental support	\$ 139,908
Public safety	413,662
Transportation	1,432,828
Economic opportunity	30,222
Culture and recreation	1,034,777
Home and community services	<u>683,727</u>

**Total Governmental Activities Depreciation Expense**      **\$ 3,735,124**

<b><u>Business-Type Activities</u></b>	<b><u>Balance at 12/31/14</u></b>	<b><u>Additions</u></b>	<b><u>Retirements/ Reclassifica- tions</u></b>	<b><u>Balance at 12/31/15</u></b>
Non-depreciable Capital Assets:				
Land	\$ 178,196	\$	\$	\$ 178,196
Construction in progress	<u>22,839,029</u>	<u>919,290</u>	<u>(23,305,842)</u>	<u>452,477</u>
Total Non-depreciable Capital Assets	<u>23,017,225</u>	<u>919,290</u>	<u>(23,305,842)</u>	<u>630,673</u>
Depreciable Capital Assets:				
Buildings and improvements	12,842,622			12,842,622
Infrastructure	38,213,447	23,305,842		61,519,289
Machinery and equipment	<u>1,031,384</u>	<u>81,355</u>	<u>(19,675)</u>	<u>1,093,064</u>
Total Depreciable Capital Assets	<u>52,087,453</u>	<u>23,387,197</u>	<u>(19,675)</u>	<u>75,454,975</u>
Total Historical Cost	<u>75,104,678</u>	<u>24,306,487</u>	<u>(23,325,517)</u>	<u>76,085,648</u>
Less Accumulated Depreciation:				
Buildings and improvements	(9,092,709)	(160,097)		(9,252,806)
Infrastructure	(16,187,300)	(1,274,622)		(17,461,922)
Machinery and equipment	<u>(720,003)</u>	<u>(84,271)</u>	19,675	<u>(784,599)</u>
Total Accumulated Depreciation	<u>(26,000,012)</u>	<u>(1,518,990)</u>	<u>19,675</u>	<u>(27,499,327)</u>
<b>Business-Type Activities Capital Assets, Net</b>	<b><u>\$ 49,104,666</u></b>	<b><u>\$ 22,787,497</u></b>	<b><u>\$ (23,305,842)</u></b>	<b><u>\$ 48,586,321</u></b>

# ***CITY OF OSWEGO***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015**

***Note 6***     **Fixed Assets - Continued**

During 2015, it was determined that depreciation on equipment, both in the Governmental Activities and in the Business-Type Activities, was calculated incorrectly. The 2014 balances for accumulated depreciation for equipment were reduced by \$1,474,713 in the Governmental Activities and by \$147,753 in the Business-Type Activities.

***Note 7***     **Pension Obligations - New York State and Local Retirement System**

For the fiscal year ended December 31, 2015, the City implemented GASB Statement No. 68 "Accounting and Financial Reporting for Pensions - Amendment to GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." The implementation of the Statements requires the City to report as an asset and/or liability its portion of the collective net pension liability in the New York State Employees' Retirement System. The implementation of the Statements also requires the City to report a deferred outflow and/or inflow of resources for the effect of the net change in the City's proportion of the collective net pension liability and difference during the measurement period between the City's contributions and its proportionate share of total contributions to the pension system not included in pension expense. Also included as a deferred outflow is the City's contributions to the pension system subsequent to the measurement date.

**Plan Descriptions and Benefits Provided**

The City participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS), which are collectively referred to as the New York State and Local Retirement System (the System). The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all assets and record changes in fiduciary net position allocated to the System. Participating employers are required under the RSSL to contribute to the System at an actuarially determined rate adopted annually by the Comptroller.

The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Generally, members of the System are employees of the State and its municipalities, other than New York City.

# CITY OF OSWEGO

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

**Note 7 Pension Obligations - New York State and Local Retirement System - Continued**

ERS and PFRS are cost-sharing, multiple-employer defined benefit pension plans. The System is Included in the State's financial report as a pension trust fund. The Public Employees' Group Life Insurance Plan (GLIP) provides death benefits in the form of life insurance. In these statements, GLIP amounts are apportioned to and included in ERS and PFRS.

Separately issued financial statements for the System can be accessed on the Comptroller's website at <http://www.osc.state.ny.us/pension/cafr.htm> or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

Members who joined the System prior to January 1, 2010 need five years of service to be 100% vested. Members who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS) require ten years of service credit to be 100% vested.

Generally, Tier 1 and 2 members are not required to contribute to the System, Tier 3, 4, and 5 members must contribute 3% of their salary to the System. As a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1976, who have ten or more years of membership or credited service with the System, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service.

### Summary of Significant Accounting Policies

The System's financial statements from which the System's fiduciary net position is determined are prepared using the accrual basis of accounting. Plan member contributions are recognized when due and the employer has a legal requirement to provide the contributions.

Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Plan investments are reported at fair value. For detailed information on how investments are valued, please refer to the System's annual report.

### Contributions

Participating employers are required under the RSSL to contribute to the System at an actuarially determined rate adopted annually by the Comptroller. The City's contributions for the current year and two preceding Plan years were equal to 100% of the contributions required, and were as follows:

	2015	2014	2013
ERS	\$ 1,523,437	\$ 1,503,758	\$ 1,327,887
PFRS	1,961,058	1,951,353	1,835,983

# **CITY OF OSWEGO**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015**

**Note 7 Pension Obligations - New York State and Local Retirement System - Continued**

**Contributions - Continued**

Chapter 57, Laws of 2010 allows employers to amortize a portion of their annual required contribution of 10 years. The City elected to amortize portions of the contributions noted above as follows:

	2015	2014	2013
ERS	\$ 464,862	\$ 576,201	\$ 462,244
PFRS	228,901	411,126	411,149

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

At December 31, 2015, the City reported the following liability for its proportionate share of the net pension liability for the System. The net pension liability was measured as of March 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was derived from a report provided to the City by the System.

	ERS	PFRS
Actuarial valuation date	04/01/2014	04/01/2014
Net pension liability	\$ 3,378,245,000	\$ 28,474,417,000
City's proportionate share of the Plan's total net pension liability	827,659	692,208

# CITY OF OSWEGO

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

**Note 7 Pension Obligations - New York State and Local Retirement System - Continued**

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

For the year ended December 31, 2015, the City recognized pension expense of \$91,749 for ERS in the financial statements. At December 31, 2015 the City's reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources:

	ERS	PFRS
Deferred Outflows of Resources:		
Differences between expected and actual experience	\$ 26,494	\$ 83,476
Net differences between projected and actual earnings on pension plan investments	143,754	232,397
Changes in proportion and differences between the City's contributions and proportionate share of contributions	260,172	
City's contributions subsequent to the measurement date	804,272	1,153,523
<b>Total Deferred Outflows of Resources</b>	<b>\$ 1,234,692</b>	<b>\$ 1,469,396</b>
Deferred Inflows of Resources:		
Changes in proportion and differences between the City's contributions and proportionate share of contributions	\$	\$ 261,632
<b>Total Deferred Inflows of Resources</b>	<b>\$ -</b>	<b>\$ 261,632</b>

City contributions subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	ERS	PFRS
Year ended:		
2016	\$ 107,605	\$ 22,468
2017	107,605	22,468
2018	107,605	22,468
2019	107,605	22,468
2020		(35,631)
Thereafter		



# CITY OF OSWEGO

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

**Note 7 Pension Obligations - New York State and Local Retirement System - Continued**

**Actuarial Assumptions**

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Significant actuarial assumptions used in the valuations were as follows:

	ERS	PFRS
Measurement date	March 31, 2015	March 31, 2015
Actuarial valuation date	April 1, 2014	April 1, 2014
Interest rate	7.5%	7.5%
Salary scale	4.9%	6.0%
	April 1, 2005 -	April 1, 2005 -
Decrement tables	March 31, 2010 System's Experience	March 31, 2010 System's Experience
Inflation rate	2.7%	2.7%

For ERS and PFRS, annuitant mortality rates are based on April 1, 2005 - March 31, 2011 System's experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 - March 31, 2010.

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

	NYSLRS
Measurement date	March 31, 2015
Asset Type:	
Domestic equities	7.3%
International equities	8.5%
Real estate	8.3%
Private equity/Alternative investments	11.0%
Absolute return strategies	6.8%
Opportunistic portfolio	8.6%
Real assets	8.7%
Cash	2.3%
Inflation-indexed bonds	4.0%
Mortgages and bonds	4.0%

# CITY OF OSWEGO

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

**Note 7 Pension Obligations - New York State and Local Retirement System - Continued**

**Discount Rate**

The discount rate used to calculate the total pension liability was 7.5%. 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 on these assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Proportionate Share of the Net Pension 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 7.5%, 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-percentage point lower or 1 percentage point higher than the current rate:

ERS	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	\$ 5,516,704	\$ 827,659	\$ (3,131,058)
PFRS	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	\$ 9,216,391	\$ 692,208	\$ (6,451,571)

# CITY OF OSWEGO

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

**Note 7 Pension Obligations - New York State and Local Retirement System - Continued**

**Pension Plan Fiduciary Net Position**

The components of the current-year net pension liability of the employers as of the respective valuation dates were as follows:

	<b>Dollars in Thousands ERS</b>	<b>Dollars in Thousands PFRS</b>
Valuation date	March 31, 2015	March 31, 2015
Employers' total pension liability	\$ 164,591,504	\$ 28,474,417
Plan net position	(161,213,259)	(28,199,157)
<b>Employers' Net Pension Liability</b>	<b>\$ 3,378,245</b>	<b>\$ 275,260</b>
 Ratio of Plan Net Position to the Employers' Total Pension Liability	97.9%	99.0%

**Payables to the Pension Plan**

For ERS and PFRS, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of December 31, 2015 represent the projected employer contribution for the period of April 1, 2015 through December 31, 2015 based on estimated wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of December 31, 2015 amounted to \$804,272 for ERS and \$1,153,523 for PFRS.

**Effect on Net Position**

Changes in the net pension liability and deferred outflows and inflows of resources for the year ended December 31, 2015 resulted in the following effect on net position:

	<b>Beginning Balance</b>	<b>Change</b>	<b>Ending Balance</b>
<b>ERS</b>			
Net pension liability	\$ (1,107,106)	\$ 279,447	\$ (827,659)
Deferred outflows of resources	1,142,578	92,114	1,234,692
<b>Total</b>	<b>\$ 35,472</b>	<b>\$ 371,561</b>	<b>\$ 407,033</b>
<b>PFRS</b>			
Net pension liability	\$ (1,046,913)	\$ 354,705	\$ (692,208)
Deferred outflows of resources	1,470,794	(1,398)	1,469,396
Deferred inflows of resources	-	(261,632)	(261,632)
<b>Total</b>	<b>\$ 423,881</b>	<b>\$ 91,675</b>	<b>\$ 515,556</b>

# ***CITY OF OSWEGO***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015**

### ***Note 8* Other Postemployment Benefits**

In 2008, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits (OPEB) Other than Pensions.” In the past, the City reported the cost of retiree health care on a “pay-as-you-go” basis.

An actuarial valuation of the City Retiree Medical Plan (the Plan) was performed as of January 1, 2015 for the fiscal year ending December 31, 2015. The Plan is a single-employer defined benefit Other Postemployment Benefit Plan administered by the City. The Plan provides medical, prescription, and dental benefits to eligible retirees and their spouses and can be amended by action of the City subject to applicable collective bargaining and employment agreements. The Plan does not issue a stand-alone financial report, as there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Contribution requirements of Plan members, employers and other entities are established by action of the City pursuant to applicable collective bargaining agreements. Required contribution rates of the employer and the members vary depending on the applicable agreement. The City currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The expected employer contribution costs of administering the Plan are paid by the City.

The City’s annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period of 30 years.

# CITY OF OSWEGO

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

**Note 8 Other Postemployment Benefits – Continued**

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

Normal cost	\$ 2,910,132
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	6,077,218
Interest	243,089
Total ARC	<u>9,230,439</u>
Interest on net OPEB obligation	1,951,556
Adjustment to ARC	<u>(2,821,468)</u>
Annual OPEB Cost (Expense)	8,360,527
Expected employer contribution	<u>(3,872,264)</u>
Increase in Net OPEB Obligation	4,488,263
Net OPEB Obligation - January 1, 2015	<u>48,788,911</u>
Net OPEB Obligation - December 31, 2015	<u><u>\$ 53,277,174</u></u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2015 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2015	\$ 8,360,527	46.3%	\$ 53,277,174
12/31/2014	\$ 7,325,091	49.8%	\$ 48,788,911
12/31/2013	\$ 12,558,494	30.4%	\$ 45,110,820

As of December 31, 2015, the Plan was not funded. The actuarial accrued liability for benefits was \$109,290,951; there are no assets legally segregated for the Plan. The covered payroll (annual payroll of active employees covered by the Plan) was \$16,145,718 and the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll was 676.9%. During 2014, the City adopted changes to its plan for retirees, including selection of a Medicare Advantage plan; this is the primary reason for the substantial decrease in the UAAL.

# ***CITY OF OSWEGO***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015**

### ***Note 8* Other Postemployment Benefits - Continued**

Actuarial valuations of an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding funded status of the Plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. Under this method, each participant's projected benefit is calculated at all possible ages based on the Plan provisions as well as the initial data and actuarial assumptions. The actuarial assumptions included an initial annual healthcare cost trend rate of 7.5%, reduced by decrements to an ultimate rate of 5% after seven years. The discount rate used as of January 1, 2015 was 4% per year compounded annually. This is the rate used to discount future benefit liabilities into today's dollars.

### ***Note 9* Short-term Debt**

The City may issue Revenue Anticipation Notes (RANs) and Tax Anticipation Notes (TANs), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund. There were no TANs or RANs issued or outstanding at December 31, 2015.

# CITY OF OSWEGO

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

**Note 9 Short-term Debt - Continued**

Liabilities for Bond Anticipation Notes (BANs) are generally accounted for in the Capital Projects Fund. Principal payments on BANs must be made annually. The notes or renewal thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within each twelve month period thereafter. State law requires BANs issued for capital purposes be converted to long-term obligations within five years after original issue date. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided stipulated annual reductions of principal are made.

The City accounts for BANs as current obligations and records them in the fund to which they apply. The following is an analysis of short-term debt outstanding at December 31, 2015:

	<u>Amount</u>	<u>Dated</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Capital Fund - Culture and Recreation Fund	\$ <u>1,075,000</u>	01/09/15	1.26%	01/09/16
<b>Total Bond Anticipation Notes outstanding</b>	<b>\$ <u>1,075,000</u></b>			

Changes in short-term debt outstanding are as follows:

	<u>Payable at 1/1/15</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Payable at 12/31/15</u>
BANs	\$ 11,549,960	\$ _____	\$ (10,474,960)	\$ 1,075,000
	<b>\$ <u>11,549,960</u></b>	<b>\$ _____ -</b>	<b>\$ <u>(10,474,960)</u></b>	<b>\$ <u>1,075,000</u></b>

Included in redemptions above is \$9,937,460 that was converted to long-term debt or forgiven via capital grants.

Interest expense on short-term debt is calculated as follows:

Interest paid	\$ 19,135
Less interest accrued at December 31, 2014	(18,716)
Add interest accrued at December 31, 2015	<u>13,211</u>
 Interest Expense	 <u>\$ 13,630</u>

# ***CITY OF OSWEGO***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015**

### ***Note 10* Long-term Debt**

#### **Constitutional Debt Limit**

At December 31, 2015, the total outstanding indebtedness of the City aggregated \$48,029,724. Of this amount, \$8,367,550 was subject to the City's constitutional debt limit, and represented approximately 16.2% of its debt limit.

#### **Serial Bonds and Capital Loans**

The City borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by present and future taxpayers receiving the benefit of the capital assets.

#### **Installment Purchase Debt**

During the year ended December 31, 2006, the City entered into installment purchase agreements for energy conservation renovations and equipment related to water treatment improvements.

During the year ended December 31, 2008, the City entered into installment purchase agreements for fire trucks and a pumper truck.

During the year ended December 31, 2009, the City entered into an installment purchase agreement for an ambulance.

#### **Other Long-term Liabilities**

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

- Compensated absences represent the value of the earned and unused portion of the liability for compensated absences. This liability is liquidated in the General, Water, and Sewer Funds.
- Other postemployment benefits represent the value of the City's net OPEB obligation as described in Note 8 above.
- Other liabilities represent the liabilities to National Grid for the tracking account as a result of the "High Dam Power Purchase Agreement" (See Note 14.) This liability is liquidated in the General Fund.



# CITY OF OSWEGO

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

### *Note 10* Long-term Debt - Continued

#### Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the period ended December 31, 2015:

<u>Governmental Activities</u>	<u>Payable at 1/1/15 (Restated)</u>	<u>Additions</u>	<u>Deletions</u>	<u>Payable at 12/31/15</u>	<u>Amount Due in One Year</u>
Serial Bonds	\$ 14,660,000	\$	\$ (960,000)	\$ 13,700,000	\$ 965,000
Installment purchase debt	1,649,495		(270,191)	1,379,304	281,042
Employee retirement system	1,784,534	693,763	(161,974)	2,316,323	227,494
Compensated absences	3,655,389		(125,961)	3,529,428	
Other postemployment benefits payable	48,788,911	8,360,527	(3,872,264)	53,277,174	
Net pension liability	2,154,019		(634,152)	1,519,867	
Other liabilities	9,987,790		(1,866,700)	8,121,090	
<b>Total</b>	<b><u>\$ 82,680,138</u></b>	<b><u>\$ 9,054,290</u></b>	<b><u>\$ (7,891,242)</u></b>	<b><u>\$ 83,843,186</u></b>	<b><u>\$ 1,473,536</u></b>
<b>Deferred outflows of resources - bond refunding</b>	<b><u>\$ (126,373)</u></b>		<b><u>\$ 26,530</u></b>	<b><u>\$ (99,843)</u></b>	<b><u>\$ (22,893)</u></b>
<u>Business-Type Activities</u>					
<b>NYS Revolving Loan Fund</b>	<b><u>\$ 24,587,764</u></b>	<b><u>\$ 8,617,499</u></b>	<b><u>\$ (1,230,000)</u></b>	<b><u>\$ 31,975,263</u></b>	<b><u>\$ 1,407,764</u></b>

Additions and deletions to compensated absences are shown net, as it is impractical to determine these amounts separately.

On October 5, 2006, \$14,795,000 in general obligation bonds, with variable interest rates ranging from 3.625% to 5.50%, were issued to refund \$14,290,000 of outstanding bonds with interest rates ranging from 5.10% to 6.00%. The proceeds of \$14,795,000 were used to purchase \$14,290,000 of U.S. government securities and pay \$505,000 in bond issue costs. The securities were deposited in an irrevocable trust with Deutsche Bank, as escrow agent, to provide for all future debt service payments on the bonds. As a result, the \$14,290,000 in bonds is considered defeased and the liability for those bonds has been removed from the financial statements. The outstanding principal of the defeased bonds was \$4,960,000 at December 31, 2015.

# CITY OF OSWEGO

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

### *Note 10* Long-term Debt - Continued

#### Summary of Serial Bonds

As of December 31, 2015, the Serial Bonds, including issue and maturity dates and interest rates, consisted of the following:

<u>Description of Issue</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Payable to Maturity</u>
Various purpose	05/06/2006	9/2032	4.5-4.75%	\$ 2,925,000
Refunding bonds	10/06/2006	3/2024	3.625-5.5%	4,855,000
Serial bonds	10/14/2014	10/2034		5,920,000
Deferred amount on refunding bonds				<u>(99,843)</u>
<b>Total Serial Bonds</b>				<b><u>\$ 13,600,157</u></b>

#### Summary of New York State Revolving Loan Fund (NYSRLF) Bonds

As of December 31, 2015, the NYSRLF Bonds, including issue and maturity dates and interest rates, consisted of the following:

<u>Description of Issue</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Payable to Maturity</u>
Eastside Sewer Rehabilitation	2/96	6/16	3.8%-5.375%	\$ 155,000
Eastside Sewer Rehabilitation	3/99	4/19	2.78%	450,000
Sewer Rehabilitation - Phase 3	7/01	5/31	2.619%	1,905,000
Capital Projects	3/04	4/32	1.03%-4.9%	1,930,000
Eastside Wastewater Treatment Plant	7/07	12/36	3.63%-4.66%	1,965,000
Westside Wastewater Treatment Plant/ Catch Basins	7/11	7/41	.233%- 4.746%	830,000
Westside Sewer Expansion and Related	6/14	5/44	4.2925%- .1515-	16,122,764
Westside Sewer Expansion and Related	6/14	3/45	4.2925%	<u>8,617,499</u>
<b>Total NYS Revolving Loan Fund Bonds</b>				<b><u>\$ 31,975,263</u></b>

# CITY OF OSWEGO

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

### Note 10 Long-term Debt - Continued

#### Future Debt Service Requirements

The following tables summarize the City's future debt service requirements as of December 31, 2015:

Year Ending December 31	Governmental Activities Serial Bonds		Business-Type Activities NYS Revolving Loan Fund		Total
	Principal	Interest	Principal	Interest	
2016	\$ 965,000	\$ 515,494	\$ 1,407,764	\$ 614,538	3,502,796
2017	955,000	476,730	1,150,000	572,651	3,154,381
2018	965,000	437,717	1,167,499	552,317	3,122,533
2019	960,000	396,206	1,020,000	533,077	2,909,283
2020	900,000	355,918	1,025,000	515,230	2,796,148
2021-2025	4,200,000	1,254,492	5,315,000	2,271,551	13,041,043
2026-2030	2,720,000	661,144	5,745,000	1,673,480	10,799,624
2031-2035	2,035,000	158,319	5,335,000	1,049,718	8,578,037
2036-2040			5,240,000	601,211	5,841,211
2041-2045			4,570,000	199,395	4,769,395
<b>Total</b>	<b>\$ 13,700,000</b>	<b>\$ 4,256,020</b>	<b>\$ 31,975,263</b>	<b>\$ 8,583,168</b>	<b>\$ 58,514,451</b>

#### Installment Purchase Debt

During the year ended December 31, 2006, the City entered into installment purchase agreements for an energy management system upgrade and replacing equipment at the City's Water Treatment Facility. Total improvements and equipment under these leases amounted to \$2,423,918. Depreciation expense of \$183,442 was recorded during the year ended December 31, 2015. Repayment of the leases continues through May 1, 2022, including 4.09% interest, and will be made from the Water Fund.

During the year ended December 31, 2008, the City purchased two pumpers and one aerial fire truck for a total cost of \$1,644,972. These purchases were funded with a capital grant, current appropriations and an installment purchase agreement. Total amount financed through the installment purchase agreement was \$754,347. Depreciation expense of \$164,497 was recorded during the year ended December 31, 2013. Repayments continue through September 15, 2016, including 4.27% interest, and will be made from the General Fund.

# CITY OF OSWEGO

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

**Note 10 Long-term Debt - Continued**

Repayment of lease obligations is as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 281,042	\$ 54,839	\$ 335,881
2017	181,669	43,055	224,724
2018	189,183	35,542	224,725
2019	197,006	27,719	224,725
2020	205,152	19,572	224,724
2021-2022	<u>325,252</u>	<u>13,342</u>	<u>338,594</u>
<b>Totals</b>	<b><u>\$ 1,379,304</u></b>	<b><u>\$ 194,069</u></b>	<b><u>\$ 1,573,373</u></b>

**Interest on Long-term Debt - Governmental Activities**

Interest on long-term debt is as follows:

**Governmental Activities**

Interest paid	\$ 615,432
Less interest accrued at December 31, 2014	(167,921)
Add interest accrued at December 31, 2015	109,309
Add deferred amount of refunding bonds	<u>26,530</u>
<b>Interest Expense</b>	<b><u>\$ 583,350</u></b>

**Interfund Activity**

Interfund activity balances as of December 31, 2015 were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Revenue</u>	<u>Interfund Expenditure</u>
General Fund	\$ 1,332,894	\$ 643,086	\$ 823,508	\$ 7,934,380
Special Grant Fund		211,036	430,000	
Capital Projects Fund - Transportation		1,622,131		479,000
Capital Projects Fund - Culture and Recreation		84,731		100,000
Non-Major Funds:				
Debt Service Fund	921,067		1,628,218	
Water Fund	282,571	99,878	134,113	722,678
Capital Projects Funds	183,193	140,720	228,000	138,613
Enterprise Fund	745,201	413,912	25,000	554,329
Trust and Agency Fund	4,260			
Internal Service Fund	<u>120,521</u>	<u>374,213</u>	<u>6,845,461</u>	<u>185,300</u>
<b>Totals</b>	<b><u>\$ 3,589,707</u></b>	<b><u>\$ 3,589,707</u></b>	<b><u>\$ 10,114,300</u></b>	<b><u>\$ 10,114,300</u></b>

# ***CITY OF OSWEGO***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015**

***Note 10***    **Long-term Debt - Continued**

At December 31, 2015, the internal balance between the governmental activities and business-type activities is as follows:

	Interfund Receivable	Interfund Payable
Governmental activities	\$	\$ 1,104,489
Business-Type Activities	1,104,489	

***Note 11***    **Sales Tax and Collection Thereof**

The City levies a 4% sales tax under the general authority of Article 29 of the Tax Law. The City imposed tax is administered and collected by the state tax commission in the same manner as the state imposed 4% sales and compensating use tax. Net collections, meaning monies collected after deducting expenses of administration, collections, and amounts refunded or to be refunded, but inclusive of any applicable penalties and interest, are paid by the State directly to the City.

***Note 12***    **Deferred Compensation Plan**

On March 9, 1987, after the appropriate Public Hearings were held, the City Common Council approved the establishment of a Deferred Compensation Plan for the City employees. The current plan provider is Mass Mutual Life Insurance Company.

***Note 13***    **Judgments and Claims**

The City and/or its agencies are named in several lawsuits, some of which are for substantial amounts. These claims are either adequately covered by insurance through the City's Internal Service Fund or, in the opinion of City officials, will not result in material judgments against the City or will not be pursued and, therefore, are not expected to have a material effect on the financial statements. In the past three years, no settlements exceeded insurance coverage.

***Note 14***    **Summary of Significant Commitments and Contingencies**

**State and Federally Assisted Programs**

The City receives many different state and federal grants to be used for specific purposes. These grants are generally conditioned on compliance with certain statutory, regulatory, and/or contractual requirements. The City makes every effort to comply with all applicable requirements. However, because these grants are audited from time to time, it is possible the City will be required, upon audit, to repay portions of the grant monies received and recorded as revenue in a prior year. City officials do not anticipate material grant-in-aid disallowances, and no provision, therefore, is reflected in the basic financial statements.

# ***CITY OF OSWEGO***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015**

### ***Note 14* Summary of Significant Commitments and Contingencies - Continued**

#### **Tax Certiorari Claims**

The City is a defendant in several tax certiorari claims. These claims could result in substantial refunds of taxes or reductions of future taxes. However, any potential settlement for these claims is unable to be reasonably estimated at December 31, 2015.

#### **Compensated Absences**

The value of \$3,529,428 represents the City's liability for earned and unused employee sick time payable upon termination, retirement, or death, as of December 31, 2015.

#### **High Dam Power Purchase Agreement**

During October 1993, Niagara Mohawk Power Corporation (NiMo) and the City entered into the "High Dam Power Purchase Agreement" (PPA), whereby the City agreed to sell and deliver to NiMo all electricity produced by its hydroelectric plant located on the Oswego River. Subsequently, National Grid acquired the rights under the PPA from NiMo. The following description of the PPA provides only general information. The complete PPA should be referred to for a more complete description of its provision.

The PPA commenced on January 1, 1993, and will expire on January 1, 2023. The PPA requires National Grid pay the City \$0.0595 per kWh ("Contractual Base Rate") for the first 500,000 ("First Period") MWhs produced and delivered to National Grid. Thereafter ("Second Period"), National Grid is required to pay the City at a maximum rate of \$0.0673 per kWh and a minimum rate of \$0.0550 per kWh.

During the First Period, the City and National Grid will calculate the total amount of what the payments to the City would have been at 100% of National Grid's applicable Service Class #6 Tariff ("Avoided Energy and Capacity Cost"). The theoretical difference between payments received under the Contractual Base Rate and what such payments would have been at the applicable "Avoided Energy and Capacity Cost" will be maintained in an interest-bearing "Adjustment Account." If National Grid's actual payments at the Contractual Base Rate are higher than they would have been at the applicable Avoided Energy and Capacity Cost Rate, an increase in the "Adjustment Account" will be recognized. Conversely, if the Contractual Base Rate is lower, a decrease in the "Adjustment Account" will be recognized.

# ***CITY OF OSWEGO***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015**

### ***Note 14* Summary of Significant Commitments and Contingencies - Continued**

#### **High Dam Power Purchase Agreement - Continued**

During the month of April 2005, 500,000 MWhs were produced and delivered to Brookfield Power ending the “First Period” and commencing the “Second Period” of the Power Purchase Agreement (PPA). Under the terms of the agreement, additions to the “Adjustment Account” end with the “First Period;” however, amounts in the “Adjustment Account” continue to accumulate interest on the balance and must be repaid in full no later than the end of the contract term. If at any time during the Second Period, the “Adjustment Account” is zero or below, the City may exercise once, at its sole discretion, to be thereafter paid at Orion, Service Class #6 Tariff Rate. The value of the “Adjustment Account” is offset by the incremental difference between the contract rate of \$0.0673 per kWh and the contract minimum of \$0.055 per kWh; a difference of \$0.0123 per kWh. For the year ended December 31, 2015, 45.107 mWh of energy were produced, resulting in a net reduction of \$554,818 to the “Adjustment Account” which was offset by an interest increase of \$42,504 added to the account. In addition, \$1,354,386 in the future value of current payments was recorded during 2015. Interest charged during 2015 was 0.40%. This rate is determined at 125% of the annual average of the Federal Reserve Statistical Release as per the PPA.

Coincident with the execution of the PPA, the City entered into a Service Agreement with Orion Power Holdings, Inc. (which has since been succeeded by NY Hydro Services) for the operation and maintenance of the High Dam power plant.

The terms of the Service Agreement will continue until termination of the PPA. Terms of the Service Agreement require that the City pay NY Hydro Services at the rate of \$0.004 per kWh of electricity generated for NY Hydro Services to perform certain operational and maintenance services. The cost of these services escalated at 4% per year through 1997. For each year thereafter, the cost of these services is stipulated to change in accordance with fluctuations in NY Hydro Service's Avoided Costs for Energy and Capacity. The City also pays an additional \$0.001 per kWh for NY Hydro Service to update and administer an emergency action plan for the plant.

Revenues received from National Grid under the PPA totaled \$1,874,747 for the year ended December 31, 2015. Amounts paid to NY Hydro Service under the Service Agreement totaled \$316,775 for the year ended December 31, 2015.

The City has been informed by National Grid that the “Adjustment Account” at December 31, 2015 reflects a positive balance of \$8,121,090 due to National Grid. The City intends to review National Grid’s calculations related to the “Adjustment Account,” however, in the interest of conservatism; a liability for this amount has been reported in the Statement of Net Position.

# CITY OF OSWEGO

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

### Note 15 Other Disclosures

#### Significant Taxpayers

During 2015 Oswego Harbor Power and National Grid paid real property taxes of \$1,026,830 and \$753,840 respectively. These amounts represent approximately 16.43% of the City's tax roll.

#### Restatement of Net Position

For the fiscal year ended December 31, 2015, the City implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - Amendment to GASB Statement No. 27," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." The implementation of these new accounting standards resulted in the reporting of deferred outflows of resources, a liability, and deferred inflows of resources related to the City's participation in the New York State Employees' retirement system.

In addition to these restatements, the Governmental Activities and Business-Type Activities financial statements were restated for the correction of accumulated depreciation for equipment described in Note 6 above. The internal balance between Governmental Activities and Business-Type Activities was also adjusted to account for construction in progress that was in place prior to the borrowing from NYSEFC for renovations. Finally, the Governmental Activities and General Fund were adjusted for the adjustment of allowances for doubtful accounts on other receivables and due from other governments.

The City's Governmental Activities net position has been restated as follows:

Net Position Beginning of Year, as Previously Stated	\$ (19,157,463)
GASB Statement No. 68 implementation:	
Beginning system liability - ERS	(1,107,106)
Beginning system liability - PFRS	(1,046,913)
Beginning deferred outflow of resources for contributions subsequent to the measurement date - ERS	1,142,578
Beginning deferred outflow of resources for contributions subsequent to the measurement date - PFRS	1,470,794
Total GASB Statement No. 68 implementation	<u>459,353</u>
Adjustment to equipment accumulated depreciation	<u>1,474,713</u>
Transfer of internal balance to Business-Type Activities	<u>(2,713,420)</u>
Adjustment to allowances for doubtful accounts	<u>(1,222,000)</u>
<b>Net Position Beginning of Year, as Restated</b>	<b><u><u>\$ (21,158,817)</u></u></b>

The City's Business-Type Activities net position has been restated as follows:

Net Position Beginning of Year, as Previously Stated	\$ 18,073,561
Adjustment to equipment accumulated depreciation	147,753
Transfer of internal balance from Governmental Activities	<u>2,713,420</u>
<b>Net Position Beginning of Year, as Restated</b>	<b><u><u>\$ 20,934,734</u></u></b>



# ***CITY OF OSWEGO***

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2015**

### ***Note 1* Budgetary Data**

Budget Policies - The budget policies are as follows:

- No later than August 1st, the budget officer submits a tentative budget to the Common Council for the fiscal year commencing the following January 1st. The tentative budget includes proposed expenditures and the proposed means of financing for all funds, except for the Special Grant, Agency, and Risk Retention Funds. If the tax rate is 5% or greater of the previous year, a public referendum will be held.
- After public hearings are conducted to obtain taxpayer comments, no later than August 31st, the Common Council adopts the budget.
- All modifications of the budget must be approved by the Common Council.
- Budgetary controls are established for the Capital Projects and Special Grant Funds through resolutions authorizing individual projects, which remain in effect for the life of the project.

### **Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in the Governmental Funds. Encumbrances are reported as reservations of fund balances, as they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

### **Budget Basis of Accounting**

Except as indicated below, budgets are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year. Budgetary controls for the Special Grant Fund are established in accordance with the applicable grant agreement, which covers a period other than the City's fiscal year.

### ***Note 2* Schedule of Funding Progress**

The Schedule of Funding Progress, presented as required supplementary information, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The projections of benefits are based on types of benefits provided under the substantive plan at the time of the valuation date and on the pattern of cost-sharing between the City and Plan members. In addition, the projections do not explicitly incorporate potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the City and plan members in the future. The actuarial calculations reflect a long-term perspective; actuarial methods and assumptions used include techniques designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

# CITY OF OSWEGO

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2015

Federal Grantor/Pass - Through Grantor Program Title	Federal CFDA #	Pass - Through Grantor #	Expenditures To Subrecipients	Expenditures
<b>U.S. Department of Housing and Urban Development</b>				
Direct:				
Section 8 Housing Assistance	14.871	N/A	\$	\$ 2,662,745
Community Development Block Grants - Small Cities (Program Income)	14.219	N/A		193,575
Family Self-Sufficiency Program	14.896	N/A		<u>46,747</u>
<b>Total U.S. Department of Housing and Urban Development</b>				<u>2,903,067</u>
<b>U.S. Department of Justice</b>				
Direct:				
Bulletproof Vest Partnership Program	16.607	N/A		<u>6,039</u>
<b>U.S. Department of Transportation</b>				
Passed through NYS Governor's Traffic Safety Committee:				
State and Community Highway Safety	20.600	HS1 2016		1,500
State and Community Highway Safety	20,600	PTS 2016		<u>7,869</u>
Total State and Community Highway Safety				<u>9,369</u>
<b>U.S. Environmental Protection Agency</b>				
Passed through NYS Environmental Facilities Corporation:				
Capitalization Grants for Clean Water State Revolving Funds (ARRA)	66.458	4637		<u>1,200,000</u>
<b>Total Expenditures of Federal Awards</b>			<b>\$</b>	<b><u>4,118,475</u></b>

N/A - Indicates Direct Award

(1) - Unable to obtain

*See Independent Auditor's Report*

# CITY OF OSWEGO

## BUDGETARY COMPARISON SCHEDULE NON-GAAP BUDGET BASIS - GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance Fav. (Unfav.)</u>
<b>REVENUES</b>					
Real property taxes	\$ 10,836,586	\$ 10,836,586	\$ 10,903,669	\$	\$ 67,083
Real property tax items	318,231	318,231	342,962		24,731
Nonproperty tax items	13,025,000	13,025,000	13,623,956		598,956
Departmental income	1,587,500	1,587,500	1,688,151		100,651
Intergovernmental charges	204,053	204,053	197,280		(6,773)
Use of money and property	2,892,000	2,892,000	2,912,266		20,266
Licenses and permits	150,650	150,650	124,843		(25,807)
Fines and forfeitures	281,000	281,000	287,850		6,850
Sale of property and compensation for loss	195,000	195,000	332,838		137,838
Miscellaneous local sources	593,000	593,000	80,868		(512,132)
State sources	2,800,142	2,800,142	3,107,378		307,236
Federal sources			15,422		15,422
<b>Total Revenues</b>	<u>32,883,162</u>	<u>32,883,162</u>	<u>33,617,483</u>	<u>-</u>	<u>734,321</u>
<b>EXPENDITURES</b>					
Current:					
General governmental support	3,555,304	3,250,222	2,907,802	55,344	287,076
Public safety	10,109,851	10,901,313	10,081,091	40,971	779,251
Transportation	3,529,318	3,771,759	3,553,155	73,900	144,704
Economic assistance and opportunity	579,459	670,388	526,405	7,060	136,923
Culture and recreation	985,711	988,781	846,463	43,421	98,897
Home and community services	1,270,768	1,377,108	1,289,394	3,525	84,189
Employee benefits	4,813,551	4,834,152	3,788,341		1,045,811
Debt service:					
Principal	640,164	640,164	640,164		-
Interest	75,845	55,345	28,090		27,255
<b>Total Expenditures</b>	<u>25,559,971</u>	<u>26,489,232</u>	<u>23,660,905</u>	<u>224,221</u>	<u>2,604,106</u>
Excess of Revenues	<u>7,323,191</u>	<u>6,393,930</u>	<u>9,956,578</u>	<u>(224,221)</u>	<u>3,338,427</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Interfund transfers in			823,508		823,508
Interfund transfers (out)	(7,323,191)	(7,934,383)	(7,934,380)		3
<b>Total Other Financing (Uses)</b>	<u>(7,323,191)</u>	<u>(7,934,383)</u>	<u>(7,110,872)</u>		<u>823,511</u>
Excess of (Expenditures) and Other (Uses)					
Over Revenues and Other Financing Sources	<u>-</u>	<u>(1,540,453)</u>	<u>2,845,706</u>	<u>\$(224,221)</u>	<u>\$ 4,161,938</u>
Appropriated Fund Balance		<u>1,540,453</u>			
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>2,845,706</u>		
Fund Balance, Beginning			<u>5,982,469</u>		
<b>Fund Balance, Ending</b>			<u>\$ 8,828,175</u>		

See Independent Auditor's Report and Notes to Required Supplementary Information

# CITY OF OSWEGO

## SCHEDULE OF FUNDING PROGRESS FOR THE YEAR ENDED DECEMBER 31, 2015

<b>Financial Statement Date</b>	<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
12/31/2015	1/1/2014	\$ -0-	\$ 109,290,951	\$ 109,290,951	0.0%	\$ 16,145,718	676.9%
12/31/2014	1/1/2014	\$ -0-	\$ 98,989,276	\$ 98,989,276	0.0%	\$ 16,578,089	597.1%
12/31/2013	1/1/2012	\$ -0-	\$ 164,960,365	\$ 164,960,365	0.0%	\$ 15,829,047	1042.1%
12/31/2012	1/1/2012	\$ -0-	\$ 158,596,011	\$ 158,596,011	0.0%	\$ 15,855,161	1000.3%
12/31/2011	1/1/2010	\$ -0-	\$ 147,751,214	\$ 147,751,214	0.0%	\$ 15,465,366	955.4%
12/31/2010	1/1/2010	\$ -0-	\$ 143,141,757	\$ 143,141,757	0.0%	\$ 15,045,814	951.4%
12/31/2009	1/1/2008	\$ -0-	\$ 133,556,188	\$ 133,556,188	0.0%	\$ 15,031,837	888.5%
12/31/2008	1/1/2008	\$ -0-	\$ 134,947,728	\$ 134,947,728	0.0%	\$ 14,685,156	918.9%

*See Independent Auditor's Report and Notes to Required Supplementary Information*

# ***CITY OF OSWEGO***

## **SCHEDULE OF CITY CONTRIBUTIONS NYSLRS PENSION PLAN FOR THE LAST 2 FISCAL YEARS**

	<u>2015</u>	<u>2014</u>
<b>Employees' Retirement System:</b>		
Contractually required contribution	\$ 1,523,437	\$ 1,503,758
Contributions in relation to the contractually required contribution	(1,523,437)	(1,503,758)
Contribution deficiency (excess)	-	-
City's covered - employee payroll	6,921,446	7,412,684
Contributions as a percentage of covered - employee payroll	22.0%	20.3%
<b>Police and Fire Retirement System:</b>		
Contractually required contribution	1,961,058	1,951,353
Contributions in relation to the contractually required contribution	(1,961,058)	(1,951,353)
Contribution deficiency (excess)	-	-
City's covered - employee payroll	7,502,389	7,893,743
Contributions as a percentage of covered - employee payroll	26.1%	24.7%

*See Independent Auditor's Report and Notes to Required Supplementary Information*

# ***CITY OF OSWEGO***

## **SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY NYSLRS PENSION PLANS FOR THE YEAR ENDED DECEMBER 31,**

	<u>2015</u>
<b>Employees' Retirement System:</b>	
City's proportion of the net pension liability	0.0244997%
City's proportionate share of the net pension liability	827,659
City's covered-employee payroll during the measurement period	7,489,167
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	11.05%
Plan fiduciary net position as a percentage of the total pension liability	97.9%
 <b>Police and Fire Retirement System:</b>	
City's proportion of the net pension liability	0.2514747%
City's proportionate share of the net pension liability	692,208
City's covered-employee payroll during the measurement period	8,020,553
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	8.63%
Plan fiduciary net position as a percentage of the total pension liability	99.0%

*See Independent Auditor's Report and Notes to Required Supplementary Information*

# CITY OF OSWEGO

## COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS DECEMBER 31, 2015

	<u>Debt Service Fund</u>	<u>Special Revenue Funds</u> <u>Water Fund</u>	<u>Capital Projects Fund</u> <u>General Government Fund</u>
<b>ASSETS</b>			
<b>Assets:</b>			
Cash and cash equivalents - Unrestricted	\$ _____	\$ 454,736	\$ 1,713,987
- Restricted	_____	_____	_____
Due from other funds	921,067	282,571	_____
Other receivables, net	_____	364,248	_____
<b>Total Assets</b>	<b>\$ <u>921,067</u></b>	<b>\$ <u>1,101,555</u></b>	<b>\$ <u>1,713,987</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ _____	\$ 48,199	\$ _____
Accrued liabilities	_____	1,044	_____
Due to other funds	_____	99,878	_____
Due to employees' retirement system	_____	39,088	_____
<b>Total Liabilities</b>	<b>-</b>	<b>188,209</b>	<b>-</b>
<b>Fund Balances:</b>			
Restricted	921,067	_____	_____
Assigned	_____	913,346	1,713,987
Unassigned	_____	_____	_____
<b>Total Fund Balances (Deficit)</b>	<b>921,067</b>	<b>913,346</b>	<b>1,713,987</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ <u>921,067</u></b>	<b>\$ <u>1,101,555</u></b>	<b>\$ <u>1,713,987</u></b>

*See Independent Auditor's Report*

<u>Capital Projects Funds</u>		<u>Total</u>
<u>Public</u>	<u>Home and</u>	<u>Non-Major</u>
<u>Safety</u>	<u>Community</u>	<u>Governmental</u>
<u>Fund</u>	<u>Services Fund</u>	<u>Funds</u>
\$ <u>(1,767)</u>	\$ <u>105,866</u>	\$ <u>2,272,822</u>
	<u>773,200</u>	<u>773,200</u>
	<u>183,193</u>	<u>1,386,831</u>
		<u>364,248</u>
<b>\$ <u>(1,767)</u></b>	<b>\$ <u>1,062,259</u></b>	<b>\$ <u>4,797,101</u></b>
\$ _____	\$ <u>547,707</u>	\$ <u>595,906</u>
		<u>1,044</u>
	<u>140,720</u>	<u>240,598</u>
		<u>39,088</u>
<u>-</u>	<u>688,427</u>	<u>876,636</u>
		<u>921,067</u>
	<u>373,832</u>	<u>3,001,165</u>
<u>(1,767)</u>		<u>(1,767)</u>
<u>(1,767)</u>	<u>373,832</u>	<u>3,920,465</u>
<b>\$ <u>(1,767)</u></b>	<b>\$ <u>1,062,259</u></b>	<b>\$ <u>4,797,101</u></b>



# CITY OF OSWEGO

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NON-MAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2015

	<b>Debt Service Fund</b>	<b>Special Revenue Fund</b>
		<b>Water Fund</b>
<b>REVENUES</b>		
Departmental income	\$	\$ 2,406,051
Intergovernmental charges	12,238	
Use of money and property	1,476	10
Sale of property and compensation for loss		14,495
Miscellaneous local sources		18,435
State sources		
Federal sources		
<b>Total Revenues</b>	13,714	2,438,991
<b>EXPENDITURES</b>		
Current:		
General governmental support		50,000
Home and community services		1,640,615
Employee benefits		120,027
Debt service:		
Principal	972,238	155,289
Interest	550,447	56,030
Capital outlay		
<b>Total Expenditures</b>	1,522,685	2,021,961
<b>Excess of (Expenditures) Revenues</b>	(1,508,971)	417,030
<b>OTHER FINANCING SOURCES (USES)</b>		
Interfund transfers in	1,628,218	134,113
Interfund transfers (out)		(722,678)
Proceeds of obligations		
Total Other Financing Sources (Uses)	1,628,218	(588,565)
Excess of Revenues and Other Financing Sources Over (Expenditures) and Other (Uses)	119,247	(171,535)
Fund Balances (Deficit), Beginning	801,820	1,084,881
<b>Fund Balances (Deficit), Ending</b>	<b>\$ 921,067</b>	<b>\$ 913,346</b>

*See Independent Auditor's Report*

<b>Capital Projects Funds</b>			<b>Total</b>
<b>General Government Fund</b>	<b>Public Safety Fund</b>	<b>Home and Community Services Fund</b>	<b>Non-Major Governmental Funds</b>
\$ _____	\$ _____	\$ _____	\$ 2,406,051
_____	_____	_____	12,238
_____	_____	_____	1,486
_____	_____	_____	14,495
_____	_____	_____	18,435
_____	_____	300,000	300,000
_____	_____	1,200,000	1,200,000
_____	_____	1,500,000	3,952,705
-	-		
_____	_____	_____	50,000
_____	_____	_____	1,640,615
_____	_____	_____	120,027
_____	_____	_____	1,127,527
_____	_____	_____	606,477
79,470		3,826,038	3,905,508
79,470	-	3,826,038	7,450,154
(79,470)	-	(2,326,038)	(3,497,449)
60,000		168,000	1,990,331
_____	_____	(138,613)	(861,291)
_____	_____	8,617,499	8,617,499
60,000	-	8,646,886	9,746,539
(19,470)	-0-	6,320,848	6,249,090
1,733,457	(1,767)	(5,947,016)	(2,328,625)
<b>\$ 1,713,987</b>	<b>\$ (1,767)</b>	<b>\$ 373,832</b>	<b>\$ 3,920,465</b>

# CITY OF OSWEGO

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

**Note 1 Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs administered by the City, an entity as defined in Note 1 to the City's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other government agencies, are included on the Schedule of Expenditures of Federal Awards.

**Note 2 Basis of Accounting**

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable program and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program. These records are periodically reconciled to the general ledger which is the source of the basic financial statements.

**Note 3 Expenditures of Federal Revenue**

The City operates a revolving loan program utilizing federal financial assistance received under prior Community Development Block Grants (CDBG) and current Rural Business Enterprise Grants (RBEG). Loans outstanding at December 31, 2015 under these programs, as reported in the City's basic financial statements, are as follows:

Loans receivable - CDBG	\$ 2,493,980
Loans receivable - RBEG	<u>29,796</u>
Total Loans Receivable	2,523,776
Less: Allowance for uncollectible accounts	<u>-</u>
<b>Net Loans Receivable</b>	<b><u>\$ 2,523,776</u></b>

The City disbursed new loans in the amount of \$519,533 from Community Development Block Grant funds. The City received program income from the repayment of loan principal in the amount of \$223,579 and wrote off principal payments totaling \$6,544 during the year.

**Note 4 Indirect Cost Rates**

The City did not elect to use the de minimus indirect cost rate.

# CITY OF OSWEGO

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

### Section I Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  yes  no

Significant deficiency(ies) identified that are not considered to be material weakness(es)?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

#### Federal Awards

Internal control over major programs:

Material weakness(es) identified?  yes  no

Reportable condition(s) identified that are not considered to be material weakness(es)?  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 paragraph 200.516 of the Uniform Guidance  yes  no

#### Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.871	Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee:  yes  no

# ***CITY OF OSWEGO***

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2015**

### **Section II - Financial Statement Findings:**

None

### **Section III - Federal Award Findings and Questioned Costs:**

None