

CITY OF OSWEGO

Oswego, New York

FINANCIAL REPORT

DECEMBER 31, 2016



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, 2016, 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, 2016, 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.

Emphasis of a Matter

During the year ended December 31, 2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 77, "Tax Abatement Disclosures." 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, the Schedules of Contributions and Proportionate Share of Net Pension Liability, and related notes 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 for 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 7, 2017 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 dark ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, flowing style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 7, 2017

CITY OF OSWEGO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

Our discussion and analysis of the City of Oswego's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2016. Please read it in conjunction with the City's financial statements, which begin on page 5.

FINANCIAL HIGHLIGHTS

- Liabilities of the City's governmental activities exceeded its assets at the close of the most recent fiscal year by \$26,477,499 (net deficit). Net position decreased by \$5,488,830 from last year when liabilities exceeded assets by \$20,988,669. The assets of the City's business-type activities exceeded its liabilities by \$24,863,075.
- During the year, the City had expenses that were \$5,884,399 more than the \$40,786,306 generated in tax and other revenues for governmental programs, excluding transfers from business-type activities. This compares to last year when expenses exceeded revenues by \$359,181.
- The General Fund recorded an increase of \$1,195,777 in 2016 and had a fund balance at the end of the year of \$10,023,952. Spending was under budgeted amounts in 2016.
- The City's bond, bond anticipation note (BAN) and New York State Revolving Loan Fund obligations decreased by \$2,887,371 during the current fiscal year and the amount owed under the High Dam Power Purchase Agreement decreased by \$1,142,834. In addition, the City's lease obligations payable decreased by \$268,759. The City had BANs issued for the purchase of a marina; total BANs outstanding were \$537,500 at December 31, 2016.
- In 2008, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Other Postemployment Benefits (OPEB) Other than Pensions." The resulting liability as of December 31, 2016 is \$60,733,128.
- In 2015, the City adopted 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." This standard resulted in a net pension liability of \$10,890,024 at December 31, 2016. The standard also resulted in recording deferred outflows of resources of \$12,742,670 and deferred inflows of resources of \$2,116,820.

CITY OF OSWEGO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

USING THIS ANNUAL REPORT

This annual report consists of a series of basic financial statements. The Statement of Net Position and the Statement of Activities (on pages 5 through 6a) provide information about the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 7. For Governmental Activities, these statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in greater detail than the Government-wide statements by providing information about the City's most significant funds. The Proprietary Fund statements report the operations of those activities for which the City charges customers the full price for the services it provides. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the Government. Following these statements are notes that provide additional information that is essential to a full understanding of the data provided in the financial statements.

In addition to the basic financial statements, the annual report contains a budgetary comparison for the General Fund and other information in the form of combining statements for those funds that are not considered Major Funds and, therefore, are not presented individually in the basic financial statements.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 5, with the Government-wide statements. The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer the question of whether the City, as a whole, is better off or worse off as a result of the year's activities. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

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

In the Statement of Net Position and the Statement of Activities, all of the City's activities which are governmental in nature are reported in one column, including public safety, transportation, home and community services, culture and recreation, and general administration. Property and sales taxes, and state and federal grants finance most of these activities. Certain activities based on charges to customers are reported as business-type activities.

CITY OF OSWEGO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

Reporting the City's Most Significant Funds

Fund Financial Statements

Analysis of the City's Major Funds begins on page 7. The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law. However, management establishes many other funds to help it control and manage money for particular purposes or to show it is meeting legal responsibilities for using certain taxes and grants. The City's three kinds of funds - Governmental, Proprietary, and Fiduciary - use different accounting approaches.

Governmental Funds: All of the City's services are reported in the Governmental Funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can be readily converted to cash. The Governmental Fund statements provide a detailed short-term view of the City's general governmental operations and the basic services they provide. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between Governmental *Activities* (reported in the Government-wide financial statements) and Governmental *Funds* is explained in a reconciliation following the fund financial statements.

Proprietary Funds: When the City charges customers for the services it provides - whether to outside customers or to other units of the City - these services are generally reported in proprietary funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

The City as Trustee: The City is the trustee, or fiduciary, for other assets that are held on behalf of others. All of the City's Fiduciary Activities are reported in a separate Statement of Fiduciary Net Assets on page 14. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in this fund are used for their intended purposes.

THE CITY AS A WHOLE

Net position (deficit) of the City's governmental activities for the fiscal year ended December 31, 2016 declined by \$5,488,830 from a deficit of \$20,988,669 in 2015 to \$26,477,499 at December 31, 2016. This is a reflection of a combination of factors including higher additional expense for other postemployment benefits payable resulting from the adoption of GASB Statement No. 45, and additional pension expense based on the adoption of GASB Statement No. 68.

CITY OF OSWEGO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

The increase in current assets is primarily due to increased cash balances, offset partially by the internal balance between governmental activities and the business-type activities, and amounts due from state and federal governments. Increased loans receivable is the primary reason for the change in noncurrent assets and restricted net position. Depreciation expense exceeded capital asset additions, which caused net capital assets to decrease. Deferred inflows and outflows of resources are affected by the pension standard. Current liabilities declined due mostly to reductions in bond anticipation notes. Significant increases in other postemployment benefits and net pension liability, offset by principal payments on debt, caused the other liabilities to increase.

Our analysis below focuses on the net position (*Figure 1*), and changes in net position (*Figure 2*), of the City's Governmental Activities.

***Figure 1
Net Position***

	<i>Governmental Activities</i>		<i>Percent Change</i>
	<i>2015</i>	<i>2016</i>	<i>2015 - 2016</i>
<i>Current assets</i>	\$ 18,765,583	\$ 19,924,503	6.18%
<i>Other noncurrent assets</i>	2,998,040	3,092,290	3.14%
<i>Capital assets, net</i>	43,627,840	42,070,118	(3.57%)
<i>Total Assets</i>	65,391,463	65,086,911	(0.47%)
<i>Deferred outflows of resources</i>	2,803,931	12,819,620	357.20%
<i>Current liabilities</i>	6,552,781	5,921,580	(9.63%)
<i>Noncurrent liabilities</i>	82,369,650	96,345,630	16.97%
<i>Total Liabilities</i>	88,922,431	102,267,210	15.01%
<i>Deferred inflows of resources</i>	261,632	2,116,820	709.08%
<i>Net investment in capital assets</i>	27,634,079	27,764,023	0.47%
<i>Restricted</i>	5,055,249	5,159,189	2.06%
<i>Unrestricted</i>	(53,677,997)	(59,400,711)	(10.66%)
<i>Total Net Position (Deficit)</i>	\$ (20,988,669)	\$ (26,477,499)	(26.15%)

CITY OF OSWEGO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

The City's total governmental revenues decreased by 3.24% or \$1,365,745 in 2016. The total cost of all governmental programs and services increased by 9.78% or \$4,159,473, with no new programs added this year. Our analysis in Figure 2 separately considers the operations of Governmental Activities.

**Figure 2
Changes in Net Position**

	Governmental Activities		Percent Change
	2015	2016	2015 - 2016
REVENUES			
<i>Program Revenue</i>			
<i>Charges for services</i>	\$ 4,572,687	\$ 4,798,103	4.93%
<i>Operating grants</i>	3,905,511	3,417,566	(12.49%)
<i>Capital grants</i>	847,719	864,838	2.02%
<i>General Revenues</i>			
<i>Property taxes and tax items</i>	11,166,511	11,452,910	2.56%
<i>Non-property taxes</i>	13,623,956	13,504,743	(0.88%)
<i>State sources</i>	2,592,766	2,620,557	1.07%
<i>Other</i>	5,442,901	4,127,589	(24.17%)
Total Revenues	42,152,051	40,786,306	(3.24%)
PROGRAM EXPENSES			
<i>General government</i>	6,344,845	7,438,903	17.24%
<i>Public safety</i>	17,201,432	19,823,103	15.24%
<i>Transportation</i>	6,004,137	6,007,929	0.06%
<i>Economic assistance and opportunity</i>	511,048	518,415	1.44%
<i>Culture and recreation</i>	2,371,891	2,421,827	2.11%
<i>Home and community services</i>	9,480,899	9,868,543	4.09%
<i>Interest on long-term debt</i>	596,980	591,985	(0.84%)
Total Expenses	42,511,232	46,670,705	9.78%
Transfers from enterprise fund	529,329	395,569	(25.27%)
CHANGE IN NET POSITION	\$ 170,148	\$ (5,488,830)	

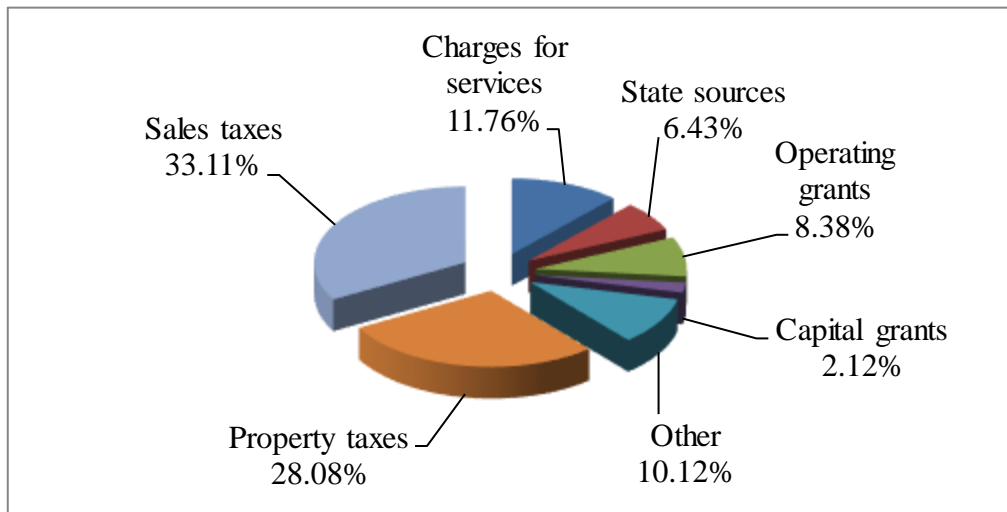
Revenues from operating grants decreased by \$487,945, due primarily to decreased transportation grants. Rental revenue from the High Dam declined significantly, which was the main cause of the reduction in other revenue. Expenses were generally higher due to significantly higher adjustments to employee benefits, as a result of GASB Statement Nos. 45 and 68. The adjustment for other postemployment benefits was higher by approximately \$3,000,000, and the adjustment to pension expense was approximately \$1,650,000. Other than these adjustments, expenses were essentially flat.

CITY OF OSWEGO

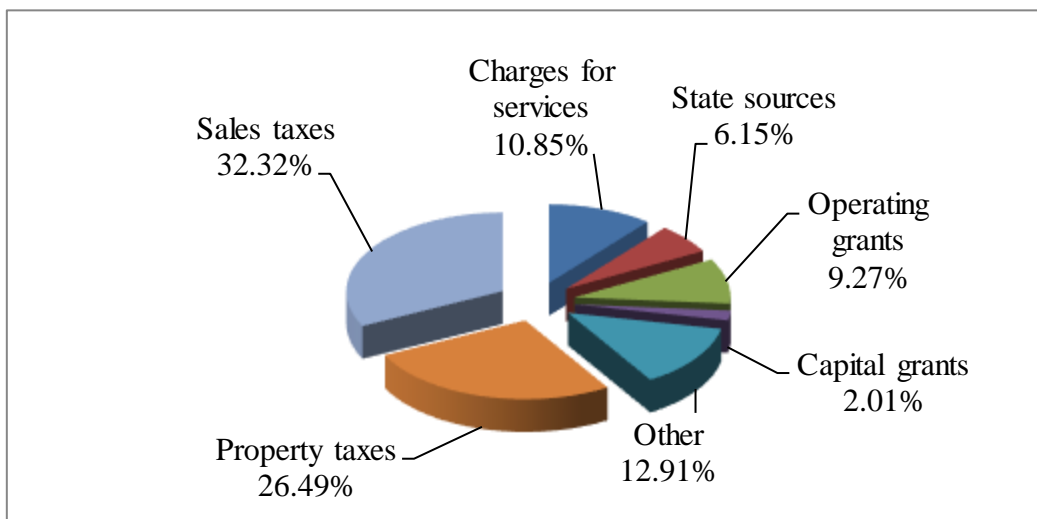
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

The sources of revenue for 2016 and 2015 are presented below:

***Figure 3
Revenue by Source
2016***



***Figure 4
Revenue by Source
2015***



CITY OF OSWEGO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

The cost of all Governmental Activities this year was \$46,670,705. Some of the cost was paid by those who directly benefited from the programs; \$4,798,103, or by other governments and organizations that subsidized certain programs with grants and contributions: \$4,282,404. The amount our taxpayers ultimately financed for these activities through City property taxes and other general revenues was \$37,590,198. Overall, the City's governmental program revenues, including fees for services and grants were \$9,080,507. The City paid for the remaining "public benefit" portion of Governmental Activities with \$31,705,799 in taxes and with other revenues, such as interest and general entitlements; and a net transfer from business-type activities of \$395,569.

A comparison of the total costs as they relate to the total revenues generated by activities for each of the City's programs is presented below. The net expense shown in the Statement of Activities is the financial burden placed on the City's taxpayers by each of these functions.

Figure 5
Comparison of Program Costs and Program Revenues
Governmental Activities - 2016

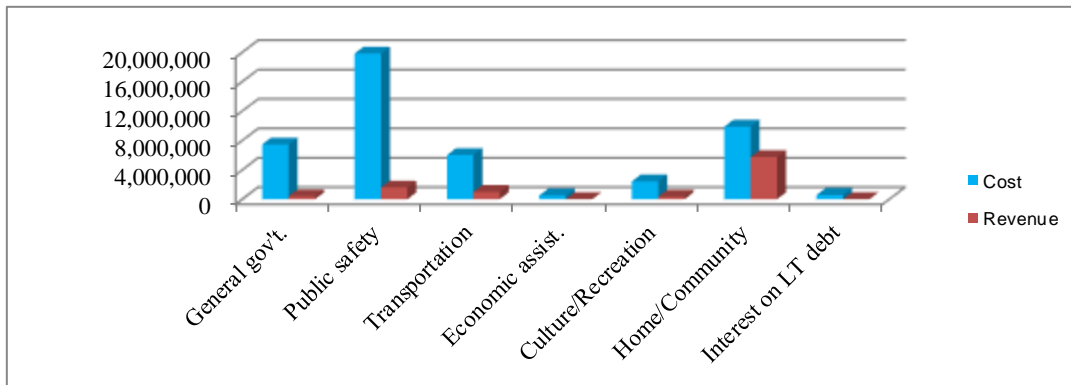
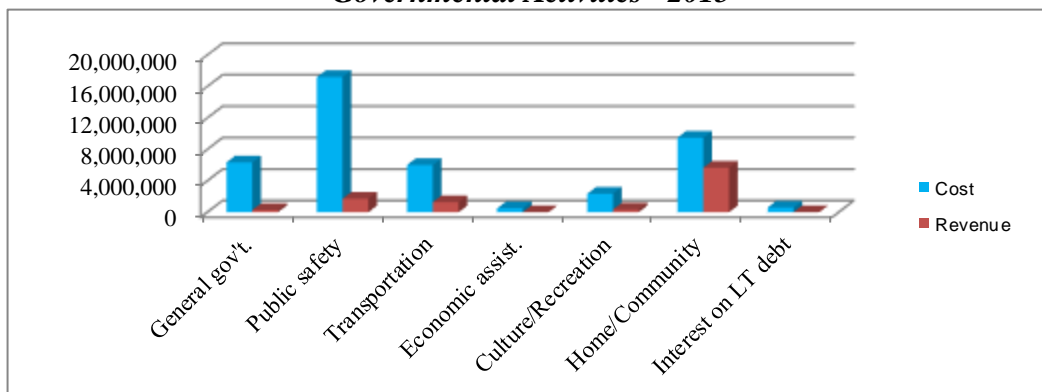


Figure 6
Comparison of Program Costs and Program Revenues
Governmental Activities - 2015



CITY OF OSWEGO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

BUSINESS-TYPE ACTIVITIES

The City's sewer activities were transferred from governmental activities to business-type activities effective January 1, 2012. Figure 7 and 8 below report the net position and changes in net position of the business-type activities.

Figure 7
Net Position

	Business-Type Activities		Percent Change
	2015	2016	2015-2016
<i>Current assets</i>	\$ 6,990,954	\$ 8,472,855	21.20%
<i>Capital assets, net</i>	48,586,321	47,413,056	(2.41%)
Total Assets	55,577,275	55,885,911	0.56%
<i>Current liabilities</i>	1,794,130	1,605,337	(10.52%)
<i>Other liabilities</i>	30,567,499	29,417,499	(3.76%)
Total Liabilities	32,361,629	31,022,836	(4.14%)
<i>Invested in capital assets, net of related debt</i>	17,384,258	17,189,709	(1.12%)
<i>Restricted</i>	589,920	518,721	(12.07%)
<i>Unrestricted</i>	5,241,468	7,154,645	36.50%
Total Net Position	\$ 23,215,646	\$ 24,863,075	7.10%

Figure 8
Changes in Net Position

	Business-Type Activities		Percent Change
	2015	2016	2015-2016
REVENUES			
<i>Program Revenues</i>			
<i>Charges for services</i>	\$ 5,582,077	\$ 7,343,193	31.55%
<i>Capital grants</i>	1,800,000	161,928	(91.00%)
<i>General Revenues</i>			
<i>State sources</i>	433,405	571,394	31.84%
<i>Other</i>	12,365	2,155	(82.57%)
Total Revenues	7,827,847	8,078,670	3.20%
EXPENSES			
<i>Depreciation</i>	1,371,237	1,839,263	34.13%
<i>General governmental support</i>	264,638	310,566	17.36%
<i>Home and community services</i>	2,424,785	2,780,919	14.69%
<i>Interest expense</i>	956,946	1,104,924	15.46%
<i>Interfund transfers</i>	529,329	395,569	(25.27%)
Total Expenses	5,546,935	6,431,241	15.94%
INCREASE IN NET POSITION	\$ 2,280,912	\$ 1,647,429	(27.77%)

CITY OF OSWEGO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

Current assets increased primarily due to increases in receivables and the internal balance with the governmental activities. Current liabilities decreased primarily based on smaller current debt.

In 2015, the City received \$1,500,000 in debt forgiveness from the New York State Department of Environmental Conservation (NYSDEC), and an additional \$300,000 in CDBG funding for the current renovation. Rates for sewer service increased, which resulted in higher revenue. Contractual expenses increased due to additional trucking services and maintenance cost to sewer lines.

THE CITY'S FUNDS

As the City completed the year, its Governmental Funds, as presented in the Balance Sheet on pages 7 and 7a, reported combined fund balances of \$12,378,593, which is \$190,962 below last year's total of \$12,569,555. Figure 9 shows the changes in fund balances for the year for the City's Governmental Funds.

***Figure 9
Governmental Funds
Fund Balances at Year Ended December 31,***

	<i>2015</i>	<i>2016</i>	<i>Percent Change 2015- 2016</i>
<i>General Fund</i>	\$ 8,828,175	\$ 10,023,952	13.55%
<i>Special Grant Fund</i>	1,106,301	1,165,601	5.36%
<i>Capital Transportation Fund</i>	(271,086)	(633,606)	(133.73%)
<i>Non-Major Governmental Funds</i>	2,906,165	1,822,646	(37.28%)
<i>Totals</i>	\$ 12,569,555	\$ 12,378,593	(1.52%)

Non-major governmental fund activity is primarily due to capital outlay, partly for sewer system renovations, which became part of the Enterprise Fund. General Fund activity is primarily due to expenditures below the budgeted appropriations.

General Fund Budgetary Highlights

Over the course of the year, the Common Council, as well as the management of the City, revised the City budget several times. These budget amendments consisted of (1) budget transfers between functions, which did not increase the overall budget; and (2) additional use of appropriated fund balances, reserves and unanticipated revenues, which did increase the overall budget. The total budget increased by \$1,012,171, including open encumbrances at January 1, 2016.

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MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

After these adjustments, the actual charges to appropriations (expenditures and encumbrances) were \$2,559,222 below the final budgeted amounts. Revenues were below the final budget by \$179,521.

Significant positive variances in the revenue areas include \$129,743 nonproperty tax items, primarily sales tax. Use of money and property, primarily from High Dam revenue, was \$457,298 below the budget.

Expenditure variances were most significant in employee benefits and general governmental support. The retirement payment was significantly less than budgeted, and payout of compensated absences was also well below the budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2016, the City had \$89,483,174, net of accumulated depreciation, invested in a broad range of capital assets, including buildings, machinery, and equipment. The amounts presented in Figure 10 represent a net decrease (including additions and deductions) of \$2,730,987 from last year.

Figure 10
Capital Assets, at Historical Cost, Net of Accumulated Depreciation

	Governmental Activities		Percent Change
	2015	2016	2015 - 2016
<i>Land and CIP</i>	\$ 11,697,833	\$ 6,392,814	(45.35%)
<i>Buildings and improvements, net</i>	9,572,347	8,622,649	(9.92%)
<i>Equipment, net</i>	4,493,395	4,430,110	(1.41%)
<i>Infrastructure, net</i>	17,864,265	22,624,545	26.65%
Totals	\$ 43,627,840	\$ 42,070,118	(3.57%)

	Business-Type Activities		Percent Change
	2015	2016	2015-2016
<i>Land and CIP</i>	\$ 630,673	\$ 797,831	26.50%
<i>Buildings and improvements, net</i>	3,589,816	3,429,719	(4.46%)
<i>Equipment, net</i>	308,465	382,182	23.90%
<i>Infrastructure, net</i>	44,057,367	42,803,324	(2.85%)
Totals	\$ 48,586,321	\$ 47,413,056	(2.41%)

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MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

Debt and Long-Term Liabilities Administration

Debt obligations, considered a liability of the City's Governmental Activities, are shown in Figure 11. Of the total amount of debt, \$7,235,050 was subject to the City's constitutional debt limit, and represented approximately 13.6% of its statutory debt limit.

*Figure 11
Major Outstanding Long-Term Liabilities at Year Ending*

	<i>Governmental Activities</i>		<i>Percent Change</i>
	<i>2015</i>	<i>2016</i>	<i>2015 - 2016</i>
<i>BANs and TANs</i>	\$ 1,075,000	\$ 537,500	(50.00%)
<i>Serial Bonds</i>	13,600,157	12,658,050	(6.93%)
<i>Employee retirement system</i>	2,316,323	2,088,829	(9.82%)
<i>Lease obligations payable</i>	1,379,304	1,110,545	(19.49%)
<i>Other long-term liabilities</i>	8,121,090	6,978,256	(14.07%)
<i>Totals</i>	26,491,874	23,373,180	(11.77%)

	<i>Business-Type Activities</i>		<i>Change</i>
	<i>2015</i>	<i>2016</i>	<i>2015-2016</i>
<i>NYS revolving loan fund</i>	\$ 31,975,263	\$ 30,567,499	(4.40%)
<i>Totals</i>	\$ 31,975,263	\$ 30,567,499	(4.40%)

The City's bond rating is currently A2 from Moody's. More detailed information about the City's liabilities is presented in Notes 8, 9, 10, and 11 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Unemployment in the County of Oswego averaged 9.5% in 2013, 7.7% in 2014, and 6.7% in 2015. The City of Oswego continues to experience a downtown revitalization and has invested in recreational improvements to encourage tourism in the area.

These indicators were taken into account when adopting the General Fund budget for December 31, 2017. Amounts available for appropriation in the General Fund budget are \$34,322,961; an increase of 1.53% over the adopted December 31, 2016 budget of \$33,805,227.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about the report or need any additional financial information, contact the City Chamberlain, at 13 West Oneida Street, Oswego, NY 13126.

CITY OF OSWEGO

STATEMENT OF NET POSITION DECEMBER 31, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 14,600,696	\$ 5,359,284	\$ 19,959,980
Restricted cash and cash equivalents	688,148		688,148
Taxes receivable, net	2,122,641		2,122,641
Due from state and federal governments	1,051,316		1,051,316
Due from other governments	2,284,643		2,284,643
Internal balances	(1,619,635)	1,619,635	-
Other receivables, net	509,052	1,493,936	2,002,988
Loans receivable - Current portion	273,347		273,347
Prepaid expenses	14,295		14,295
Total Current Assets	19,924,503	8,472,855	28,397,358
Noncurrent Assets			
Restricted cash and cash equivalents	549,545		549,545
Other receivables, long-term portion	244,376		244,376
Loans receivable, long-term portion	2,298,369		2,298,369
Land and construction in progress	6,392,814	797,831	7,190,645
Depreciable capital assets, net	35,677,304	46,615,225	82,292,529
Total Noncurrent Assets	45,162,408	47,413,056	92,575,464
Total Assets	65,086,911	55,885,911	120,972,822
Deferred Outflows of Resources			
Deferred charges on bond refunding	76,950		76,950
Pensions	12,742,670		12,742,670
Total Deferred Outflows of Resources	12,819,620		12,819,620
LIABILITIES			
Current Liabilities			
Accounts payable	709,189	191,531	900,720
Accrued liabilities	277,171		277,171
Due to other governments	630,739		630,739
Due to employees' retirement system	2,031,097	48,347	2,079,444
Due to fiduciary funds	4,264		4,264
Other liabilities	12,771		12,771
Bond anticipation notes payable	537,500		537,500
Interest payable	108,432	215,459	323,891
Unearned revenue	238,759		238,759
Current portion of long-term liabilities:			
Due to employee retirement system	234,989		234,989
Lease obligations payable	181,669		181,669
Bonds payable	955,000	1,150,000	2,105,000
Total Current Liabilities	5,921,580	1,605,337	7,526,917

CITY OF OSWEGO

STATEMENT OF NET POSITION - CONTINUED DECEMBER 31, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Noncurrent Liabilities			
Due to employees' retirement system	\$ 1,853,840	\$	\$ 1,853,840
Lease obligations payable	928,876		928,876
Bonds payable	11,780,000	29,417,499	41,197,499
Other liabilities	6,978,256		6,978,256
Net pension liability	10,890,024		10,890,024
Compensated absences	3,181,506		3,181,506
Other postemployment benefit liabilities	60,733,128		60,733,128
Total Noncurrent Liabilities	96,345,630	29,417,499	125,763,129
Total Liabilities	102,267,210	31,022,836	133,290,046
Deferred Inflows of Resources			
Pensions	2,116,820		2,116,820
Total Deferred Inflows of Resources	2,116,820	-	2,116,820
NET POSITION (DEFICIT)			
Net investment in capital assets	27,764,023	17,189,709	44,953,732
Restricted, expendable for community development	3,737,317		3,737,317
Restricted, expendable for debt	1,421,872	300,000	1,721,872
Restricted, expendable for other purposes		218,721	218,721
Unrestricted	(59,400,711)	7,154,645	(52,246,066)
Total Net Position (Deficit)	\$ (26,477,499)	\$ 24,863,075	\$ (1,614,424)

See Independent Auditor's Report and Notes to Financial Statements

CITY OF OSWEGO

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2016

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
FUNCTIONS/PROGRAMS				
Governmental Activities				
General governmental support	\$ 7,438,903	\$ 385,764	\$ 12,053	\$
Public safety	19,823,103	1,377,966	209,990	
Transportation	6,007,929		128,387	864,838
Economic opportunity	518,415	11,085		
Culture and recreation	2,421,827	349,318		
Home and community services	9,868,543	2,673,970	3,067,136	
Interest on debt	591,985			
Total Governmental Activities	\$ 46,670,705	\$ 4,798,103	\$ 3,417,566	\$ 864,838
Business-type Activities				
Sewer	\$ 6,035,672	\$ 7,343,193	\$	\$ 161,928
Total Business-type Activities	6,035,672	7,343,193		161,928
Total Primary Government	\$ 52,706,377	\$ 12,141,296	\$ 3,417,566	\$ 1,026,766

GENERAL REVENUES

Real property taxes
Real property tax items
Nonproperty tax items
Use of money and property
Sale of property and compensation for loss
Miscellaneous local sources
State sources

Total General Revenues

Transfers-internal activities

Change in Net Position

Net Position (Deficit) - Beginning

Net Position (Deficit) - Ending

See Independent Auditor's Report and Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Position Governmental Activities	Net (Expense) Revenue and Changes in Net Assets Business-type Activities	Total
\$ (7,041,086)	\$	\$ (7,041,086)
(18,235,147)		(18,235,147)
(5,014,704)		(5,014,704)
(507,330)		(507,330)
(2,072,509)		(2,072,509)
(4,127,437)		(4,127,437)
(591,985)		(591,985)
(37,590,198)	-	(37,590,198)
	1,469,449	1,469,449
-	1,469,449	1,469,449
(37,590,198)	1,469,449	(36,120,749)
11,115,804		11,115,804
337,106		337,106
13,504,743		13,504,743
3,646,147	2,155	3,648,302
250,578		250,578
230,864		230,864
2,620,557	571,394	3,191,951
31,705,799	573,549	32,279,348
395,569	(395,569)	-
(5,488,830)	1,647,429	(3,841,401)
(20,988,669)	23,215,646	2,226,977
\$ (26,477,499)	\$ 24,863,075	\$ (1,614,424)

CITY OF OSWEGO

BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2016

	Major Funds	
		Special Revenue Fund
	General Fund	Special Grant Fund
ASSETS		
Cash and cash equivalents - Unrestricted	\$ 9,313,992	\$ 1,984,134
Cash and cash equivalents - Restricted	500,000	49,545
Taxes receivable, net	2,122,641	
Due from other funds	886,093	
Due from state and federal governments	997,718	8,127
Due from other governments	2,284,643	
Other receivables, net	122,832	350
Loans receivable, net		2,571,716
Total Assets	\$ 16,227,919	\$ 4,613,872
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 414,012	\$ 12
Accrued liabilities		276,127
Due to other funds	1,700,173	217,526
Due to other governments	471,684	144,128
Due to employees' retirement system	1,993,433	
Bond anticipation notes payable		
Other liabilities	12,771	
Total Liabilities	4,592,073	637,793
Deferred Inflows of Resources		
Unavailable revenue	1,611,894	2,810,478
Total Deferred Inflows of Resources	1,611,894	2,810,478
Fund Balances		
Restricted	500,000	1,165,601
Assigned	1,220,226	
Unassigned	8,303,726	
Total Fund Balances (Deficit)	10,023,952	1,165,601
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 16,227,919	\$ 4,613,872

See Independent Auditor's Report and Notes to Financial Statements

Major Funds		
Capital Projects		
Funds	Total	Total
Transportation	Non-Major	Governmental
Fund	Governmental	Funds
Funds	Funds	Funds
\$ 902,271	\$ 210,148	\$ 12,410,545
	688,148	1,237,693
		2,122,641
300	1,739,490	2,625,883
45,471		1,051,316
		2,284,643
	385,870	509,052
		2,571,716
\$ 948,042	\$ 3,023,656	\$ 24,813,489

\$ 13,877	\$ 160,368	\$ 588,269
	1,044	277,171
1,552,844	464,434	3,934,977
14,927		630,739
	37,664	2,031,097
	537,500	537,500
		12,771
1,581,648	1,201,010	8,012,524
-	-	4,422,372
-	-	4,422,372
	921,872	2,587,473
	2,577,664	3,797,890
(633,606)	(1,676,890)	5,993,230
(633,606)	1,822,646	12,378,593
\$ 948,042	\$ 3,023,656	\$ 24,813,489

CITY OF OSWEGO

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION DECEMBER 31, 2016

Total Governmental Fund Balances **\$ 12,378,593**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets, net of accumulated depreciation, used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.

Land and construction in progress	\$ 6,392,814	
Depreciable capital assets	192,599,539	
Accumulated depreciation	<u>(156,922,235)</u>	42,070,118

Construction costs in the Capital Projects Funds which benefit the Enterprise Fund are accounted for as an internal balance; when the project is complete, the balance and associated debt will be transferred to the Enterprise Fund. (344,152)

The City's proportion of the collective net pension liability is not reported in the funds. (10,890,024)

Deferred outflows of resources represents a consumption of net position that applies to future periods and, therefore, is not reported in the Governmental Funds. Deferred inflows of resources represents an acquisition of net position that applies to future periods and, therefore, is not reported in the Governmental Funds.

Deferred outflows - Pensions	\$ 12,742,670	
Deferred inflows - Pensions	<u>(2,116,820)</u>	10,625,850

Other long-term assets are deferred or not reported as assets in the Governmental Funds.

Unavailable revenue	\$ 4,183,613	
Other receivables, long-term portion	<u>244,376</u>	4,427,989

Internal Service Funds are used by management to charge the costs of certain activities, such as health insurance costs. The assets and liabilities of the Internal Service Funds are included in Governmental Activities in the Statement of Net Position. 2,112,873

Certain accrued expenses reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported as liabilities in Governmental Funds.

Accrued interest payable	\$ (108,432)	
Other postemployment benefits liabilities	(60,733,128)	
Compensated absences	<u>(3,181,506)</u>	(64,023,066)

Long-term liabilities, including bonds payable, lease obligations payable, and other liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable, net of deferred charges on bond refunding	\$ (12,658,050)	
Employee retirement system amortization	(2,088,829)	
Lease obligations payable	(1,110,545)	
Other liabilities	<u>(6,978,256)</u>	<u>(22,835,680)</u>

Net Position (Deficit) of Governmental Activities **\$ (26,477,499)**

See Independent Auditor's Report and Notes to Financial Statements

CITY OF OSWEGO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2016

	Major Funds	
	General Fund	Special Revenue Fund Special Grant Fund
REVENUES		
Real property taxes	\$ 11,115,805	\$
Real property tax items	337,106	
Nonproperty tax items	13,504,743	
Departmental income	1,603,254	212,221
Intergovernmental charges	223,733	
Use of money and property	2,434,702	54,083
Licenses and permits	244,126	
Fines and forfeitures	215,716	
Sale of property and compensation for loss	207,923	
Miscellaneous local sources	46,903	17,253
State sources	2,796,238	170,360
Federal sources	12,053	2,896,776
Total Revenues	32,742,302	3,350,693
EXPENDITURES		
Current		
General governmental support	3,045,826	
Public safety	10,065,876	
Transportation	3,240,338	
Economic assistance and opportunity	493,341	3,541,393
Culture and recreation	743,086	
Home and community services	1,063,092	
Employee benefits	3,969,295	
Debt service:		
Principal	644,548	
Interest	18,078	
Capital outlay		
Total Expenditures	23,283,480	3,541,393
Excess of Revenues (Expenditures)	9,458,822	(190,700)
OTHER FINANCING SOURCES (USES)		
Interfund transfers in	270,000	250,000
Interfund transfers (out)	(8,533,045)	
Proceeds of obligations		
Total Other Financing (Uses) Sources	(8,263,045)	250,000
Net Changes in Fund Balances	1,195,777	59,300
Fund Balances (Deficit), Beginning	8,828,175	1,106,301
Fund Balances (Deficit), Ending	\$ 10,023,952	\$ 1,165,601

See Independent Auditor's Report and Notes to Financial Statements

Major Funds		
Capital Projects Funds	Total Non-Major Governmental Funds	Total Governmental Funds
Transportation Fund		
\$ _____	\$ _____	\$ 11,115,805
_____	_____	337,106
_____	_____	13,504,743
_____	2,673,005	4,488,480
_____	_____	223,733
_____	855	2,489,640
_____	_____	244,126
_____	_____	215,716
_____	42,655	250,578
_____	155,280	219,436
826,547	_____	3,793,145
38,291	_____	2,947,120
_____	_____	_____
864,838	2,871,795	39,829,628
_____	_____	_____
_____	75,000	3,120,826
_____	_____	10,065,876
_____	_____	3,240,338
_____	_____	4,034,734
_____	_____	743,086
_____	1,587,375	2,650,467
_____	121,994	4,091,289
_____	_____	_____
_____	1,126,711	1,771,259
_____	565,102	583,180
1,127,358	1,600,770	2,728,128
_____	_____	_____
1,127,358	5,076,952	33,029,183
_____	_____	_____
(262,520)	(2,205,157)	6,800,445
_____	_____	_____
_____	1,508,544	2,028,544
(100,000)	(924,406)	(9,557,451)
_____	537,500	537,500
(100,000)	1,121,638	(6,991,407)
_____	_____	_____
(362,520)	(1,083,519)	(190,962)
_____	_____	_____
(271,086)	2,906,165	12,569,555
_____	_____	_____
\$ <u><u>(633,606)</u></u>	\$ <u><u>1,822,646</u></u>	\$ <u><u>12,378,593</u></u>

CITY OF OSWEGO

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2016

Net Change in Fund Balances - Total Governmental Funds **\$ (190,962)**

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital asset additions and disposals in the current period.

Capital asset additions	\$ 2,323,849	
Depreciation expense	<u>(3,881,571)</u>	(1,557,722)

Repayments of principal on long-term obligations are expenditures in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount of principal payments in the current year.

1,233,759

Capital Projects Funds spending which benefits the Enterprise Fund is added to construction in progress in the Enterprise Fund, and added to the internal balance between Governmental Activities and Business-Type Activities. Long-term debt is transferred to the Enterprise Fund, and reduces the internal balance. This is the amount of additions to construction in progress, less any equipment and long-term debt transferred to the Enterprise Fund.

429,048

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the Governmental Funds.

Deferred amount on bond refunding	\$ (22,893)	
Change in retainage payable	244,059	
Change in accrued interest payable	14,088	
Change in compensated absences	347,922	
Amortization of retirement system obligations	227,494	
Change in other postemployment benefits liabilities	(7,455,954)	
Change in other long-term debt	<u>1,142,834</u>	(5,502,450)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the change in deferred property tax revenue and long-term receivables, which are not reported as deferred inflows in the Statement of Net Position.

13,050

Repayments received on revolving loans receivable are revenues in the Governmental Funds, but the repayment reduces loans receivable in the Statement of Net Position. Disbursements of revolving loan funds are expenditures in the Governmental Funds, but increase loans receivable in the Statement of Net Position. This is the amount by which the repayments on loans, net of adjustments, exceeded loans disbursed during the current year.

43,838

Internal Service Funds are used by management to charge the costs of certain activities, such as health insurance. The change in net assets of the Internal Service Fund is reported with Governmental Activities.

1,229,372

Changes in the City's proportionate share of net pension liabilities have no effect on current financial resources and therefore are not reported in the Governmental Funds. In addition, changes in the City's deferred outflows and deferred inflows of resources related to pensions do not effect current financial resources and are also not reported in the Governmental Funds.

(1,186,763)

Change in Net Position of Governmental Activities **\$ (5,488,830)**

See Independent Auditor's Report and Notes to Financial Statements

CITY OF OSWEGO

STATEMENT OF NET POSITION PROPRIETARY FUNDS DECEMBER 31, 2016

	<u>Business-type Activities Enterprise Fund</u>	<u>Governmental Activities Internal Service Fund</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 5,359,284	\$ 2,190,151
Accounts receivable	1,493,936	-
Due from governmental activities	344,152	-
Due from governmental funds	1,275,483	32,912
Prepaid expenses	-	14,295
Total Current Assets	8,472,855	2,237,358
Noncurrent Assets		
Land and construction in progress	797,831	-
Depreciable capital assets, net	46,615,225	-
Total Noncurrent Assets	47,413,056	-
Total Assets	55,885,911	2,237,358
LIABILITIES		
Current Liabilities		
Accounts payable	191,531	120,920
Due to other funds	-	3,565
Due to retirement systems	48,347	-
Bonds payable	1,150,000	-
Interest payable	215,459	-
Total Current Liabilities	1,605,337	124,485
Noncurrent Liabilities		
Bonds payable, net of current portion	29,417,499	-
Total Noncurrent Liabilities	29,417,499	-
Total Liabilities	31,022,836	124,485
NET POSITION		
Net investment in capital assets	17,189,709	-
Restricted	518,721	-
Unrestricted	7,154,645	2,112,873
Total Net Position	\$ 24,863,075	\$ 2,112,873

See Independent Auditor's Report and Notes to Financial Statements

CITY OF OSWEGO

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
OPERATING REVENUES		
Departmental income	\$ 7,343,193	\$ -
Interfund transfers	25,000	7,924,476
Other operating revenues	-	11,428
Total Operating Revenues	7,368,193	7,935,904
OPERATING EXPENSES		
General governmental support	310,566	-
Depreciation expense	1,839,263	-
Home and community services	2,780,919	-
Contractual services	-	1,989,611
Judgments and claims	-	5,020
Hospital and medical	-	4,712,523
Interfund transfers	420,569	
Total Operating Expenses	5,351,317	6,707,154
Income from Operations	2,016,876	1,228,750
NONOPERATING REVENUES (EXPENSES)		
Interest income	2,155	622
Interest expense	(1,104,924)	-
Interest subsidy	571,394	-
Capital grants	161,928	-
Total Nonoperating Revenues	(369,447)	622
 Change in Net Position	 1,647,429	 1,229,372
Total Net Position, Beginning, as Restated	23,215,646	883,501
Total Net Position, Ending	\$ 24,863,075	\$ 2,112,873

See Independent Auditor's Report and Notes to Financial Statements

CITY OF OSWEGO

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-type Activities Enterprise Fund	Governmental Activities Internal Service Fund
Cash Flows from Operating Activities		
Cash (paid to) received from other funds	\$ (910,715)	\$ 7,641,437
Cash received for services	5,515,666	11,428
Cash received from other governments	1,229,765	-
Cash payments - Employees	(1,151,745)	-
Cash payments - Suppliers	(1,860,976)	(1,989,611)
Cash payments - Hospital and medical	-	(4,668,642)
Net Cash Provided by Operating Activities	2,821,995	994,612
Cash Flows from Capital and Related Financing Activities		
Cash payments for capital assets	(665,998)	-
Cash received for capital grants	161,928	-
Cash paid for principal	(1,407,764)	-
Cash paid for interest	(543,323)	-
Net Cash (Used) by Capital and Related Financing Activities	(2,455,157)	-
Cash Flows from Investing Activities		
Interest income received	2,155	622
Net Cash Provided by Investing Activities	2,155	622
NET CHANGE IN CASH AND CASH EQUIVALENTS	368,993	995,234
Cash and Cash Equivalents, January 1, 2016	4,990,291	1,194,917
Cash and Cash Equivalents, December 31, 2016	\$ 5,359,284	\$ 2,190,151
Reconciliation of Income from Operations to Net Cash Provided by Operating Activities		
Income from operations	\$ 2,016,876	\$ 1,228,750
Depreciation expense	1,839,263	-
(Increase) in other receivables	(597,762)	-
(Increase) decrease in amounts due from other funds	(503,746)	87,609
(Decrease) in prepaid expenses	-	(996)
(Decrease) in amounts due to other funds	(11,400)	(370,648)
(Decrease) in amounts due to retirement systems	(6,585)	-
Increase in accounts payable	85,349	49,897
Net Cash Provided by Operating Activities	\$ 2,821,995	\$ 994,612

See Independent Auditor's Report and Notes to Financial Statements

CITY OF OSWEGO

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS DECEMBER 31, 2016

	Agency Funds
ASSETS	
Cash and cash equivalents - Unrestricted	\$ 266,389
Due from governmental funds	<u>4,264</u>
Total Assets	\$ <u><u>270,653</u></u>
 LIABILITIES	
Agency liabilities	\$ <u>270,653</u>
Total Liabilities	\$ <u><u>270,653</u></u>

See Independent Auditor's Report and Notes to Financial Statements

CITY OF OSWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

***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."

- The primary government, which is the City,
- Organizations for which the primary government is financially accountable, and;
- 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.

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.

CITY OF OSWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

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. Indirect expenses relate to administration and support of the City's programs, including personnel, overall administration, and finance. Employee benefits are allocated to functional expenses as a percentage of payroll expenses. 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.

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.

CITY OF OSWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

Government-wide Financial Statements - Continued

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 Fund

- 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 Projects 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.

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.

CITY OF OSWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

Governmental Funds - Non-Major Fund - Continued

- 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.
 - 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.
 - 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 - Governmental activities funds which account 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 - Business-type activities funds which account for services provided to residents where the charges are expected to cover all costs of operations. Included is 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, 2016

***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 utilized:

- 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 Funds financial statements, and Fiduciary Funds 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, 2016

***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 8.

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 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 8.

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, 2016

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

Property Taxes - 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.

CITY OF OSWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

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.

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, 2016

***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, and requires the same level of formal action to remove said constraint.

CITY OF OSWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

Equity Classifications - 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**

Deficit Fund Balances

At December 31, 2016, the Transportation Capital Projects Fund had a deficit fund balance of \$633,606, the Home and Community Services Capital Projects Fund had a deficit fund balance of \$1,112,597, the Culture and Recreation Capital Projects Fund had a deficit fund balance of \$562,526, and the Public Safety Capital Projects Fund had a deficit 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, 2016

***Note 3* Cash and Investments**

The City's available cash 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 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, 2016, per the banks, were \$13,160,697, \$7,534,984 and \$264,553 in the Governmental Funds, Proprietary Funds, and Fiduciary Funds 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 \$20,775,914 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, 2016, the City had total real property tax assets of \$2,122,641. In the Governmental Fund financial statements, the tax assets are offset by deferred inflows of resources of \$1,611,894, 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, 2016

Note 5 Tax Abatements

During the year ended December 31, 2016, certain properties in the City were subject to property tax abatements negotiated by the County of Oswego Industrial Development Agency (the IDA) to encourage economic development.

The IDA entered into Payment in Lieu of Tax (PILOT) agreements with local businesses under Chapter 535 of the 1971 Laws of New York State. Under the Act, localities may grant property tax abatements of up to 100% of a business' real property tax bill for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within, or promising to relocate to, the locality.

Information related to property tax abatements for the year ended December 31, 2016 follows:

<u>Total Assessed Value</u>	<u>City Tax Rate per \$1,000</u>	<u>Normal 2016 City Tax</u>	<u>PILOTs Received</u>	<u>Property Taxes Abated</u>
\$ 31,220,100	\$ 14.67	\$ 457,999	\$ 126,964	\$ 331,034

Note 6 Other Receivables

Current Receivables

Other current receivables at December 31, 2016 is comprised of the following:

Governmental Activities

Major Funds

General Fund:

Ambulance Charges Receivable (Net of \$1,012,439 allowance for doubtful accounts)	\$ 122,832
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Special Grant Fund:

Miscellaneous	350
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Total Major Funds	<u>123,182</u>
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Non-Major Funds

Special Revenue Funds:

Water Fund:

Water Rents Receivable (Net of \$28,216 allowance for doubtful accounts)	<u>385,870</u>
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Total Governmental Activities	<u><u>\$ 509,052</u></u>
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Business-Type Activities

Sewer Fund:

Sewer Rents Receivable	\$ <u>1,493,936</u>
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Total Business-Type Activities	<u><u>\$ 1,493,936</u></u>
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CITY OF OSWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 6 Other Receivables - Continued

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, 2016 was \$244,376. The City is negotiating with the owners of Crestwood Development related to the disposition of this receivable.

Note 7 Fixed Assets

A summary of changes in capital assets at December 31, 2016 follows:

Governmental Activities	Balance at 12/31/15	Additions	Retirements/ Reclassifica- tions	Balance at 12/31/16
Non-Depreciable Capital Assets				
Land	\$ 6,392,814	\$	\$	\$ 6,392,814
Construction in Progress	5,305,019	751,752	(6,056,771)	-
Total Non-Depreciable Capital Assets	<u>11,697,833</u>	<u>751,752</u>	<u>(6,056,771)</u>	<u>6,392,814</u>
Depreciable Capital Assets				
Buildings and improvements	33,170,482			33,170,482
Infrastructure	138,908,539	6,977,871		145,886,410
Machinery and equipment	13,015,657	650,997	(124,007)	13,542,647
Total Depreciable Capital Assets	<u>185,094,678</u>	<u>7,628,868</u>	<u>(124,007)</u>	<u>192,599,539</u>
Total Historical Cost	<u>196,792,511</u>	<u>8,380,620</u>	<u>(6,180,778)</u>	<u>198,992,353</u>
Less Accumulated Depreciation				
Buildings and improvements	(23,598,135)	(949,698)		(24,547,833)
Infrastructure	(121,044,274)	(2,217,591)		(123,261,865)
Machinery and equipment	(8,522,262)	(714,282)	124,007	(9,112,537)
Total Accumulated Depreciation	<u>(153,164,671)</u>	<u>(3,881,571)</u>	<u>124,007</u>	<u>(156,922,235)</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 43,627,840</u></u>	<u><u>\$ 4,499,049</u></u>	<u><u>\$ (6,056,771)</u></u>	<u><u>\$ 42,070,118</u></u>

CITY OF OSWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 7 Fixed Assets - Continued

Depreciation expense was charged to governmental activities as follows:

Governmental Activities

General governmental support	\$ 141,964
Public safety	326,679
Transportation	1,487,782
Economic opportunity	25,074
Culture and recreation	1,055,664
Home and community services	844,408

Total	\$ <u>3,881,571</u>
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<u>Business-Type Activities</u>	<u>Balance at 12/31/15</u>	<u>Additions</u>	<u>Retirements/ Reclassifica- tions</u>	<u>Balance at 12/31/16</u>
Non-Depreciable Capital Assets				
Land	\$ 178,196	\$	\$	\$ 178,196
Construction in progress	452,477	487,058	(319,900)	619,635
Total Non-depreciable Capital Assets	<u>630,673</u>	<u>487,058</u>	<u>(319,900)</u>	<u>797,831</u>
Depreciable Capital Assets				
Buildings and improvements	12,842,622			12,842,622
Infrastructure	61,519,289	319,900		61,839,189
Machinery and equipment	1,093,064	178,940		1,272,004
Total Depreciable Capital Assets	<u>75,454,975</u>	<u>498,840</u>	<u></u>	<u>75,953,815</u>
 Total Historical Cost	 <u>76,085,648</u>	 <u>985,898</u>	 <u>(319,900)</u>	 <u>76,751,646</u>
Less Accumulated Depreciation				
Buildings and improvements	(9,252,806)	(160,097)		(9,412,903)
Infrastructure	(17,461,922)	(1,573,943)		(19,035,865)
Machinery and equipment	(784,599)	(105,223)		(889,822)
Total Accumulated Depreciation	<u>(27,499,327)</u>	<u>(1,839,263)</u>	<u>-</u>	<u>(29,338,590)</u>
 Business-Type Activities Capital Assets, Net	 \$ <u>48,586,321</u>	 \$ <u>(853,365)</u>	 \$ <u>(319,900)</u>	 \$ <u>47,413,056</u>

CITY OF OSWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

***Note 8* 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 required the City to report as an asset and/or liability its portion of the collective net pension liability in the New York State and Local Retirement System. The implementation of the Statements also required 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, 2016

***Note 8* 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 require 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.

CITY OF OSWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 8 Pension Obligations - New York State and Local Retirement System - Continued

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:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
ERS	\$ 1,251,344	\$ 1,523,437	\$ 1,503,758
PFRS	1,663,128	1,961,058	1,951,353

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:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
ERS	\$ -	\$ 464,862	\$ 576,201
PFRS	-	228,901	411,126

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

At December 31, 2016, 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, 2016. 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.

	<u>ERS</u>	<u>PFRS</u>
Actuarial valuation date	04/01/2015	04/01/2015
Net pension liability	\$ 16,050,279,000	\$ 2,960,787,000
City's proportionate share of the Plan's total net pension liability	3,648,709	7,241,315

CITY OF OSWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 8 **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, 2016, the City recognized pension expense of \$4,076,856 for ERS and PFRS in the financial statements. At December 31, 2016 the City's reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources:

	<u>ERS</u>	<u>PFRS</u>
Deferred Outflows of Resources:		
Differences between expected and actual experience	\$ 18,438	\$ 64,948
Changes of assumptions	973,001	3,121,707
Net differences between projected and actual earnings on pension plan investments	2,164,615	4,058,172
Changes in proportion and differences between the City's contributions and proportionate share of contributions	262,344	
City's contributions subsequent to the measurement date	<u>779,792</u>	<u>1,299,653</u>
Total	<u>\$ 4,198,190</u>	<u>\$ 8,544,480</u>
Deferred Inflows of Resources:		
Differences between expected and actual experience	\$ 432,494	\$ 1,094,800
Changes in proportion and differences between the City's contributions and proportionate share of contributions	<u>37,925</u>	<u>551,601</u>
Total	<u>\$ 470,419</u>	<u>\$ 1,646,401</u>

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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>ERS</u>	<u>PFRS</u>
Year ended:		
2017	\$ 763,129	\$ 1,329,502
2018	763,129	1,329,502
2019	763,129	1,329,502
2020	658,592	1,272,997
2021		336,923
Thereafter		

CITY OF OSWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 8 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:

	<u>ERS</u>	<u>PFRS</u>
Measurement date	March 31, 2016	March 31, 2016
Actuarial valuation date	April 1, 2015	April 1, 2015
Investment rate of return	7.0%	7.0%
Salary increases	3.8%	4.5%
Inflation rate	2.5%	2.5%
Cost of living adjustments	1.3%	1.3%

For ERS and PFRS, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

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 return, 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:

	<u>NYSLRS</u>
Measurement date	March 31, 2016
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, 2016

Note 8 Pension Obligations - New York State and Local Retirement System - Continued

Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and 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 7.0%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1 percentage point higher than the current rate:

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
City's proportionate share of the net pension liability	\$ 8,227,575	\$ 3,648,709	\$ (220,236)
PFRS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
City's proportionate share of the net pension liability	\$ 16,174,239	\$ 7,241,315	\$ (246,411)

CITY OF OSWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 8 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 March 31, 2016 measurement date were as follows:

	Dollars in Thousands	Dollars in Thousands
	ERS	PFRS
Employers' total pension liability	\$ 172,303,544	\$ 30,347,727
Plan net position	(156,253,265)	(27,386,940)
Employers' Net Pension Liability	\$ 16,050,279	\$ 2,960,787

Ratio of Plan Net Position to the Employers' Total Pension Liability	90.7%	90.2%
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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 31st. Accrued retirement contributions as of December 31, 2016 represent the projected employer contribution for the period of April 1, 2016 through December 31, 2016 based on estimated wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of December 31, 2016 amounted to \$779,792 for ERS and \$1,299,653 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, 2016 resulted in the following effect on net position:

ERS	Beginning Balance	Change	Ending Balance
Net pension liability	\$ (827,659)	\$ (2,821,050)	\$ (3,648,709)
Deferred outflows of resources	1,234,692	2,963,498	4,198,190
Deferred inflows of resources		(470,419)	(470,419)
Total	\$ 407,033	\$ (327,971)	79,062

PFRS	Beginning Balance	Change	Ending Balance
Net pension liability	\$ (692,208)	\$ (6,549,107)	\$ (7,241,315)
Deferred outflows of resources	1,469,396	7,075,084	8,544,480
Deferred inflows of resources	(261,632)	(1,384,769)	(1,646,401)
Total	\$ 515,556	\$ (858,792)	\$ (343,236)

CITY OF OSWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

***Note 9* Other Postemployment Benefits**

The City follows 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, 2016 for the fiscal year ending December 31, 2016. 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, 2016

Note 9 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	\$ 3,980,841
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	<u>8,249,803</u>
Total ARC	12,230,644
Interest on net OPEB obligation	2,131,087
Adjustment to ARC	<u>(3,081,024)</u>
Annual OPEB Cost (Expense)	11,280,707
Expected employer contribution	<u>(3,824,753)</u>
Increase in Net OPEB Obligation	7,455,954
 Net OPEB Obligation - January 1, 2016	 <u>53,277,174</u>
 Net OPEB Obligation - December 31, 2016	 <u><u>\$ 60,733,128</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2016 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2016	\$ 11,280,707	33.9%	\$ 60,733,128
12/31/2015	8,360,527	46.3%	53,277,174
12/31/2014	7,325,091	49.8%	48,788,911

As of December 31, 2016, the Plan was not funded. The actuarial accrued liability for benefits was \$148,441,691; there are no assets legally segregated for the Plan. The covered payroll (annual payroll of active employees covered by the Plan) was \$16,381,264 and the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll was 906.2%.

CITY OF OSWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

***Note 9* 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, 2016 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 3.886% after 60 years. The discount rate used as of January 1, 2016 was 4% per year compounded annually. This is the rate used to discount future benefit liabilities into today's dollars.

***Note 10* 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. 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, 2016.

CITY OF OSWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 10 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, 2016:

	<u>Amount</u>	<u>Dated</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Capital Projects Funds -				
Culture and Recreation Fund	\$ <u>537,500</u>	01/08/16	1.39%	01/06/17

Changes in short-term debt outstanding are as follows:

	<u>Balance at 1/1/16</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance at 12/31/16</u>
BANs	\$ <u>1,075,000</u>	\$ <u> </u>	\$ <u>(537,500)</u>	\$ <u>537,500</u>
Total	\$ <u>1,075,000</u>	\$ <u>-</u>	\$ <u>(537,500)</u>	\$ <u>537,500</u>

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

Interest paid	\$ 13,507
Less interest accrued at December 31, 2015	(13,211)
Add interest accrued at December 31, 2016	<u>7,287</u>
Total	\$ <u>7,583</u>

CITY OF OSWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

***Note 11* Long-term Debt and Other Long-Term Liabilities**

Constitutional Debt Limit

At December 31, 2016, the total outstanding indebtedness of the City aggregated \$44,873,594. Of this amount, \$7,235,050 was subject to the City's constitutional debt limit, and represented approximately 13.6% of its debt limit.

Serial Bonds

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, 2009, the City entered into an installment purchase agreement for an ambulance. Final payment was made on this agreement in 2016.

Other Long-term Liabilities

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

- Due to Employee Retirement Systems - amounts amortized by the City in accordance with Chapter 57 of the Laws of 2010. The General, Water, Sewer, Recreation and Garbage Funds liquidate this liability.
- 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 9.
- Net pension liability represents the City's proportionate share of the net pension liability of the New York State and Local Retirement System (ERS and PFRS).
- Other liabilities represent the liabilities to National Grid for the tracking account as a result of the "High Dam Power Purchase Agreement." (See Note 16.) This liability is liquidated in the General Fund.

CITY OF OSWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 11 Long-term Debt and Other Long-Term Liabilities - Continued

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the period ended December 31, 2016:

Governmental Activities	Balance at 1/1/16	Additions	Deletions	Balance at 12/31/16	Amount Due in One Year
Serial bonds	\$ 13,700,000	\$	\$ (965,000)	\$ 12,735,000	\$ 955,000
Installment purchase debt	1,379,304		(268,759)	1,110,545	181,669
Employee retirement system	2,316,323		(227,494)	2,088,829	234,989
Compensated absences	3,529,428		(347,922)	3,181,506	
Other postemployment benefits payable	53,277,174	11,280,707	(3,824,753)	60,733,128	
Net pension liability	1,519,867	9,370,157		10,890,024	
Other liabilities	8,121,090		(1,142,834)	6,978,256	
Total	\$ 83,843,186	\$ 20,650,864	\$ (6,776,762)	\$ 97,717,288	\$ 1,371,658
Deferred outflows of					
resources - Bond refunding	\$ (99,843)	\$	\$ 22,893	\$ (76,950)	\$ (19,616)
Business-Type Activities					
NYS Revolving Loan Fund	\$ 31,975,263	\$	\$ (1,407,764)	\$ 30,567,499	\$ 1,150,000

Additions and deletions to compensated absences and net pension liability 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 \$4,255,000 at December 31, 2016.

CITY OF OSWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 11 Long-term Debt and Other Long-Term Liabilities - Continued

Summary of Serial Bonds

As of December 31, 2016, the Serial Bonds, including issue and maturity dates and interest rates, consisted of the following:

Description of Issue	Date of Issue	Final Maturity	Interest Rate	Payable to Maturity
Various purpose	05/06/2006	9/2032	4.5-4.75%	\$ 2,815,000
Refunding bonds	10/06/2006	3/2024	3.625-5.5%	4,230,000
Serial bonds	10/14/2014	10/2034		5,690,000
Deferred amount on refunding bonds				(76,950)

Total Serial Bonds	<u>\$ 12,658,050</u>
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Summary of New York State Revolving Loan Fund (NYSRLF) Bonds

As of December 31, 2016, the NYSRLF Bonds, including issue and maturity dates and interest rates, consisted of the following:

Description of Issue	Date of Issue	Final Maturity	Interest Rate	Payable to Maturity
Eastside Sewer Rehabilitation	3/99	4/19	2.78%	\$ 300,000
Sewer Rehabilitation - Phase 3	7/01	5/31	2.619%	1,795,000
Capital Projects	3/04	4/32	1.03%-4.9%	1,820,000
Eastside Wastewater Treatment Plant	7/07	12/36	3.63%-4.66%	1,890,000
Westside Wastewater Treatment Plant/ Catch Basins	7/11	7/41	.233%-4.746%	805,000
Westside Sewer Expansion and Related	6/14	5/44	.1515-4.2925%	15,675,000
Westside Sewer Expansion and Related	6/14	3/45	.1515-4.2925%	8,282,499

Total	<u>\$ 30,567,499</u>
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CITY OF OSWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 11 Long-term Debt and Other Long-Term Liabilities - Continued

Future Debt Service Requirements

The following tables summarize the City's future debt service requirements as of December 31, 2016:

Year Ending December 31	Governmental Activities Serial Bonds		Business-Type Activities NYS Revolving Loan Fund		Total
	Principal	Interest	Principal	Interest	
2017	\$ 955,000	\$ 476,730	\$ 1,150,000	\$ 481,314	\$ 3,063,044
2018	965,000	437,717	1,167,499	466,468	3,036,684
2019	960,000	396,206	1,020,000	452,926	2,829,132
2020	900,000	355,918	1,025,000	440,977	2,721,895
2021	915,000	319,144	1,040,000	428,034	2,702,178
2022-2026	3,785,000	1,105,842	5,385,000	1,913,711	12,189,553
2027-2031	2,825,000	561,906	5,835,000	1,456,890	10,678,796
2032-2036	1,430,000	87,363	5,200,000	951,219	7,668,582
2037-2041			5,235,000	519,920	5,754,920
2042-2045			3,510,000	126,836	3,636,836
Total	\$ 12,735,000	\$ 3,740,826	\$ 30,567,499	\$ 7,238,295	\$ 54,281,620

Installment Purchase Debt

During the year ended December 31, 2006, the City entered into installment purchase agreements for an energy management system upgrade and replacement of 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, 2016. 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, 2016. Final payment on the agreement, including 4.27% interest, was made September 15, 2016 from the General Fund.

CITY OF OSWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 11 Long-term Debt and Other Long-Term Liabilities - Continued

Repayment of lease obligations is as follows:

Year Ending December 31	Principal	Interest	Total
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	213,636	11,089	224,725
2022	<u>123,899</u>	<u>2,253</u>	<u>126,152</u>
Totals	\$ <u>1,110,545</u>	\$ <u>139,230</u>	\$ <u>1,249,775</u>

Interest on Long-term Debt - Governmental Activities

Interest on long-term debt is as follows:

Governmental Activities	
Interest paid	\$ 569,673
Less interest accrued at December 31, 2015	(109,309)
Add interest accrued at December 31, 2016	101,145
Add deferred amount of refunding bonds	<u>22,893</u>
Total	\$ <u>584,402</u>

Note 12 Interfund Activity

Interfund activity balances as of December 31, 2016 were as follows:

	Interfund Receivable	Interfund Payable	Interfund Revenue	Interfund Expenditure
General Fund	\$ 886,093	\$ 1,700,173	\$ 270,000	\$ 8,533,045
Special Grant Fund		217,526	250,000	
Capital Projects Fund - Transportation	300	1,552,844		100,000
Non-Major Funds	1,739,490	464,434	1,508,544	924,406
Enterprise Fund	1,275,483		25,000	420,569
Agency Funds	4,264			
Internal Service Funds	<u>32,912</u>	<u>3,565</u>	<u>7,924,476</u>	
Totals	\$ <u>3,938,542</u>	\$ <u>3,938,542</u>	\$ <u>9,978,020</u>	\$ <u>9,978,020</u>

CITY OF OSWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

***Note 12* Interfund Activity - Continued**

Interfund receivables and payables exist largely to offset transient cash flow issues, and will be resolved as cash allows. Interfund revenues and expenditures reflect the transfers approved in the City budget, transfers from the general fund to the internal service fund for self-insurance, and transfers from operating funds to the debt service fund for debt payments.

At December 31, 2016, the internal balance between the governmental activities and business-type activities is as follows:

	Interfund Receivable	Interfund Payable
Governmental activities	\$	\$ 1,619,635
Business-type activities	1,619,635	

***Note 13* 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 14* 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 15* 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 16* 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, 2016

***Note 16* 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, 2016.

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, 2016

***Note 16* 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, 2016, 35,000 mWh of energy were produced, resulting in a net reduction of \$498,548 to the “Adjustment Account” which was offset by an interest increase of \$101,529 added to the account. In addition, \$750,216 in the future value of current payments was recorded during 2016. Interest charged during 2016 was 0.77%. 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 \$1,397,526 for the year ended December 31, 2016. Amounts paid to NY Hydro Service under the Service Agreement totaled \$289,514 for the year ended December 31, 2016.

The City has been informed by National Grid that the “Adjustment Account” at December 31, 2016 reflects a positive balance of \$6,978,256 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, 2016

***Note 17* Other Disclosures**

Significant Taxpayers

During 2016 Oswego Harbor Power and National Grid paid real property taxes of \$1,588,765 and \$796,182 respectively. These amounts represent approximately 19.71% of the City's tax roll.

CITY OF OSWEGO

BUDGETARY COMPARISON SCHEDULE NON-GAAP BUDGET BASIS - GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual	Encumbrances	Variance Fav. (Unfav.)
REVENUES					
Real property taxes	\$ 11,100,823	\$ 11,100,823	\$ 11,115,805	\$	\$ 14,982
Real property tax items	318,231	318,231	337,106		18,875
Nonproperty tax items	13,375,000	13,375,000	13,504,743		129,743
Departmental income	1,590,500	1,590,500	1,603,254		12,754
Intergovernmental charges	204,053	204,053	223,733		19,680
Use of money and property	2,892,000	2,892,000	2,434,702		(457,298)
Licenses and permits	154,150	154,150	244,126		89,976
Fines and forfeitures	281,000	281,000	215,716		(65,284)
Sale of property and compensation for loss	195,000	195,000	207,923		12,923
Miscellaneous local sources	14,000	14,000	46,903		32,903
State sources	2,742,840	2,742,840	2,796,238		53,398
Federal sources	54,226	54,226	12,053		(42,173)
Total Revenues	32,921,823	32,921,823	32,742,302	-	(179,521)
EXPENDITURES					
Current:					
General governmental support	3,463,511	3,799,780	3,045,826	181,838	572,116
Public safety	10,115,318	10,512,042	10,065,876	18,894	427,272
Transportation	3,568,926	3,651,840	3,240,338	37,759	373,743
Economic assistance and opportunity	604,704	613,464	493,341	20,744	99,379
Culture and recreation	878,620	930,032	743,086	340	186,606
Home and community services	1,115,160	1,114,856	1,063,092	3,672	48,092
Employee benefits	4,777,718	4,821,216	3,969,295		851,921
Debt service:					
Principal	644,548	644,548	644,548		-
Interest	18,171	18,171	18,078		93
Total Expenditures	25,186,676	26,105,949	23,283,480	263,247	2,559,222
Excess of Revenues	7,735,147	6,815,874	9,458,822	(263,247)	2,379,701
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	270,000	270,000	270,000		-
Interfund transfers (out)	(8,440,147)	(8,533,045)	(8,533,045)		-
Total Other Financing (Uses)	(8,170,147)	(8,263,045)	(8,263,045)	-	-
Excess of (Expenditures) and Other (Uses)					
Over Revenues and Other Financing Sources	(435,000)	(1,447,171)	1,195,777	\$ (263,247)	\$ 2,379,701
Appropriated Fund Balance	435,000	1,447,171			
Net Change in Fund Balance	\$ -	\$ -	1,195,777		
Fund Balance, Beginning			8,828,175		
Fund Balance, Ending			\$ 10,023,952		

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

CITY OF OSWEGO

SCHEDULE OF FUNDING PROGRESS FOR THE YEAR ENDED DECEMBER 31, 2016

Financial Statement Date	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2016	1/1/2016	\$ -	\$ 148,441,691	\$ 148,441,691	0.0%	\$ 16,381,264	906.2%
12/31/2015	1/1/2014	-	109,290,951	109,290,951	0.0%	16,145,718	676.9%
12/31/2014	1/1/2014	-	98,989,276	98,989,276	0.0%	16,578,089	597.1%
12/31/2013	1/1/2012	-	164,960,365	164,960,365	0.0%	15,829,047	1042.1%
12/31/2012	1/1/2012	-	158,596,011	158,596,011	0.0%	15,855,161	1000.3%
12/31/2011	1/1/2010	-	147,751,214	147,751,214	0.0%	15,465,366	955.4%
12/31/2010	1/1/2010	-	143,141,757	143,141,757	0.0%	15,045,814	951.4%
12/31/2009	1/1/2008	-	133,556,188	133,556,188	0.0%	15,031,837	888.5%
12/31/2008	1/1/2008	-	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 PLANS FOR THE LAST 3 FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Employees' Retirement System			
Contractually required contribution	\$ 1,226,863	\$ 1,523,437	\$ 1,503,758
Contributions in relation to the contractually required contribution	(1,226,863)	(1,523,437)	(1,503,758)
Contribution deficiency (excess)	-	-	-
City's covered - employee payroll	6,709,195	6,921,446	7,412,684
Contributions as a percentage of covered - employee payroll	18.3%	22.0%	20.3%
Police and Fire Retirement System			
Contractually required contribution	1,809,257	1,961,058	1,951,353
Contributions in relation to the contractually required contribution	(1,809,257)	(1,961,058)	(1,951,353)
Contribution deficiency (excess)	-	-	-
City's covered - employee payroll	7,370,490	7,502,389	7,893,743
Contributions as a percentage of covered - employee payroll	24.5%	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 YEARS ENDED DECEMBER 31,

	<u>2016</u>	<u>2015</u>
Employees' Retirement System		
City's proportion of the net pension liability	0.0227330%	0.0244997%
City's proportionate share of the net pension liability	3,648,709	827,659
City's covered-employee payroll during the measurement period	6,732,206	7,489,167
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	54.20%	11.05%
Plan fiduciary net position as a percentage of the total pension liability	90.7%	97.9%
 Police and Fire Retirement System		
City's proportion of the net pension liability	0.2445740%	0.2514747%
City's proportionate share of the net pension liability	7,241,315	692,208
City's covered-employee payroll during the measurement period	7,329,668	8,020,553
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	98.79%	8.63%
Plan fiduciary net position as a percentage of the total pension liability	90.2%	99.0%

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

CITY OF OSWEGO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016

***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 the general and special revenue funds, except for the Special Grant Fund. If the tax rate is 5% or greater than 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 Fund 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

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016

***Note 3* Schedules of the City's Proportionate Share of the Net Pension Liability**

The Schedules of the City's Proportionate Share of the Net Pension Liability, supplementary information, present two years of information. These schedules will present ten years of information as it becomes available from the pension plans.

***Note 4* Schedules of City's Contributions - NYSLRS Pension Plans and Schedules of the City's Proportionate Share of the Net Pension Liability**

NYSLRS

Changes in Benefit Terms

There were no significant legislative changes in benefits.

Changes of Assumptions

There was a change in assumption for the pensioner mortality improvement in the April 1, 2014 actuarial valuation from the Society of Actuaries' Scale AA to Scale MP - 2014.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The April 1, 2014 actuarial valuation determines the employer rates for contributions payable in fiscal year 2016. The following actuarial methods and assumptions were used:

Actuarial cost method	The System is funded using the Aggregate Cost Method. All unfunded actuarial liabilities are evenly amortized (as a percentage of projected pay) over the remaining worker lifetimes of the valuation cohort.
Asset valuation period	5 year level smoothing of the difference between the actual gain and the expected gain using the assumed investment rate of return.
Inflation	2.7%
Salary scale	4.9% in ERS, indexed by service, 6.0% in PFRS by service.
Investment rate of return	7.5% compounded annually, net of investment expenses, including inflation.
Cost of living adjustments	1.4% annually

CITY OF OSWEGO

COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS DECEMBER 31, 2016

	Debt Service Fund	Special Revenue Fund Water Fund
ASSETS		
Cash and cash equivalent - Unrestricted	\$ _____	\$ 155,787
Cash and cash equivalent - Restricted	_____	_____
Due from other funds	921,872	634,425
Other receivables, net	_____	385,870
Total Assets	\$ 921,872	\$ 1,176,082
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ _____	\$ 73,281
Accrued liabilities	_____	1,044
Due to other funds	_____	99,878
Due to employees' retirement system	_____	37,664
Bond anticipation notes payable	_____	_____
Total Liabilities	-	211,867
Fund Balances		
Restricted	921,872	_____
Assigned	_____	964,215
Unassigned	_____	_____
Total Fund Balances (Deficit)	921,872	964,215
Total Liabilities and Fund Balances	\$ 921,872	\$ 1,176,082

See Independent Auditor's Report

Capital Projects Funds				Total
General Government Fund	Public Safety Fund	Culture and Recreation Fund	Home and Community Services Fund	Non-Major Governmental Funds
\$ 1,631,389	\$ (1,767)	\$ 59,705	\$ (1,634,966)	\$ 210,148
			688,148	688,148
			183,193	1,739,490
				385,870
\$ 1,631,389	\$ (1,767)	\$ 59,705	\$ (763,625)	\$ 3,023,656
\$ 17,940	\$	\$	\$ 69,147	\$ 160,368
				1,044
		84,731	279,825	464,434
				37,664
		537,500		537,500
17,940	-	622,231	348,972	1,201,010
				921,872
1,613,449				2,577,664
	(1,767)	(562,526)	(1,112,597)	(1,676,890)
1,613,449	(1,767)	(562,526)	(1,112,597)	1,822,646
\$ 1,631,389	\$ (1,767)	\$ 59,705	\$ (763,625)	\$ 3,023,656

CITY OF OSWEGO

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NON-MAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2016

	Debt Service Fund	Special Revenue Fund Water Fund
REVENUES		
Departmental income	\$	\$ 2,673,005
Use of money and property	805	13
Sale of property and compensation for loss		42,655
Miscellaneous local sources		32,240
Total Revenues	805	2,747,913
EXPENDITURES		
Current		
General governmental support		75,000
Home and community services		1,587,375
Employee benefits		121,994
Debt service:		
Principal	965,000	161,711
Interest	515,494	49,608
Capital outlay		
Total Expenditures	1,480,494	1,995,688
Excess of (Expenditures) Revenues	(1,479,689)	752,225
OTHER FINANCING SOURCES (USES)		
Interfund transfers in	1,480,494	28,050
Interfund transfers (out)		(729,406)
Proceeds of obligations		
Total Other Financing Sources (Uses)	1,480,494	(701,356)
Net Changes in Fund Balance	805	50,869
Fund Balances (Deficit), Beginning	921,067	913,346
Fund Balances (Deficit), Ending	\$ 921,872	\$ 964,215

See Independent Auditor's Report

Capital Projects Funds				Total
General Government Fund	Public Safety Fund	Culture and Recreation Fund	Home and Community Services Fund	Non-Major Governmental Funds
\$ _____	\$ _____	\$ _____	\$ _____	\$ 2,673,005
_____	_____	37	_____	855
_____	_____	_____	_____	42,655
_____	_____	123,040	_____	155,280
-	-	123,077	-	2,871,795
_____	_____	_____	_____	75,000
_____	_____	_____	_____	1,587,375
_____	_____	_____	_____	121,994
_____	_____	_____	_____	1,126,711
_____	_____	_____	_____	565,102
100,538	_____	38,803	1,461,429	1,600,770
100,538	-	38,803	1,461,429	5,076,952
(100,538)	-	84,274	(1,461,429)	(2,205,157)
_____	_____	_____	_____	1,508,544
_____	_____	(170,000)	(25,000)	(924,406)
_____	_____	537,500	_____	537,500
-	-	367,500	(25,000)	1,121,638
(100,538)	-	451,774	(1,486,429)	(1,083,519)
1,713,987	(1,767)	(1,014,300)	373,832	2,906,165
\$ 1,613,449	\$ (1,767)	\$ (562,526)	\$ (1,112,597)	\$ 1,822,646

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Oswego (the City) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 7, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully Submitted,

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

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 7, 2017

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Oswego's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Oswego complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Respectfully Submitted,

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

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 7, 2017

CITY OF OSWEGO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2016

Federal Grantor/Pass - Through Grantor Program Title	Federal CFDA #	Pass - Through Grantor #	Expenditures To Subrecipients	Expenditures
U.S. Department of Housing and Urban Development				
Direct:				
Housing Voucher Cluster:				
Section 8 Housing Choice Vouchers	14.871	N/A	\$	\$ 2,743,731
Total Housing Voucher Cluster				2,743,731
Community Development Block Grants -				
Small Cities (Program Income)	14.219	N/A		308,256
Family Self-Sufficiency Program	14.896	N/A		34,500
Passed through NYS Office of Homes and Community				
Renewal:				
Community Development Block Grants/States Program	14.228	862HO360-14		25,000
Total U.S. Department of Housing and Urban Development				3,111,487
U.S. Department of Justice				
Direct:				
Bulletproof Vest Partnership Program	16.607	N/A		2,657
U.S. Department of Transportation				
Passed through NYS Governor's Traffic Safety Committee:				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	PTS 2016		9,396
Total Highway Safety Cluster				9,396
Passed through NYS Department of Transportation:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	N/A		38,291
Total Highway Planning and Construction Cluster				38,291
Total U.S. Department of Transportation				47,687
Total Expenditures of Federal Awards			\$	- \$ 3,161,831

N/A - Indicates Direct Award

See Independent Auditor's Report and Notes to Schedule of Expenditures of Federal Awards

CITY OF OSWEGO

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2016

***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, 2016 under these programs, as reported in the City's basic financial statements, are as follows:

Loans receivable - CDBG	\$ 2,543,940
Loans receivable - RBEG	<u>27,776</u>
Total Loans Receivable	2,571,716
Less: Allowance for uncollectible accounts	<u>-</u>
Net Loans Receivable	<u>\$ 2,571,716</u>

The City disbursed new loans in the amount of \$250,000 from Community Development Block Grant funds. The City received program income from the repayment of loan principal in the amount of \$211,256 and recorded additional adjustments of \$9,200 during the year.

***Note 4* Indirect Cost Rates**

The City did not elect to use the 10% de minimis indirect cost rate.

CITY OF OSWEGO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2016

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 Uniform Guidance ____ yes √ no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
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<u>14.871</u>	<u>Section 8 Housing Choice Vouchers</u>
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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, 2016

Section II - Financial Statement Findings:

None

Section III - Federal Award Findings and Questioned Costs:

None

CITY OF OSWEGO

Oswego, New York

STATE TRANSPORTATION ASSISTANCE EXPENDED REPORT

DECEMBER 31, 2016



CITY OF OSWEGO

STATE TRANSPORTATION ASSISTANCE EXPENDED REPORT DECEMBER 31, 2016

Independent Auditor's Report on Compliance and Controls Over State Transportation Assistance Expended Based On An Audit Of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	1-3
Schedule of State Transportation Assistance Expended	4
Notes to Schedule of State Transportation Assistance Expended	5
Schedule of Findings and Questioned Costs for State Transportation Assistance Expended	6

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND CONTROLS OVER
STATE TRANSPORTATION ASSISTANCE EXPENDED
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Common Council
City of Oswego
Oswego, New York

Report on Compliance

We have audited the City of Oswego's (the City) compliance with the types of compliance requirements described in Title 17 of the New York State Codes, Rules and Regulations (NYCRR) Part 43 that could have a direct and material effect on each state transportation assistance program tested for the year ended December 31, 2016. The City's programs tested are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each state transportation assistance program tested.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's state transportation assistance program tested based on our audit of the types of requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 17 of the NYCRR Part 43. Those standards and Title 17 of the NYCRR Part 43 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state transportation assistance programs tested occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with each state transportation assistance program tested. However, our audit does not provide a legal determination of the City's compliance with those requirements.

Opinion on Each New York State Transportation Assistance Program Tested

In our opinion, the City of Oswego complied, in all material respects, with the types of requirements referred to above that could have a direct and material effect on each of its state transportation assistance programs tested for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of the City of Oswego is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Oswego's internal control over compliance with the types of requirements that could have a direct and material effect on the state transportation assistance programs tested to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each state transportation assistance program and to test and report on internal control over compliance in accordance with Title 17 of the NYCRR Part 43, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Oswego's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the New York State Department of Transportation. Accordingly, this report is not suitable for any other purpose.

Schedule of State Transportation Assistance Expended

We have audited the financial statements of City of Oswego as of December 31, 2016 and for the year ended December 31, 2016, and have issued our report thereon dated September 7, 2017. Our audit was performed for the purpose of forming an opinion on City of Oswego's financial statements taken as a whole. The accompanying Schedule of State Transportation Assistance Expended is presented for purposes of additional analysis as required by Title 17 of the NYCRR Part 43, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of State Transportation Assistance Expended is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully Submitted,

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

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 7, 2017

CITY OF OSWEGO

SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Program Title</u>	<u>NYS DOT Contract</u>	<u>Ref. Number</u>	<u>Expenditures</u>
Consolidated Local Streets and Highway Improvement Program (CHIPS): CHIPS apportionment	342042	N/A	\$ 642,698
PAVE NY	342042	N/A	125,594
State Share for Federal Highway Projects	D035291	N/A	<u>7,180</u>
Total			\$ <u>775,472</u>

CITY OF OSWEGO

NOTES TO SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED DECEMBER 31, 2016

Note 1 **General**

The accompanying Schedule of State Transportation Assistance Expended by the City of Oswego presents the activity of all financial assistance programs provided by the New York State Department of Transportation.

Note 2 **Basis of Accounting**

The accompanying Schedule of State Transportation Assistance Expended is presented using the accrual basis of accounting.

Note 3 **Matching Cost**

The costs associated with the federal and local shares of Federal Aid Highway Projects are not included in the reported expenditures.

CITY OF OSWEGO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR STATE TRANSPORTATION ASSISTANCE EXPENDED DECEMBER 31, 2016

Summary of Audit Results:

Internal Control Over State Transportation Assistance Expended

- | | |
|--|---------------|
| • Material weakness(es) identified | No |
| • Significant deficiency(ies) identified that are not considered to be material weakness(es) | None reported |

Type of Auditor's Report Issued on Compliance for Programs Tested	Unmodified
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Summary of Audit Findings	N/A
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Identification of State Transportation Assistance Programs Tested:
Consolidated Local Streets and Highway Improvement Program
(CHIPS) - Capital Component

Compliance Findings and Questioned Costs:

No matters were reported