

Financial Statements

CITY OF JAMESTOWN, NEW YORK

YEAR ENDED DECEMBER 31, 2015

CITY OF JAMESTOWN, NEW YORK
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Independent Auditor's Report

To the City Council
City of Jamestown, New York

Report on the Financial Statements

I 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 Jamestown, New York as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I did not audit the financial statements of the Board of Public Utilities which represent 100% of the assets, liabilities, net position, revenues and expenses of the City's Business-type activities. Those statements were audited by other auditors whose reports thereon have been furnished to me, and my opinion, insofar as it relates to the amounts included for the Board of Public Utilities, is based solely on the reports of the other auditors. I conducted the 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 judgement, including the assessment of the risk 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, I express no such opinion. An audit 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, based on my audit and the reports of other auditors, 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 Jamestown, New York as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11, budgetary comparison information on page 53, and the schedule of funding progress for OPEB obligations on page 54, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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. I and the other auditors 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 my inquiries, the basic financial statements, and other knowledge I obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.


Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Jamestown, New York's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the 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 fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated September 20, 2016, on my consideration of the City of Jamestown, New York's internal control over financial reporting and on my 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 my 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 of Jamestown, New York's internal control over financial reporting and compliance.


JOHN S. TRUSSALO, CPA, P.C.
Jamestown, New York
September 20, 2016

CITY OF JAMESTOWN, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the City of Jamestown, New York's financial performance provides an overview of the City's financial activities for the year ended December 31, 2015. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The net position of the City's governmental activities included in the Government-wide financial statements totaled \$11,123,470 at December 31, 2015 compared to \$12,768,410 (as restated) at December 31, 2014, a decrease of \$1,644,940. The net position as of December 31, 2014 was restated. As such, the net position as of December 31, 2014 increased \$1,016,481 and was comprised of the following: 1) \$298,593 for the implementation of the provisions of GASB No. 68 and 71, and 2) \$717,888 for the change in accounting method for health, prescription, and dental claims.

Revenues from governmental activities totaled \$38,404,763 for 2015 compared to \$36,972,610 for 2014. Expenditures for governmental activities totaled \$40,049,703 for 2015 compared to \$40,407,409 for 2014.

- The fund balance of the City's General Fund included in the Fund financial statements totaled \$1,567,697 at December 31, 2015 compared to \$2,715,872 (as restated) at December 31, 2014, a decrease of \$1,148,175. The fund balance as of December 31, 2014 was restated. As such, the fund balance as of December 31, 2014 increased \$717,888 for the change in accounting method for health, prescription, and dental claims.

THE FINANCIAL STATEMENTS

The Government-wide financial statements present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by the statement in regards to inter-fund activity, payables and receivables.

The Fund financial statements include statements for each of the three categories of activities - governmental, business-type and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the accrual basis of accounting. The fiduciary activities are agency funds, which only report a balance sheet and do not have a measurement focus. Reconciliation of the Fund financial statements to the Government-wide financial statements are provided to explain the differences created by the integrated approach.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements

Statement of Net Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources of the City 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 cash is received or paid.

These two statements report the City's net position and changes in net position. Net position is the difference between assets and deferred outflows of resources, less liabilities and deferred inflows of resources, which is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the City's property tax base and the condition of the City's roads.

Management's Discussion and Analysis

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In the Statement of Net Position and the Statement of Activities, we separate the activities of the City as follows:

Governmental activities

Most of the City's basic services are reported in this category, including General Government, Fire, Police, Public Works, Parks, Recreation and Community Services. Property and sales taxes, user fees, interest income, franchise fees, and state and federal grants finance these activities.

Business-type activities

The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's Electric, Water, Wastewater, Sanitation, and District Heat activities are reported in this category.

Fund Financial Statements

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 Statute, while other funds are established by the City to help manage money for particular purposes and compliance with various grant provisions.

Governmental Funds

Most of the City's basic 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 available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the City's programs. The differences of results in the Governmental fund financial statements to those in the Government-wide financial statements are explained in a reconciliation schedule following each Governmental fund financial statement.

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 Revenues, Expenses, and Changes in Fund Net Position. In fact, the City's enterprise funds are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Fiduciary Funds

The City is the trustee, or fiduciary for certain funds held on behalf of the Recreation Department Trust. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. 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 these funds are used for their intended purposes.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including budgetary comparison schedules for the general fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The net position for the City of Jamestown, New York, as a whole, totaled \$149,118,089 as of December 31, 2015 and \$146,730,514 (as restated) as of December 31, 2014, an increase of \$2,387,575. The net position, as a whole, as of December 31, 2014 was restated. As such, the net position, as a whole, as of December 31, 2014 increased \$651,517 and was comprised of the following: 1) (\$66,371) for the implementation of the provisions of GASB No. 68 and 71, and 2) \$717,888 for the change in accounting method for health, prescription, and dental claims. Program expenses by function, general revenues by major source, excess and/or deficiency of revenues over expenses and total assets are presented in the Statement of Activities.

The City's combined Net Position for the years ended December 31, 2015 and 2014 were as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Assets:						
Current and other assets	\$13,304,560	\$16,638,902	\$ 42,533,783	\$ 46,003,650	\$ 55,838,343	\$ 62,642,552
Capital assets	<u>41,020,256</u>	<u>40,526,754</u>	<u>125,473,297</u>	<u>122,585,665</u>	<u>166,493,553</u>	<u>163,112,419</u>
Total assets	<u>54,324,816</u>	<u>57,165,656</u>	<u>168,007,080</u>	<u>168,589,315</u>	<u>222,331,896</u>	<u>225,754,971</u>
Deferred Outflows of Resources	<u>2,979,068</u>	<u>229,935</u>	<u>1,282,011</u>	<u>-</u>	<u>4,261,079</u>	<u>229,935</u>
Liabilities:						
Long-term debt	20,234,949	24,717,738	14,717,357	17,410,000	34,952,306	42,127,738
Net OPEB obligation	20,476,136	18,208,570	9,951,235	9,751,460	30,427,371	27,960,030
Other liabilities	<u>5,279,227</u>	<u>2,712,563</u>	<u>6,505,882</u>	<u>7,100,787</u>	<u>11,785,109</u>	<u>9,813,350</u>
Total liabilities	<u>45,990,312</u>	<u>45,638,871</u>	<u>31,174,474</u>	<u>34,262,247</u>	<u>77,164,786</u>	<u>79,901,118</u>
Deferred Inflows of Resources	<u>190,102</u>	<u>4,791</u>	<u>119,998</u>	<u>-</u>	<u>310,100</u>	<u>4,791</u>
Net Position:						
Investment in capital assets, net of related debt	23,609,872	24,478,946	110,632,306	104,768,975	134,242,178	129,247,921
Restricted	7,936,373	6,299,875	12,056,663	12,720,221	19,993,036	19,020,096
Unrestricted	<u>(20,422,775)</u>	<u>(19,026,892)</u>	<u>15,305,650</u>	<u>16,837,872</u>	<u>(5,117,125)</u>	<u>(2,189,020)</u>
Total net position	\$11,123,470	\$11,751,929	\$137,994,619	\$134,327,068	\$149,118,089	\$146,078,997
Restatement of net position	-	1,016,481	-	(364,964)	-	651,517
Total net position - a restated	<u>\$11,123,470</u>	<u>\$12,768,410</u>	<u>\$137,994,619</u>	<u>\$133,962,104</u>	<u>\$149,118,089</u>	<u>\$146,730,514</u>

Net Position Analysis - Overall

The City's overall net position totaled \$149,118,089 as of December 31, 2015 of which \$134,242,178 represents the City's investment in capital assets net of related debt used to acquire those assets that is still outstanding. The City uses capital assets to provide services, consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Position Analysis - Governmental Activities

The City's net position from governmental activities totaled \$11,123,470 as of December 31, 2015. Investment in capital assets, net of related debt totaled \$23,609,872, restricted net position totaled \$7,936,373, and unrestricted net position totaled a deficit of (\$20,422,775).

Net Position Analysis - Business-type Activities

The City's net position from business-type activities totaled \$137,994,619 as of December 31, 2015. Investment in capital assets, net of related debt totaled \$110,632,306, restricted net position totaled \$12,056,663, and unrestricted net position totaled \$15,305,650.

Management's Discussion and Analysis
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GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

Analysis of Changes in Net Position

The change in the City's net position for governmental activities and business-type activities for the years ended December 31, 2015 and 2014 is summarized below:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,841,004	\$ 1,782,763	\$ 55,896,620	\$ 63,291,416	\$ 57,737,624	\$ 65,074,179
Operating grant/contributions	3,456,893	2,821,097	-	-	3,456,893	2,821,097
Capital grants/contributions	1,601,959	1,552,597	-	257,523	1,601,959	1,810,120
General revenues:						
Real property taxes	15,079,118	14,732,926	-	-	15,079,118	14,732,926
Sales tax	5,957,558	5,959,550	-	-	5,957,558	5,959,550
Board of Public Utilities:						
Payment in lieu of taxes	3,810,177	3,736,021	-	-	3,810,177	3,736,021
Contribution	482,000	475,000	-	-	482,000	475,000
Investment earnings	39,053	35,912	73,942	33,688	112,995	69,600
State Aid	4,999,634	4,708,205	-	-	4,999,634	4,708,205
Other	1,137,367	1,168,539	-	-	1,137,367	1,168,539
Total revenues	38,404,763	36,972,610	55,970,562	63,582,627	94,375,325	100,555,237
Expenses:						
General government support	5,147,712	5,403,041	-	-	5,147,712	5,403,041
Public safety	11,549,117	11,074,631	-	-	11,549,117	11,074,631
Public improvements/projects	332,959	190,321	-	-	332,959	190,321
Streets	4,001,132	4,062,109	-	-	4,001,132	4,062,109
Culture and recreation	2,042,181	2,077,374	-	-	2,042,181	2,077,374
Home and community/development	3,780,659	3,170,475	-	-	3,780,659	3,170,475
Employee benefits	12,629,898	13,548,661	-	-	12,629,898	13,548,661
Contribution to City's General Fund	-	-	482,000	475,000	482,000	475,000
Debt service	566,045	880,797	681,166	825,418	1,247,211	1,706,215
Utility operations	-	-	50,774,881	53,641,584	50,774,881	53,641,584
Total expenses	40,049,703	40,407,409	51,938,047	54,942,002	91,987,750	95,349,411
Change in net position	(1,644,940)	(3,434,799)	4,032,515	8,640,625	2,387,575	5,205,826
Net position, beginning of year	12,768,410	15,186,728	133,962,104	125,686,443	146,730,514	140,873,171
Restatement of net position	-	1,016,481	-	(364,964)	-	651,517
Net position, end of year	\$11,123,470	\$12,768,410	\$137,994,619	\$133,962,104	\$149,118,089	\$146,730,514

Governmental Activities

Revenues from the City's governmental activities totaled \$38,404,763 for 2015 compared to \$36,972,610 for 2014. Revenues for 2015 were comprised of the following: Property tax revenue (39%), Sales tax revenue (15%), State aid revenue (13%), Board of Public Utilities revenue (11%), Operating and Capital Grants/Contributions (13%), Other revenue (5%), Charges for services (4%).

Expenditures of governmental activities totaled \$40,049,703 for 2015 compared to \$40,407,409 for 2014. The City's programs for governmental activities include General Government, Fire, Police, Public Works, Community Development, Parks and Recreation, and Debt Service for Interest.

Business-type Activities

The business-type activities include Electric, Water, Waste Water, Sanitation, and District Heat services. As shown in the Statement of Activities and Changes in Net Position, the amounts paid by users totaled \$55,896,620 for 2015 and \$63,291,416 for 2014. Investment earnings totaled \$73,942 for 2015 and \$33,688 for 2014. The cost of all Proprietary (Business-type) activities totaled \$51,938,047 for 2015 and \$54,942,002 for 2014.

LONG-TERM LIABILITIES

Governmental Activities

Long-term liabilities included in the City's governmental-activities totaled \$20,234,949 as of December 31, 2015 and \$24,717,738 as of December 31, 2014; a net decrease of \$4,482,789. As of December 31, 2015, long-term liabilities were comprised of the following: General Obligation Bonds \$16,475,000; Notes payable to Board of Public Utilities \$544,259; Note payable to New York Power Authority (via Board of Public Utilities) \$391,125; Note payable to NYS Police and Fire Retirement System \$465,819; Compensated absences \$2,358,746. Detailed information regarding long term liabilities is included in Note 5 to the basic financial statements.

Information Regarding Long Term Liabilities for Governmental Activities

- The liability for compensated absences increased \$113,296 to \$2,358,746 as of December 31, 2015.
- During the year ended December 31, 2015, the City paid off the \$6,015,000 capital lease obligation for the Cherry Street and Second Street parking ramps. The City's Governmental activities include outstanding general obligation bonds totaling \$5,545,000 as of December 31, 2015. The original 2013 proceeds from these bonds totaling \$6,230,000 were used to retire the \$6,015,000 capital lease obligation for the Cherry Street and Second Street parking ramps during 2015.
- During 2015, the City issued General Obligation Bonds of \$3,910,000 and a bond anticipation note of \$910,000. The \$910,000 bond anticipation note was repaid in 2015.

Net OPEB Obligations for Governmental Activities

- The net OPEB obligations included in the government-wide statement of net position increased \$2,328,612 to \$20,476,136 as of December 31, 2015.

Net Pension Liability for Governmental Activities

- During the year ended December 31, 2015, the City implemented the provisions of GASB Statement No. 68. The net pension liability included in the government-wide statement of net position represents the City's share of the net pension liability of the NYS retirement systems as follows: \$938,202 for ERS and \$750,101 for PFRS.

Business-type Activities

Long-term liabilities included in the City's business-type activities totaled \$14,717,357 as of December 31, 2015 and \$17,410,000 as of December 31, 2014; a decrease of \$2,692,643.

- During 2015, the Board of Public Utilities issued a Refunding Bond for \$2,855,000 which was used to refund the 2005 Improvement Bond of \$2,750,000.

Net Pension Liability for Business-type Activities

- During the year ended December 31, 2015, the City implemented the provisions of GASB Statement No. 68. The net pension liability included in the government-wide statement of net position represents the City's share of the net pension liability of the ERS retirement system totaling \$1,149,796.

Detailed information regarding long term liabilities is included in Note 5 to the basic financial statements.

Constitutional Debt Limit

Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based upon 7% of the average of the total value of real property for the past five years. At December 31, 2015 the City's general obligation debt, including statutory exclusions, was at 35.29% of the legal limit compared to 31.12% of the legal limit at December 31, 2014.

Detailed information regarding the statutory debt limit is included in the Note 5 to the basic financial statements.

CAPITAL ASSETS

Governmental Activities

As of December 31, 2015, the City's governmental-activities maintained \$41,020,256 in capital assets (Cost \$80,816,160 less accumulated depreciation of \$39,795,904). As of December 31, 2014 the City's governmental-activities maintained \$40,526,754 in capital assets (Cost \$77,647,244 less accumulated depreciation of \$37,120,490). Capital additions for 2015 totaled \$3,231,185 and were comprised of following: Infrastructure (including roads, sidewalks, and storm sewers) \$1,459,477; Buildings and structures \$182,351; Equipment \$1,042,906; Vehicles \$148,799; Construction in progress \$397,652. Vehicle deletions for 2015 totaled \$62,269.

Depreciation expense totaled \$2,700,098 for the year ended December 31, 2015 and \$2,621,107 for the year ended December 31, 2014.

Detailed information regarding capital asset activity is included in Note 4 to the basic financial statements.

Business-type Activities

As of December 31, 2015, the City's business-type activities maintained \$125,473,297 in capital assets (Cost \$262,876,143 less accumulated depreciation of \$137,402,846). As of December 31, 2014, the City's business-type activities maintained \$122,592,000 in capital assets (Cost \$254,509,278 less accumulated depreciation of \$131,917,278). Capital additions for 2015 totaled \$10,578,455 and were comprised of the following: Electric Division \$7,901,408; Waste Water Division \$1,172,700; Water Division \$1,233,353; Solid Waste Division \$214,000; District Heat Division \$56,994. Deletions for 2015 totaled \$2,211,590 and were for the following: Electric Division \$2,019,056; Water Division \$41,341; Solid Waste Division \$151,193.

Depreciation expense totaled \$7,485,167 for the year ended December 31, 2015 and \$7,185,346 for the year ended December 31, 2014.

Detailed information regarding capital asset activity is included in Note 4 to the basic financial statements.

THE CITY'S GOVERNMENTAL FUNDS

The City's governmental funds reported a combined fund balance of \$8,692,037 as of December 31, 2015 and \$13,600,865 as of December 31, 2014 (as restated); a decrease of \$4,908,828. The schedule below indicates the fund balances as of December 31, 2015 and 2014, and the net increase (decrease) for the year.

	<u>Fund Balance</u> <u>2015</u>	<u>Fund Balance</u> <u>2014</u>	<u>Increase</u> <u>(Decrease)</u>
General fund (as restated for 2014)	\$ 1,567,697	\$ 2,715,872	\$ (1,148,175)
Capital projects fund	2,633,897	736,478	1,897,419
Special revenue fund	4,490,443	4,712,608	(222,165)
Debt service fund	-	<u>5,435,907</u>	<u>(5,435,907)</u>
Total	<u>\$ 8,692,037</u>	<u>\$13,600,865</u>	<u>\$ (4,908,828)</u>

THE CITY'S GOVERNMENTAL FUNDS (Cont'd)

General Fund

The change in the City's General fund balance for the year ended December 31, 2015 and 2014 follows:

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
<i>Revenues and Other Sources:</i>			
Real property taxes	\$15,079,118	\$14,732,926	\$ 346,192
Real property tax items	311,447	312,716	(1,269)
Non-property tax items	6,509,211	6,478,941	30,270
Departmental income	879,945	839,905	40,040
Intergovernmental charges	225,062	190,242	34,820
State aid	6,805,284	6,172,625	632,659
Federal aid	26,406	30,172	(3,766)
Board of Public Utilities:			
Payments in lieu of taxes	3,810,177	3,736,021	74,156
Contribution	482,000	475,000	7,000
Use of money and property	2,431	875	1,556
Other revenue	475,617	609,359	(133,742)
Interfund transfers in	98,557	3,000	95,557
Total revenues	<u>34,705,255</u>	<u>33,581,782</u>	<u>1,123,473</u>
<i>Expenditures:</i>			
General government support	3,691,292	3,832,256	(140,964)
Public safety	10,884,513	10,446,322	438,191
Streets	3,917,099	3,590,445	326,654
Culture and recreation	1,988,587	2,027,714	(39,127)
Home and community services	800,773	835,239	(34,466)
Capital outlays	1,006,444	1,006,096	348
Employee benefits	10,974,760	10,539,859	434,901
Debt service - principal	2,091,309	1,573,289	518,020
Debt service - interest	498,653	487,330	11,323
Total expenditures	<u>35,853,430</u>	<u>34,338,550</u>	<u>1,514,880</u>
Deficiency for the year	(1,148,175)	(756,768)	<u>(391,407)</u>
Fund balance, beginning of year	2,715,872	2,754,752	
Restatement of net position	<u>-</u>	<u>717,888</u>	
Fund balance, end of year	<u>\$ 1,567,697</u>	<u>\$ 2,715,872</u>	

General Fund - Budgetary Highlights

The City's budget is prepared in accordance with New York State law and is based upon the modified accrual basis of accounting. The most significant budgeted fund is the General Fund.

For 2015, the City appropriated \$1,054,326 of its 2014 fund balance. During 2015, actual general fund revenues and other sources totaled \$34,705,255 compared to a final revenue and other sources budget of \$34,094,563, a favorable variance of \$610,692. During 2015, actual general fund expenditures totaled \$35,672,711 compared to a final expenditure budget of \$35,148,889, an unfavorable variance of \$523,822. As a result, the City's fund balance as of December 31, 2015 was \$86,870 higher than budgeted.

The 2015 General Fund final expenditure budget totaled \$35,148,889 compared to a 2014 final expenditure budget of \$34,230,549. The 2015 final expenditure budget included a net supplementary increase of \$150,194 from the original approved budget. The net supplementary increase is detailed in Note 10 to the basic financial statements. Other appropriations required changes in functional categories due to spending patterns.

A detailed budgetary comparison to actual is provided in on page 53.

THE CITY'S GOVERNMENTAL FUNDS (Cont'd)

Capital Projects Fund

The change in the City's Capital Projects fund balance for the years ended December 31, 2015 and 2014 follows:

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
<i>Revenues and Other Sources:</i>			
Proceeds from issuance of debt	\$ 4,820,000	\$ 1,000,000	\$ 3,820,000
General fund appropriations	1,006,444	1,006,096	348
Sale of property	175,272	71,645	103,627
Other revenue	16,673	22,729	(6,056)
Total revenues	<u>6,018,389</u>	<u>2,100,470</u>	<u>3,917,919</u>
<i>Expenditures and Other Uses:</i>			
Capital outlays	2,297,970	1,749,181	548,789
Debt service - principal	1,820,000	1,000,000	820,000
Interfund transfer to General Fund	3,000	3,000	-
Total expenditures	<u>4,120,970</u>	<u>2,752,181</u>	<u>1,368,789</u>
Excess (Deficiency) for the year	1,897,419	(651,711)	<u>2,549,130</u>
Fund balance, beginning of year	<u>736,478</u>	<u>1,388,189</u>	
Fund balance, end of year	<u>\$ 2,633,897</u>	<u>\$ 736,478</u>	

The Capital Projects Fund included capital outlay expenditures of \$2,297,970 for the year ended December 31, 2015 and \$1,749,181 for the year ended December 31, 2014. Capital outlay expenditures were comprised of the following:

	<u>2015</u>	<u>2014</u>
Street resurfacing, construction, curb, gutter, sidewalks	\$ 900,781	\$ 867,461
Equipment and vehicles	982,079	324,237
Storm Sewers and Sidewalks	100,000	100,000
Building improvements	182,351	332,808
Other expenditures not capitalized	132,759	124,675
	<u>\$ 2,297,970</u>	<u>\$ 1,749,181</u>

Special Revenue Fund

The Special Revenue Fund of the City is comprised of Department of Development operations, Risk Retention activity, and Federal and State Grant revenue and expenditures.

The change in the City's Special Revenue fund balance for the years ended December 31, 2015 and 2014 follows:

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
<i>Revenues and Other Sources:</i>			
Departmental income	\$ 379,711	\$ 397,269	\$ (17,558)
Use of money and property	23,050	33,498	(10,448)
Interfund revenues	388,000	394,000	(6,000)
Federal aid	1,589,981	1,666,834	(76,853)
State aid	128,327	519,538	(391,211)
Other revenue	1,519,331	567,053	952,278
Total revenues	<u>4,028,400</u>	<u>3,578,192</u>	<u>450,208</u>

Special Revenue Fund (Cont'd)

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
<i>Expenditures and Other Uses:</i>			
General government support	\$ 915,905	\$ 1,034,672	\$ (118,767)
Public safety	349,991	330,709	19,282
Home and community services and economic development	2,479,286	1,900,620	578,666
Capital outlays	409,826	530,182	(120,356)
Interfund transfer	<u>95,557</u>	<u>-</u>	<u>95,557</u>
	<u>4,250,565</u>	<u>3,796,183</u>	<u>454,382</u>
Deficiency for the year	(222,165)	(217,991)	<u>(4,174)</u>
Fund balance, beginning of year	<u>4,712,608</u>	<u>4,930,599</u>	
Fund balance, end of year	<u>\$ 4,490,443</u>	<u>\$ 4,712,608</u>	

FACTORS EXPECTED TO HAVE AN EFFECT ON FUTURE OPERATIONS

Other Post Employment Benefits (OPEB)

The City provides post-employment benefit options for health care and dental insurance to eligible employees. The City of Jamestown, New York complies with the provisions of Governmental Accounting Standards Board (GASB) Statement 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions*. As of December 31, 2015, the net OPEB obligation which is unfunded totaled \$20,476,136 for governmental activities and \$9,951,235 for business-type activities.

Self-Insured Health and Dental Plan

The City maintains a self-insured health and dental care plan for its employees and retirees. The plan is administered by a third party administrator. As health care costs continue to rise, the City has made it a priority during contract negotiations with its various labor units, to negotiate increased employee and retiree contributions, co-pays and deductibles, and implementation of an employee wellness program.

Employee Retirement Systems

During recent years, all municipalities in the State of New York, including the City of Jamestown, New York, have experienced a significant increase in the cost of retirement benefits paid on behalf of employees participating in the NYS and Local Employees Retirement System and the NYS and Local Police and Fire Retirement System. For the year ended December 31, 2015 the City contributed 17.7% of eligible wages to the NYS and Local Employees Retirement System and 23.9% of eligible wages to the NYS and Local Police and Fire Retirement System. The New York State Comptroller has projected future contribution rates for 2016 as follows: NYS and Local Employees Retirement System 14.42% and NYS and Local Police and Fire Retirement System 22.8%.

Labor Negotiations

The City of Jamestown, New York maintains labor contracts with various collective bargaining units. The results of future labor contracts could have a significant impact on future operating budgets.

Constitutional Tax Limit

For 2015, the City was at 94.15% of its Constitutional Tax Limit, compared to 91.25% for 2014, and 93.38% for 2013. Over the next several years, the City is anticipating a modest increase in its taxable assessment base resulting from a number of economic development activities.

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 any questions about this report, contact the Office of Comptroller at the City Hall, 200 East Third, Jamestown, New York, 14701, phone (716) 483-7538.

CITY OF JAMESTOWN, NEW YORK
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	PRIMARY GOVERNMENT		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash and cash equivalents	\$ 7,895,233	\$ 10,028,816	\$ 17,924,049
Cash collateral - derivative	-	1,131,049	1,131,049
Restricted cash and cash equivalents	-	19,667	19,667
Total cash and cash equivalents	<u>7,895,233</u>	<u>11,179,532</u>	<u>19,074,765</u>
Investments	-	8,920,670	8,920,670
Investments - restricted	-	12,403,402	12,403,402
Receivables:			
State, federal, and local governments	2,487,302	-	2,487,302
School taxes	1,158,203	-	1,158,203
Accounts and other, net of allowance	204,060	5,632,848	5,836,908
Loans, net of allowance	479,160	544,259	1,023,419
Interest	-	6,350	6,350
Prepaid pension expense	769,269	348,513	1,117,782
Prepaid expenses and deposits	26,021	13,796	24,817
Bond issuance costs, net	209,567	-	209,567
Property acquired for taxes and held for sale	22,552	-	22,552
Inventories	53,193	878,067	931,260
Other current and accrued assets	-	1,102,176	1,102,176
Charges for future benefits	-	1,178,568	1,178,568
Non-utility property	-	325,602	325,602
Capital assets:			
Land and construction in progress	2,146,533	9,846,713	11,993,246
Other capital assets, net of depreciation	<u>38,873,723</u>	<u>115,626,584</u>	<u>154,500,307</u>
Total assets	<u>54,324,816</u>	<u>168,007,080</u>	<u>222,331,896</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows - ERS	225,506	236,510	462,016
Deferred pension outflows - PFRS	342,291	-	342,291
Deferred pension outflows-contributions subsequent to measurement date - ERS	849,252	1,045,501	1,894,753
Deferred pension outflows-contributions subsequent to measurement date - PFRS	<u>1,562,019</u>	<u>-</u>	<u>1,562,019</u>
Total deferred outflows of resources	<u>2,979,068</u>	<u>1,282,011</u>	<u>4,261,079</u>
LIABILITIES			
Accounts payable and accrued liabilities	1,663,716	4,128,627	5,356,823
Due to other governments	1,905,102	-	1,905,102
Consumer deposits	-	811,651	811,651
Deferred revenue - other	18,196	-	18,196
Non current liabilities:			
Due within one year	1,665,477	2,749,538	4,415,015
Due in more than one year	18,569,472	11,967,819	30,537,291
Other noncurrent liabilities:			
Net OPEB obligation	20,476,136	9,951,235	30,427,371
Bond premium, net	3,910	-	3,910
Economic development	-	415,808	415,808
Net pension liability - ERS	938,202	1,149,796	2,087,998
Net pension liability - PFRS	<u>750,101</u>	<u>-</u>	<u>750,101</u>
Total liabilities	<u>45,990,312</u>	<u>31,174,474</u>	<u>77,164,786</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension inflows - ERS	91,761	119,998	211,759
Deferred pension inflows - PFRS	<u>98,341</u>	<u>-</u>	<u>98,341</u>
Total deferred inflows of resources	<u>190,102</u>	<u>119,998</u>	<u>310,100</u>
NET POSITION			
Net investment in capital assets	23,609,872	110,632,306	134,242,178
Restricted for:			
Economic development	5,302,476	-	5,302,476
Capital expenditures	2,633,897	-	2,633,897
Plant dismantling	-	9,477,640	9,477,640
Overhaul	-	2,509,954	2,509,954
Energy conservation	-	69,069	69,069
Unrestricted	<u>(20,422,775)</u>	<u>15,305,650</u>	<u>(5,117,125)</u>
Total net position	<u>\$ 11,123,470</u>	<u>\$137,994,619</u>	<u>\$149,118,089</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF JAMESTOWN, NEW YORK
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015**

Functions	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Primary Government:	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
Governmental activities:						
General government support	\$ 5,147,712	\$ 794,343	\$ 311,335	\$ (4,042,034)	\$ -	\$ (4,042,034)
Public safety	11,549,117	603,583	264,207	(10,543,327)	-	(10,543,327)
Public improvements and projects	332,959	-	138,000	(332,959)	-	(332,959)
Streets	4,001,132	63,367	1,463,959	(2,473,806)	-	(2,473,806)
Culture and recreation	2,042,181	-	-	(2,042,181)	-	(2,042,181)
Home and community service/development	3,780,659	379,711	2,881,351	(519,597)	-	(519,597)
Employee benefits	12,629,898	-	-	(12,629,898)	-	(12,629,898)
Debt service	566,045	-	-	(566,045)	-	(566,045)
Total Governmental activities	<u>40,049,703</u>	<u>1,841,004</u>	<u>1,601,959</u>	<u>(33,149,847)</u>	<u>-</u>	<u>(33,149,847)</u>
Business-type activities:						
Board of Public Utilities	51,938,047	55,896,620	-	-	3,958,573	3,958,573
Total Business-type activities	<u>51,938,047</u>	<u>55,896,620</u>	<u>-</u>	<u>-</u>	<u>3,958,573</u>	<u>3,958,573</u>
Total Primary Government	<u>\$ 91,987,750</u>	<u>\$ 7,737,624</u>	<u>\$ 1,601,959</u>	<u>(33,149,847)</u>	<u>3,958,573</u>	<u>(29,191,274)</u>
General Revenues:						
Property taxes for general purposes				\$ 15,079,118	-	\$ 15,079,118
Sales taxes for general purposes				5,957,558	-	5,957,558
State aid not restricted to specific purpose				4,999,634	-	4,999,634
City's Board of Public Utilities:						
Payment in lieu of taxes				3,810,177	-	3,810,177
Contribution				482,000	-	482,000
Franchise fees and Utilities gross receipts				474,577	-	474,577
Other tax items				311,447	-	311,447
Other unclassified revenue				231,245	-	231,245
Refund of prior year expenditures				120,098	-	120,098
Investment earnings				39,053	73,942	112,995
Total general revenues				<u>31,504,907</u>	<u>73,942</u>	<u>31,578,849</u>
Change in net position				(1,644,940)	4,032,515	2,387,575
Net position, beginning of year, as previously stated				11,751,929	134,327,068	146,078,997
Restatement of Net Position - GASB No. 68 and 71				298,593	(364,964)	(66,371)
Restatement of Net Position - Change in Accounting Method				717,888	-	717,888
Net position, end of year				<u>\$ 11,123,470</u>	<u>\$ 137,994,619</u>	<u>\$ 149,118,089</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF JAMESTOWN, NEW YORK
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2015**

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
ASSETS:					
Cash and cash equivalents	\$ 1,088,444				\$ 7,895,233
Amounts held in custody - health care deposit	15,000		\$ 4,264,180	-	15,000
Receivables:					
State, Federal, and Local Governments	2,412,097		75,205		2,487,302
School taxes	1,158,203				1,158,203
Other	186,035		18,025		204,060
Loans, net of allowance of \$769,043 for loan loss	-		479,160		479,160
Prepaid expenses:					
Retirement plans - ERS and PFRS	769,269				769,269
Insurance	11,021				11,021
Property acquired for taxes and held for sale, net	3,909		18,643		22,552
Due from other funds	-	259,893	475,762		735,655
Inventories	53,193				53,193
Total assets	<u>5,697,171</u>	<u>2,802,502</u>	<u>5,330,975</u>		<u>13,830,648</u>
LIABILITIES:					
Payables:					
Accounts	362,199				525,893
School district	1,905,102	161,195	2,499		1,905,102
Other	24,046	7,410	26,000		57,456
Accrued liabilities	644,847				644,847
Accrued health care claims	435,520				435,520
Due to other funds	735,655				735,655
Deferred revenue:					
Federal grants	-		68,542		68,542
Restricted grants	-		592,021		592,021
Property taxes	3,909				3,909
Other	18,196		151,470		169,666
Total liabilities	<u>4,129,474</u>	<u>168,605</u>	<u>840,532</u>		<u>5,138,611</u>
FUND BALANCES:					
Non spendable	837,392				837,392
Restricted:					
Capital expenditures	-	2,633,897			2,633,897
Economic development	-		4,490,443		4,490,443
Assigned	409,753				409,753
Unassigned	320,552				335,552
Total fund balances	<u>\$ 1,567,697</u>	<u>\$ 2,633,897</u>	<u>\$ 4,490,443</u>		<u>\$ 8,692,037</u>

The accompanying notes are an integral part of these financial statements.

CITY OF JAMESTOWN, NEW YORK

**Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position**

YEAR ENDED DECEMBER 31, 2015

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance - governmental funds		\$ 8,692,037
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of these assets is \$80,816,160 and the accumulated depreciation is \$39,795,904.		41,020,256
Bond issuance costs are not financial resources and, therefore, are not reported in the funds. Bond issuance costs totaled \$320,541 and the accumulated amortization is \$110,974.		209,567
Long term liabilities, including general obligation bonds, bond anticipation note, equipment notes payable, retirement system notes payable, capital lease obligations and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		(20,234,949)
The Net OPEB Obligation is not due and payable in the current period and therefore is not reported in the funds.		(20,476,136)
Bond premium received were recognized by the funds when received. The government-wide financial statements recognize the bond premium as a liability and the revenue is recognized over the life of the bond. Bond premium received totaled \$24,163 and the accumulated accretion is \$20,253.		(3,910)
Grants and other receipts restricted for a specific purpose are deferred in the governmental funds until the restriction is met. The government-wide financial statements recognize restricted grants and other receipts restricted for a specific purpose when received.		812,033
Property tax revenue is recognized in the period for which levied rather than when available. The governmental funds defer that amount which is not currently available.		3,909
Governmental funds do not recognize deferred outflows of resources including deferred pension outflows and plan contributions subsequent to the measurement date for ERS and PFRS. Governmental funds do not recognize deferred inflows or resources including deferred pension inflows for ERS and PFRS. Governmental funds do not recognize the net pension liability for ERS and PFRS.		
<i>Deferred Outflows of Resources:</i>		
Deferred pension outflows - ERS and PFRS	567,797	
Contributions subsequent to measurement date - ERS and PFRS	2,411,271	
<i>Deferred Outflows of Resources:</i>		
Deferred pension inflows - ERS and PFRS	(190,102)	
<i>Net Pension Liability - ERS and PFRS</i>	<u>(1,688,303)</u>	<u>1,100,663</u>
Total net position - governmental activities		<u>\$11,123,470</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF JAMESTOWN, NEW YORK
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2015**

	General	Capital Projects	Special Revenue	Debt Service	Total Governmental Funds
Revenues:					
Real property taxes	\$15,079,118	-	-	-	\$15,079,118
Real property tax items	311,447	-	-	-	311,447
Non-property tax items	6,509,211	-	-	-	6,509,211
Departmental income	879,945	-	379,711	-	1,259,656
Intergovernmental charges	225,062	-	-	-	225,062
Use of money and property	2,431	-	23,050	3,713	29,194
Licenses and permits	188,985	-	-	-	188,985
Fines and forfeitures	90,225	-	-	-	90,225
Sale of property/compensation for loss	-	175,272	-	-	175,272
Other unclassified revenue	76,309	16,673	1,519,331	-	1,612,313
Board of Public Utilities:					
Payment in lieu of taxes	3,810,177	-	-	-	3,810,177
Contribution	482,000	-	-	-	482,000
Refund of prior year expenditures	120,098	-	-	-	120,098
State aid	6,805,284	-	128,327	-	6,933,611
Federal aid	26,406	-	1,589,981	-	1,616,387
Interfund revenues	-	1,006,444	388,000	-	1,394,444
Total revenues	<u>34,606,698</u>	<u>1,198,389</u>	<u>4,028,400</u>	<u>3,713</u>	<u>39,837,200</u>
Expenditures:					
General government support	3,691,292	-	915,905	-	4,607,197
Public safety	10,884,513	-	349,991	-	11,234,504
Streets	3,917,099	-	-	-	3,917,099
Culture and recreation	1,988,587	-	-	-	1,988,587
Home and community and economic development	800,773	-	2,479,286	20	3,280,079
Capital outlays	1,006,444	2,297,970	409,826	-	3,714,240
Employee benefits	10,974,760	-	-	-	10,974,760
Debt service - principal	2,091,309	1,820,000	-	5,411,115	9,322,424
Debt service - interest	498,653	-	-	28,485	527,138
Total expenditures	<u>35,853,430</u>	<u>4,117,970</u>	<u>4,155,008</u>	<u>5,439,620</u>	<u>49,566,028</u>
Excess (deficiency) revenues over expenditures	<u>(1,246,732)</u>	<u>(2,919,581)</u>	<u>(126,608)</u>	<u>(5,435,907)</u>	<u>(9,728,828)</u>
Other Sources (Uses):					
Proceeds from issuance of bonds	-	4,820,000	-	-	4,820,000
Interfund transfers	98,557	(3,000)	(95,557)	-	-
Total other sources	<u>98,557</u>	<u>4,817,000</u>	<u>(95,557)</u>	<u>-</u>	<u>4,820,000</u>
Net change in fund balances	<u>(1,148,175)</u>	<u>1,897,419</u>	<u>(222,165)</u>	<u>(5,435,907)</u>	<u>(4,908,828)</u>
Fund balances, beginning of year	<u>1,997,984</u>	<u>736,478</u>	<u>4,712,608</u>	<u>5,435,907</u>	<u>12,882,977</u>
Restatement of net position	<u>717,888</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>717,888</u>
Fund balances, end of year	<u>\$ 1,567,697</u>	<u>\$ 2,633,897</u>	<u>\$ 4,490,443</u>	<u>\$ -</u>	<u>\$ 8,692,037</u>

The accompanying notes are an integral part to these financial statements.

CITY OF JAMESTOWN, NEW YORK

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities**

**Governmental Funds
YEAR ENDED DECEMBER 31, 2015**

Net change in fund balances - total governmental funds \$ (4,908,828)

Governmental funds report capital outlays 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 capital outlays of \$3,193,600 exceeded depreciation expense of \$2,700,098 in the current year. 493,502

Governmental funds report bond issuance costs as expenditures. However, in the statement of activities, bond issuance costs are allocated over the life of the issued bonds. This amount represents the amortization expense in the current year. (20,368)

Governmental funds report the premium on bonds issued as revenue. However, in the statement of activities, the bond premium is accreted over the life of the issued bonds. Premium accretion totaled \$881 in the current year. 881

Governmental funds do not recognize the increase in the Net OPEB Obligation because they are not due and payable in the current period. The government-wide financial statements recognize the net increase in the Net OPEB Obligation as an expense. (2,328,612)

Governmental funds do not recognize the net increase in the liability for compensated absences as an expenditure. The government-wide financial statements recognize the net increase in the liability for compensated absences as an expense. (113,296)

Governmental funds report bond and other debt proceeds as other financing sources while repayment of principal is reported as an expenditure. The net effect of these differences in the treatment of bond and other debt proceeds as well as the payment of principal is as follows:

Proceeds from issuance of debt:

General obligation bonds	(3,910,000)	
Bond anticipation note	<u>(910,000)</u>	(4,820,000)

Principal payments:

Bond anticipation notes	1,910,000	
General obligation bonds	990,000	
Notes payable - Board of Public Utilities	81,969	
Note payable - NYPA	259,093	
Notes payable - equipment	66,362	
Notes payable - NYS Police and Fire Retirement System	93,661	
Obligations under capital leases	<u>6,015,000</u>	9,416,085

Governmental funds defer grants and other receipts designated for a specific purpose until the restriction is met. The government-wide financial statements recognize grants and other receipts designated for specific purpose when received. (38,874)

Governmental funds did not recognize the prepaid portion of employer contributions of \$127,500 to the NYS Police and Fire Retirement System that were financed in 2014. The government-wide financial statements include the \$127,500 as expense during 2015. (127,500)

Governmental funds recognize retirement plan contributions when paid. The government-wide financial statements include the provisions of GASB No. 68. The net effect of these differences in the treatment of retirement plan expense follows:

NYS Employee Retirement System	372,744	
NYS Police and Fire Retirement System	<u>429,326</u>	<u>802,070</u>

Change in net position of governmental activities **\$ (1,644,940)**

The accompanying notes are an integral part to these financial statements.

**CITY OF JAMESTOWN, NEW YORK
 PROPRIETARY FUND
 STATEMENT OF NET POSITION
DECEMBER 31, 2015**

**Business-type Activities
 Enterprise Fund
Board of Public Utilities**

ASSETS:

Current assets:

Cash and cash equivalents	\$ 10,028,816
Cash and cash equivalents - restricted	19,667
Cash collateral - derivative	1,131,049
Investments	8,920,670
Receivables:	
Accounts, net of allowance of \$125,531	5,365,137
Affiliates	267,711
Inventories, at average cost	878,067
Prepaid pension expense	348,513
Interest receivable	6,350
Other current and accrued assets	<u>1,102,176</u>
Total current assets	<u>28,068,156</u>

Other assets:

Investments - restricted	12,403,402
Notes receivable from City of Jamestown, New York's General Fund	544,259
Non-utility property	325,602
Deposits and prepayments	<u>13,796</u>
Total other assets and investments	<u>13,287,059</u>

Property and equipment, less accumulated depreciation 125,473,297

Charges for future benefits 1,178,568

 Total Assets 168,007,080

DEFERRED OUTFLOWS OF RESOURCES:

Deferred pension outflows	236,510
Deferred pension outflows, contributions subsequent to the measurement date	<u>1,045,501</u>
Deferred Outflows of Resources	<u>1,282,011</u>

LIABILITIES:

Current liabilities:

Accounts payable and accrued liabilities	4,128,627
Consumer deposits	811,651
Current maturities of long-term debt	<u>2,749,538</u>
Total current liabilities	<u>7,689,816</u>

Non-current liabilities:

Long term debt, less current maturities	11,967,819
Accumulated post employment benefit obligation	9,951,235
Economic development	415,808
Net pension liability	<u>1,149,796</u>
Total non-current liabilities	<u>23,484,658</u>

 Total Liabilities 31,174,474

DEFERRED INFLOWS OF RESOURCES:

Deferred pension inflows	<u>119,998</u>
Deferred Inflows of Resources	<u>119,998</u>

NET POSITION

Net investment in capital assets	110,632,306
Restricted for:	
Plant dismantling	9,477,640
Overhaul	2,509,954
Energy conservation	69,069
Unrestricted	<u>15,305,650</u>
Total net position	<u>\$137,994,619</u>

The accompanying notes are an integral part to these financial statements.

CITY OF JAMESTOWN, NEW YORK
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2015

	Business-type Activities Enterprise Fund <u>Board of Public Utilities</u>
Operating Revenues	<u>\$ 55,896,620</u>
Operating Expenses:	
Operations	28,207,799
Administrative and general	7,113,294
Depreciation and amortization	7,067,618
Payments in lieu of taxes to primary government	3,810,177
Taxes	2,546,805
Consumer accounts	1,144,338
Repairs and maintenance	<u>575,900</u>
Total Operating Expenses	<u>50,465,931</u>
Operating Income	<u>5,430,689</u>
Non-operating Expense (Revenue):	
Interest expense	681,166
Contribution to City of Jamestown, NY's General Fund	482,000
Issuance costs on long-term debt	109,221
Loss on disposal of land	52,498
Change in fair value of investments	147,231
Interest income	<u>(73,942)</u>
Total Non-operating Expense, net	<u>1,398,174</u>
Change in net position	4,032,515
Net position, beginning of year	134,327,068
Restatement of net position	<u>(364,964)</u>
Net position, beginning of year, as restated	<u>133,962,104</u>
Net position, end of year	<u>\$137,994,619</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF JAMESTOWN, NEW YORK
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS**

YEAR ENDED DECEMBER 31, 2015

	Business-type Activities Enterprise Fund <u>Board of Public Utilities</u>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 56,612,192
Cash paid to suppliers and employees	(39,004,895)
Cash paid for taxes and payments in lieu of taxes	<u>(6,356,663)</u>
Net cash provided by operating activities	<u>11,250,634</u>
Cash Flows from Noncapital Financing Activities:	
Loan principal payments received from City of Jamestown, NY	<u>81,969</u>
Net cash provided by noncapital financing activities	<u>81,969</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(10,000,951)
Principal payments on long-term debt	(5,590,000)
Interest paid on long-term debt	(727,150)
Issuance costs paid on debt refunding	(112,708)
Proceeds from current debt refunding	2,855,000
Premium of debt refunding	<u>45,382</u>
Net cash used in capital and related financing activities	<u>(13,530,427)</u>
Cash Flows from Investing Activities:	
Proceeds from sale of investments	8,012,641
Change in restricted cash	13,241,938
Interest income	71,116
Purchase of investments	(14,254,954)
Change in cash collateral - derivative	<u>(321,483)</u>
Net cash provided by investing activities	<u>6,749,258</u>
Net increase in cash and cash equivalents	4,551,434
Cash and cash equivalents, beginning of year	<u>5,477,382</u>
Cash and cash equivalents, end of year	<u>\$ 10,028,816</u>
Reconciliation of change in net position to net cash provided by operating activities:	
Operating income	\$ 5,430,689
<i>Adjustments to reconcile operating income to net cash provided by operating activities:</i>	
Depreciation and amortization	7,067,618
Pension expense	904,830
Provision for losses on accounts receivable	(3,767)
<i>Change in operating assets and liabilities:</i>	
Accounts receivable	639,264
Inventories	725,807
Prepaid pension	(348,513)
Charges for future benefits	(183,131)
Deferred outflows	(1,282,011)
Other current and accrued assets	(283,113)
Accounts payable and accrued liabilities	(1,657,937)
Accumulated post employment benefit obligation	199,775
Consumer deposits	35,757
Economic development	(76,603)
Decrease in amount due from primary government	<u>81,969</u>
Net cash provided by operating activities	<u>\$ 11,250,634</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF JAMESTOWN, NEW YORK
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION**

DECEMBER 31, 2015

	<u>Agency Funds</u>	<u>Recreation Department Trust Funds</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 30,359	\$ 16,564	\$ 46,923
Total assets	<u>30,359</u>	<u>16,564</u>	<u>46,923</u>
Liabilities			
Other liabilities	689	-	689
Amounts held in custody for others	<u>29,670</u>	<u>-</u>	<u>29,670</u>
Total liabilities	<u>30,359</u>	<u>-</u>	<u>30,359</u>
Net Position			
Net position held in trust	<u>-</u>	<u>16,564</u>	<u>16,564</u>
Total net position	<u>\$ -</u>	<u>\$ 16,564</u>	<u>\$ 16,564</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF JAMESTOWN, NEW YORK
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

YEAR ENDED DECEMBER 31, 2015

	<u>Recreation Department Trust Funds</u>
Additions:	
Special event revenue and entry fees	\$ 20,153
Total additions	<u>20,153</u>
Deductions:	
Culture and recreation	<u>19,268</u>
Total deductions	<u>19,268</u>
Change in net position	885
Net position:	
Beginning of Year	<u>15,679</u>
End of Year	<u>\$ 16,564</u>

The accompanying notes are an integral part of the financial statements.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Jamestown, New York have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

A. Reporting Entity

The City of Jamestown, New York, which was established in 1886, is governed by City Law and other general laws of the State of New York and various local laws. The City Council is the legislative body responsible for overall operations and the Mayor serves as chief fiscal officer. The City is located in the County of Chautauqua, New York.

The City provides the following basic services: general government support, police and fire protection, safety inspection, highway maintenance, recreation programs, water service, street lighting, garbage collection, electric and district heating services.

The decision to include a potential component unit in the City's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities included in the City's reporting entity:

Board of Public Utilities

The Board of Public Utilities was established under Section 50 of the Jamestown City Charter to supply the Jamestown area, as well as other municipalities, with electricity, water, sewer, sanitation and district heating services. Under Section 55 B. of the Jamestown City Charter, it is the City Council's responsibility to provide for any deficiency in sinking fund requirements for all bonds outstanding. Under Section 57 of the Jamestown City Charter, the City Council is responsible for financial matters. Thus, the Board of Public Utilities is included in the reporting entity as a business-type activity.

Department of Development

The Department of Development was established to coordinate and carry out the directives and policies of planning, urban renewal, housing, improvement of the central business district and industrial development within the geographic boundaries of the City. The majority of the Board is comprised of City Council members, the Mayor and the Director of Finance. Financial activity for the Department of Development is included in the Special Revenue Fund in the accompanying basic financial statements.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expense of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or identifiable activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement and post-employment health care benefits, are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenues when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Cont'd)

The City reports the following major governmental funds:

- The *general fund* is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in other funds.
- The *capital projects fund* accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction and improvements to facilities, and procurement of equipment.
- The *special revenue fund* accounts for the proceeds of specific revenue sources such as Federal and State grants, that are legally restricted to expenditure for specified purposes.
- The *debt service fund* accounts for the proceeds of the Public Improvement Bonds issued in 2013, capital lease payments for parking ramps, debt issuance costs, and original issue discount.

The City reports the following major proprietary fund:

- The *Board of Public Utilities* is used to account for the operations of the Municipal Electric System, Municipal Water System, Municipal Waste Water System, Solid Waste Division, and District Heating Division.

Additionally, the City reports the following fund type:

- Fiduciary funds include *agency funds* and *expendable trust funds* which are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governments.

Private-sector standards of accounting and financial reporting generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's ongoing operations. The principal operating revenues of the Board of Public Utilities are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Cont'd)

Governmental Fund Financial Statements

The City utilizes the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Statement No. 54 defines terminology and classification of fund balance to reflect spending constraints on resources, rather than the 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: non spendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the City is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

Non spendable - Consists of assets inherently non spendable 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, and financial assets held for resale.

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. The City's legally adopted reserves are reported here.

Committed - Consists of amounts subject to a purpose constraint imposed by formal action of the City's highest level of decision making authority prior to the end of the fiscal year, which requires the same level of formal action to remove the said constraint.

Assigned - Consists of amounts subject to a purpose constraint representing an intended use established by the City'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 of fund balance.

Unassigned - Represents the residual classification of the City'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 over spending 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 non spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and then unassigned fund balance.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Assets, Liabilities and Net Position

Cash and Investments

The City pools cash resources of its various funds in order to facilitate the management of cash. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

New York State statutes govern the City's investment policies. City monies must be deposited in FDIC-insured commercial banks or trust companies located within New York State. The Director of Finance is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposits at 102% of all deposits not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of New York State and its municipalities and school districts.

Due to and Due from Other Funds

Interfund receivable and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Real Property Taxes

The City's real property taxes are levied annually on January 1, and are due January 31. In addition, the City collects real property taxes on behalf of the County of Chautauqua, New York, and school taxes on behalf of the Jamestown City School District. The City maintains a real property tax collection and enforcement agreement with the County of Chautauqua, New York. Pursuant to the terms of the agreement, on or about April 1 of each year, all City, County and School District taxes which remain unpaid are submitted to the County of Chautauqua, New York for collection and enforcement.

On April 1 of each year, the City is required to remit to the County all taxes collected by the City on behalf of the County minus any deficiency in the collection of City taxes up to 100% of the City's tax levy. The real property tax collection and enforcement agreement with the County of Chautauqua, New York guarantees the City 100% of its tax levy.

Real property taxes and similar items collected within 60 days following December 31 are recognized as revenue. Deferred revenues include real property taxes and similar items not collected within this period.

Inventories and Prepaid Items

Inventories are valued at cost which approximates market, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when used (consumption method). Certain payments for insurance and retirement reflect costs applicable to future accounting periods and are recorded as prepaid items.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Assets, Liabilities and Net Position (Cont'd)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Maintenance equipment	15
Land improvements	20
Infrastructure:	
Streets	20-40
Sidewalks	20-40
Storm sewers	50
Machinery and equipment:	
Furniture and furniture	10
Heavy equipment	15
Vehicles	5
Computers	5

Compensated Absences

Full time, permanent employees are granted vacation and sick leave in varying amounts based on length of service. Employees must use earned vacation time within twelve months from the date that vacation time is credited to their account (employee anniversary date). Sick leave is accumulated at the rate of one day per month of employment. Unused sick leave is accumulated by active employees. Unused accumulated sick leave is paid to employees who retire with ten or more years of continuous service, to a maximum of 200 days.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Assets, Liabilities and Net Position (Cont'd)

Compensated Absences (Cont'd)

Vested or accumulated general leave that is expected to be liquidated with expendable available resources is reported as an expenditure and fund liability of the governmental fund that will pay it. Amounts of vested or accumulated general leave that are not expected to be liquidated with expendable available financial resources are maintained separately and represents a reconciling item between the fund and government-wide presentations. The government-wide financial statements include a liability for compensated absences for employees who have attained age 55 and are participants in the NYS Employees Retirement System and employees with twenty years of service who are participants in the NYS Police and Fire Retirement System.

Vested or accumulated general leave attributable to employees of the proprietary fund's Board of Public Utilities is recorded as an expense and liability of that fund as the benefits accrue to employees.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or the proprietary fund statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

E. Post-employment Benefits

In addition to providing pension benefits, the City provides health and dental insurance coverage and survivor benefits for retired employees and their survivors. Retired employees and survivors are eligible for continued participation in the same health and dental insurance plans of the City as provided for active employees, provided that such retirees continue to pay to the City an amount equal to amounts paid towards health and dental insurance premiums as active employees are required to pay to participate in said health and dental insurance. Upon the death of an eligible retired employee, the spouse of such employee may continue to participate in the aforementioned health and dental insurance plans provided such spouse continues to pay the portion of premiums required to be paid by an active employee. The City recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid.

F. New Accounting Pronouncement

During the year ended December 31, 2015, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*; Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*; and Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

F. New Accounting Pronouncement (Cont'd)

The primary objective of Statement No. 68 and No. 71 is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local employers about financial support for pensions that is provided by other entities. These Statements result from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter period equity, and creating additional transparency.

The GASB has issued the following new statements:

- Statement No. 72, *Fair Value Measurements and Application*, which will be effective for the year ending December 31, 2017; and
- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which will be effective for the year ending December 31, 2019.

G. Insurance

The City purchases insurance covering liability for most risks including, but not limited to, property damage, general liability, vehicle liability, workers' compensation and excess liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred, the amount of loss can be reasonably estimated and the estimated amount of loss exceeds insurance coverage.

In addition, the City acts as a self-insurer for health and dental insurance. The City maintained stop/loss insurance for claims which exceed the individual specific deductible of \$175,000. It is the City's policy to estimate the cost of claims outstanding at year end and record this amount as a liability.

H. Date of Management's Review

Management has evaluated events and transactions for potential recognition or disclosure in the financial statements through September 20, 2016, which is the date the financial statements were available to be issued.

I. Budgets and Budgetary Accounting

Budget Policies

No later than September 30, the City Comptroller submits a tentative budget to the City for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing for all funds. After public hearings are conducted to obtain taxpayer comments, no later than December 1st, the City Council adopts the budget. All modifications of the budget must be approved by the City Council.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

I. Budgets and Budgetary Accounting (Cont'd)

Budgetary Control

The appropriated budget for each fund is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, other services and charges, supplies, capital outlay, transfers, debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. All budget revisions at this level are subject to final review by the City Council. Within these control levels, management may transfer appropriations without Council approval. Revisions to the budget were made throughout the year.

Budget Basis of Accounting

Budgets are adopted annually on a basis consistent with generally accepted accounting principles. Budgetary control over individual capital projects is provided by City Council approval of bond authorizations and provisions of bond indebtedness.

NOTE 2 - CASH AND CASH EQUIVALENTS

Deposits and Investments

Deposits and investments are valued at cost and are categorized as either (1) insured or collateralized with securities held by the City or its agent in the City's name, (2) collateralized with securities held by the pledging financial institution's trust department or agency in the City's name; or (3) uncollateralized; this includes any bank balance that is collateralized with securities held by the pledging financial institution, its trust department, or agent but not in the City's name. Deposits and investments at year end were entirely covered by Federal Depository Insurance and collateralized with securities held by the pledging financial institutions's trust department in City's name.

Carrying amounts of deposits (including restricted cash)	\$ 19,121,688
Less Fiduciary Funds cash and equivalents	<u>(46,923)</u>
Total cash and equivalents - Government-wide Statement of Net Position	<u>\$ 19,074,765</u>
Governmental activities	\$ 7,895,233
Business-type activities	<u>11,179,532</u>
	<u>\$ 19,074,765</u>

The City's financial institution (bank) balances at December 31, 2015 were fully FDIC insured and/or collateralized.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - CONSTITUTIONAL TAX MARGIN AND LIMIT

Constitutional Tax Margin

The City's constitutional tax margin for the year ended December 31, 2015 was computed as follows:

Five-year Average Full Valuation of Taxable Real Estate (2010-2014)	<u>\$670,384,620</u>
<u>Constitutional Tax limit</u>	
2% of Five-year Average Full Valuation of Taxable Real Estate	<u>\$ 13,407,692</u>
<u>2015 Tax Levy less Statutory Exclusions</u>	
Total tax levy for 2015	<u>\$ 15,079,560</u>
<i>Statutory Exclusions from Constitutional Tax Limit:</i>	
Debt service for General Obligation Bonds	(1,460,390)
Debt service for Bond Anticipation Note	(99,300)
Budgetary appropriations for capital expenditures	<u>(896,000)</u>
Total statutory exclusions	<u>(2,455,690)</u>
Tax levy subject to constitutional tax limit	<u>\$ 12,623,870</u>
Constitutional tax margin	<u>\$ 783,822</u>

Constitutional Tax Limit

For 2015, the City's tax levy (subject to the constitutional tax limit) totaled \$12,623,870 which was 94.15% of its constitutional tax limit of \$13,407,692.

Property Tax Cap

On June 24, 2011, the property tax cap was signed into law (see Chapter 97 of the NYS Laws of 2011). The tax cap law establishes a limit on the annual growth of property taxes levied by local governments to two percent or the rate of inflation, whichever is less. There are limited, narrow exclusions to the tax cap, including significant judgements arising out of tort actions and unusually large year-to-year increases in pension contribution rates. The tax cap applied to fiscal years beginning in 2012. The City's property tax cap for 2015 was \$15,116,248.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 follows:

Governmental Activities

	<u>Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,207,755	\$ -	\$ -	\$ 1,207,755
Construction in progress	<u>541,126</u>	<u>397,652</u>	<u>-</u>	<u>938,778</u>
<i>Total capital assets not being depreciated</i>	<u>1,748,881</u>	<u>397,652</u>	<u>-</u>	<u>2,146,533</u>
<i>Capital assets being depreciated:</i>				
Infrastructure	30,729,726	1,459,477	-	32,189,203
Buildings and structures	26,295,422	182,351	-	26,477,773
Equipment	16,187,644	1,042,906	-	17,230,550
Vehicles	<u>2,685,571</u>	<u>148,799</u>	<u>(62,269)</u>	<u>2,772,101</u>
<i>Total capital assets being depreciated</i>	<u>75,898,363</u>	<u>2,833,533</u>	<u>(62,269)</u>	<u>78,669,627</u>
<i>Less accumulated depreciation:</i>				
Infrastructure	11,849,716	995,842	-	12,845,558
Buildings and structures	12,317,652	608,032	-	12,925,684
Equipment	10,762,539	920,134	-	11,682,673
Vehicles	<u>2,190,583</u>	<u>176,090</u>	<u>(24,684)</u>	<u>2,341,989</u>
<i>Total accumulated depreciation</i>	<u>37,120,490</u>	<u>2,700,098</u>	<u>(24,684)</u>	<u>39,795,904</u>
<i>Total capital assets being depreciated, net</i>	<u>38,777,873</u>	<u>133,435</u>	<u>(37,585)</u>	<u>38,873,723</u>
Governmental activities capital assets, net	<u>\$40,526,754</u>	<u>\$ 531,087</u>	<u>\$ (37,585)</u>	<u>\$41,020,256</u>

Depreciation Expense

Capital assets are stated at cost. Depreciation expense is calculated utilizing the straight-line method.

Depreciation expense for the year ended December 31, 2015 is summarized as follows:

Governmental activities:

General support	\$ 540,515
Public safety	314,613
Streets	702,596
Culture and recreation	53,594
Home and Community	<u>1,088,780</u>
Total depreciation expense	<u>\$ 2,700,098</u>

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS (Cont'd)

Business-type activities

	<u>Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,952,799	\$ 3,776	\$ (52,498)	\$ 1,904,077
Construction in progress	<u>2,612,715</u>	<u>5,486,314</u>	<u>(156,393)</u>	<u>7,942,636</u>
<i>Total capital assets not being depreciated</i>	<u>4,565,514</u>	<u>5,490,090</u>	<u>(208,891)</u>	<u>9,846,713</u>
<i>Capital assets being depreciated:</i>				
Electric Division	155,479,739	2,411,318	(1,810,165)	156,080,892
Waste Water Division	42,369,023	1,172,700	-	43,541,723
Water Division	37,659,879	1,233,353	(41,341)	38,851,891
Solid Waste Division	2,938,038	214,000	(151,193)	3,000,845
District Heat Division	<u>11,497,085</u>	<u>56,994</u>	<u>-</u>	<u>11,554,079</u>
<i>Total capital assets being depreciated</i>	<u>249,943,764</u>	<u>5,088,365</u>	<u>(2,002,699)</u>	<u>253,029,430</u>
<i>Less accumulated depreciation:</i>				
Electric Division	79,084,182	5,458,869	(1,810,165)	82,732,886
Waste Water Division	28,123,870	714,145	-	28,838,015
Water Division	16,153,531	601,883	(41,341)	16,714,073
Solid Waste Division	1,315,806	224,393	(148,093)	1,392,106
District Heat Division	<u>7,239,889</u>	<u>485,877</u>	<u>-</u>	<u>7,725,766</u>
<i>Total accumulated depreciation</i>	<u>131,917,278</u>	<u>7,485,167</u>	<u>(1,999,599)</u>	<u>137,402,846</u>
<i>Total capital assets being depreciated, net</i>	<u>118,026,486</u>	<u>(2,396,802)</u>	<u>(3,100)</u>	<u>115,626,584</u>
Business-type activities capital assets, net	<u>\$122,592,000</u>	<u>\$ 3,093,288</u>	<u>\$ (211,991)</u>	<u>\$125,473,297</u>

Depreciation and Amortization Expense

Capital assets are stated at cost, which includes payroll and payroll related costs, transportation costs, and overhead. Depreciation of capital assets is computed using group composite straight-line rates. When capital assets are retired, the capitalized cost, together with the cost of removal less salvage value, if any, are charged to the accumulated depreciation.

Depreciation and amortization expense for the year ended December 31, 2015 was comprised of the following:

	<u>Depreciation Expense</u>	<u>Proceeds From Sale of Property</u>	<u>Depreciation expense allocated to various expense accounts</u>	<u>Total</u>
Business-type activities:				
Electric Division	\$ 5,125,144	\$ 81,627	\$ 252,098	\$ 5,458,869
Waste Water Division	714,145	-	-	714,145
Water Division	601,883	-	-	601,883
Solid Waste Division	224,393	-	-	224,393
District Heat Division	<u>485,877</u>	<u>-</u>	<u>-</u>	<u>485,877</u>
<i>Total depreciation expense</i>	<u>\$ 7,151,442</u>	<u>\$ 81,627</u>	<u>\$ 252,098</u>	<u>\$ 7,485,167</u>

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM DEBT

Constitutional Debt Limit

As of December 31, 2015, the City's constitutional debt limit is computed as follows:

Five-year Average Full Valuation of Taxable Real Estate (2011-2015)	<u>\$666,969,824</u>
Constitutional debt limit - 7% of Five-year Average Full Valuation of Taxable Real Estate	<u>\$ 46,687,888</u>
Indebtedness subject to constitutional debt limit:	
Governmental activities	<u>16,475,000</u>
Net Debt Contracting Margin	<u>\$ 30,212,888</u>
Percentage of Debt Contracting Power Exhausted	<u>35.29%</u>

Summary of Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended December 31, 2015 follows:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Retired</u>	<u>End of Year</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>					
General obligation bonds	\$13,555,000	\$ 3,910,000	\$ (990,000)	\$16,475,000	\$ 1,040,000
Bond anticipation notes	<u>1,000,000</u>	<u>910,000</u>	<u>(1,910,000)</u>	<u>-</u>	<u>-</u>
<i>Notes and capital lease obligations:</i>					
Board of Public Utilities:					
Note payable-Electric Division	567,596	-	(76,308)	491,288	77,720
Note payable-District Heat Division	58,632	-	(5,661)	52,971	5,766
Note payable - NYPA (Via BPU)	650,218	-	(259,093)	391,125	260,418
*NYS Police/Fire Retirement System	510,000	-	(44,181)	465,819	45,573
Equipment note payable	66,362	-	(66,362)	-	-
*NYS Police/Fire Retirement System	49,480	-	(49,480)	-	-
Capital lease obligation-Parking ramps	<u>6,015,000</u>	<u>-</u>	<u>(6,015,000)</u>	<u>-</u>	<u>-</u>
	<u>7,917,288</u>	<u>-</u>	<u>(6,516,085)</u>	<u>1,401,203</u>	<u>389,477</u>
Subtotal for bonds and notes	22,472,288	4,820,000	(9,416,085)	17,876,203	1,429,477
Compensated absences	<u>2,245,450</u>	<u>113,296</u>	<u>-</u>	<u>2,358,746</u>	<u>236,000</u>
Total Governmental activities	<u>\$24,717,738</u>	<u>\$ 4,933,296</u>	<u>\$ (9,416,085)</u>	<u>\$20,234,949</u>	<u>\$ 1,665,477</u>
<u>Business-type Activities:</u>					
General obligation bonds and notes	\$17,410,000	\$ 2,900,382	\$ (5,593,025)	\$14,717,357	\$ 2,749,538
Total Business-type activities	<u>\$17,410,000</u>	<u>\$ 2,900,382</u>	<u>\$ (5,593,025)</u>	<u>\$14,717,357</u>	<u>\$ 2,749,538</u>

*Retirement payments are included in expenditures - Employee Benefits

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM DEBT (Cont'd)

Governmental Activities - Additional Debt Disclosures:

General Obligation Bonds

<u>Description</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Beginning of Year</u>	<u>Additions</u>	<u>Retired</u>	<u>End of Year</u>
1991 Public Improvement	2015	7.0%	\$ 15,000	\$ -	\$ (15,000)	\$ -
2006A Bond Refunding	2019	3.5%-4.50%	245,000	-	(50,000)	195,000
2006C Bond Refunding	2020	3.5%-4.00%	220,000	-	(100,000)	120,000
2010A Public Improvement	2025	4.0%-4.25%	3,765,000	-	(275,000)	3,490,000
2011A Public Improvement	2026	3.5%-4.25%	3,445,000	-	(230,000)	3,215,000
2013 Public Improvement	2030	2.0%-4.00%	5,865,000	-	(320,000)	5,545,000
2015 Public Improvement	2035	2.25%-4.00%	-	3,910,000	-	3,910,000
			<u>\$13,555,000</u>	<u>\$ 3,910,000</u>	<u>\$ (990,000)</u>	<u>\$16,475,000</u>

Bond Anticipation Notes

<u>Description</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Beginning of Year</u>	<u>Additions</u>	<u>Retired</u>	<u>End of Year</u>
Bond Anticipation Note	09/23/15	.93%	\$ 1,000,000	\$ -	\$ (1,000,000)	\$ -
Bond Anticipation Note	04/22/15	1.50%	-	910,000	(910,000)	-
			<u>\$ 1,000,000</u>	<u>\$ 910,000</u>	<u>\$ (1,910,000)</u>	<u>\$ -</u>

Notes Payable and Capital Lease Obligation

As of December 31, 2015, notes payable and obligations under capital lease obligation were comprised of the following:

<u>Description</u>	<u>Amount</u>
Note payable to City of Jamestown, NY Board of Public Utilities-Electric Division, payable \$7,247 per month including interest at 2.0% through December 2021.	\$ 491,288
Note payable to City of Jamestown, NY Board of Public Utilities-District Heat Division, payable \$565 per month including interest at 2.0% through June 2024.	52,971
Note payable to New York Power Authority (NYPA), issued via the Board of Public Utilities, payable \$21,817 per month including interest through June 2017, at a variable rate. For the year ended December 21, 2015 the variable rate was .51%. For the year ending December 31, 2016 the variable rate is .60%	391,125
Note payable to New York State Police and Fire Retirement System, payable \$60,246 per year including interest at 3.15% through December 2024.	<u>465,819</u>
	<u>\$ 1,401,203</u>

Compensated absences

As explained in Note 1, compensated absences for employees who have attained age 55 and are participants in the NYS Employees Retirement System and employees with twenty years of service who are participants in the NYS Police and Fire Retirement System are included as a liability in the government-wide financial statements. The Governmental funds include as an expenditure, matured compensated absences which are payable to currently terminating employees.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM DEBT (Cont'd)

Governmental-activities Debt Service Requirements

The annual debt service requirements to maturity for general obligation bonds, bond anticipation note, notes payable, and capital lease obligations as of December 31, 2015 are as follows:

Year	General Obligation Bonds		Other Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 1,040,000	\$ 582,679	\$ 389,477	\$ 25,926	\$ 1,429,477	\$ 608,605
2017	1,105,000	520,175	262,886	21,787	1,367,886	541,962
2018	1,135,000	482,575	135,378	18,400	1,270,378	500,975
2019	1,175,000	443,820	138,660	15,126	1,313,660	458,946
2020	1,150,000	403,732	142,025	11,769	1,292,025	415,501
2021-2025	6,305,000	1,374,702	332,777	19,570	6,637,777	1,394,272
2026-2030	3,345,000	453,872	-	-	3,345,000	453,872
2031-2035	1,220,000	100,564	-	-	1,220,000	100,564
Totals	<u>\$16,475,000</u>	<u>\$ 4,362,119</u>	<u>\$ 1,401,203</u>	<u>\$ 112,578</u>	<u>\$17,876,203</u>	<u>\$ 4,474,697</u>

Bond Issuance Costs and Accumulated Amortization

Governmental Activities

Bond issuance costs are being amortized over the life of the bonds and are summarized as follows:

2006 Refunding Serial Bonds	\$ 124,450
2013 Public Improvement Bonds	<u>196,091</u>
Total bond issuance costs	320,541
Accumulated amortization	<u>(110,974)</u>
Bond issuance costs, net	<u>\$ 209,567</u>

Amortization expense for the year ended December 31, 2015 totaled \$20,368 and is included in debt service costs.

Business-type Activities - Additional Debt Disclosures:

Bonds Payable

Description	Final Maturity	Interest Rate	Beginning of Year	Additions	Retired	End of Year
<i>Electric:</i>						
1991 Improvement Bond	2016	7.00-7.10%	\$ 635,000	\$ -	\$ (410,000)	\$ 225,000
2006 Bond Refunding	2019	4.85-5.00%	10,825,000	-	(2,005,000)	8,820,000
2015 Bond Refunding	2025	1.00-2.375%	-	2,855,000	(270,000)	2,585,000
2015 Unamortized Premium	2025	n/a	-	45,382	(3,025)	42,357
2005 Improvement Bond	2025	4.13-5.00%	2,750,000	-	(2,750,000)	-
<i>District Heating:</i>						
2010A General Obligation Bond	2030	4.00-4.50%	2,635,000	-	(120,000)	2,515,000
Improvement Bond	2026	4.00-5.00%	565,000	-	(35,000)	530,000
			<u>\$17,410,000</u>	<u>\$ 2,900,382</u>	<u>\$ (5,593,025)</u>	<u>\$14,717,357</u>

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM DEBT (Cont'd)

Business-type Activities Debt Service Requirements

The annual debt service requirements to maturity for business-type activities general obligation bonds and notes as of December 31, 2015 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 2,749,538	\$ 556,964	\$ 3,306,502
2017	2,604,538	451,857	3,056,395
2018	2,704,538	340,176	3,044,714
2019	2,799,538	237,132	3,036,670
2020	459,538	130,217	589,755
2021-2025	2,324,667	437,762	2,762,429
2026-2030	<u>1,075,000</u>	<u>116,201</u>	<u>1,191,201</u>
Totals	<u>\$14,717,357</u>	<u>\$ 2,270,309</u>	<u>\$16,987,666</u>

NOTE 6 - PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

1. PENSION PLANS

General Information

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). These are cost sharing multiple employer, public employee retirement systems. The Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

Plan Descriptions

Employees Retirement System (ERS)

The New York State and Local Employees' Retirement System provides retirement benefits as well as death and disability benefits. The New York State Retirement and Social Security Law govern obligations of employers and employees to contribute and benefits to employees. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained in writing to the New York State and Local Retirement System, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

Local Police and Fire Retirement System (PFRS)

The New York State and Local Police and Fire Retirement System provides retirement benefits as well as death and disability benefits. The New York State Retirement and Social Security Law govern obligations of employers and employees to contribute and benefits to employees. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained in writing to the New York State and Local Police and Fire Retirement System, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS (Cont'd)

1. PENSION PLANS (Cont'd)

Funding Policies

The Systems are non-contributory except for the following:

- Employees who joined the New York State and Local Employees Retirement System (ERS) after July 27, 1996 are required to contribute 3% of their gross earnings during their first ten years of employment.
- Effective January 1, 2010, Tier V employees of the (ERS) and (PFRS) are required to contribute 3% of their gross earnings for all years of public service. Effective March 16, 2012, Tier VI employees of the (ERS) and (PFRS) are required to contribute at rates ranging between 3% to 6% of their gross earnings. Applicable contribution rates are based upon various wage levels for all years of public service.

For the New York State and Local Employees Retirement System and the Local Police and Fire Retirement System, the State Comptroller shall certify annually the rates expressed as proportions of members payroll, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

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

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>
	<u>NYS and Local Employees</u>	<u>NYS and Local Police and Fire</u>	<u>NYS and Local Employees</u>
2015	\$1,065,971	\$2,082,692	\$1,393,999
2014	\$1,109,976	\$2,480,027	\$1,564,057
2013	\$1,268,662	\$2,366,903	\$1,684,749

The City's contributions made to the Systems were equal to 100% of the contributions required for each year.

2. PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At December 31, 2015, the City reported the following asset (liability) for its proportionate share of the net pension asset (liability) for each of the Systems. The net asset (liability) was measured as of March 31, 2015. The total pension asset (liability) used to calculate the net pension asset (liability) was determined by an actuarial valuation as of April 1, 2014. The City's portion of the net pension asset (liability) was based on a projection of the City's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and PFRS Systems in reports provided to the City.

	<u>ERS</u>	<u>PFRS</u>
Actuarial Valuation Date	March 31, 2015	March 31, 2015
Net pension asset (liability)	\$(2,029,029)	\$(750,101)
City's portion of the Plan's total Net Pension Liability	0.0600616%	.2725067%

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS (Cont'd)

2. PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Cont'd)

Governmental Activities:

For the year ended December 31, 2015, the City's Governmental Activities recognized pension expense of \$779,772 for ERS and \$1,588,451 for PFRS. At December 31, 2015, the City's Governmental Activities reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>PFRS</u>	<u>ERS</u>	<u>PFRS</u>
Differences between expected and actual experience	\$ 30,033	\$ 90,457	\$ -	\$ -
Net difference between projected and actual investment earnings on plan investments	162,955	251,834	-	-
Changes in Proportion and Differences Between Employer contributions and proportionate share of contributions	<u>32,518</u>	<u>-</u>	<u>91,761</u>	<u>98,341</u>
Total	<u>\$ 225,506</u>	<u>\$ 342,291</u>	<u>\$ 91,761</u>	<u>\$ 98,341</u>
City's contributions subsequent to measurement date	<u>\$ 849,252</u>	<u>\$1,562,019</u>		

Business-Type Activities:

For the year ended December 31, 2015, the City's Business-type Activities recognized pension expense of \$1,059,333 for ERS. At December 31, 2015, the City's Business-type Activities reported deferred outflows of resources and deferred inflows of resources related to pensions follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
	<u>ERS</u>	<u>ERS</u>
Differences between expected and actual experience	\$ 36,806	\$ -
Net difference between projected and actual investment earnings on plan investments	199,704	
Changes in Proportion and Differences Between Employer contributions and Proportionate share of contributions	<u>-</u>	<u>119,998</u>
Total	<u>\$ 236,510</u>	<u>\$ 119,998</u>
BPU's contributions subsequent to measurement date	<u>\$1,045,501</u>	

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS (Cont'd)

2. PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Cont'd)

The amount of \$2,411,271 for Governmental Activities and \$1,045,501 for Business-Type Activities reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. The net amount of employer's balances of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended:	ERS		PFRS
	Governmental Activities	Business-Type Activities	Governmental Activities
2016	\$ 33,436	\$ 29,128	\$ 61,382
2017	\$ 33,436	\$ 29,128	\$ 61,382
2018	\$ 33,436	\$ 29,128	\$ 61,382
2019	\$ 33,437	\$ 29,128	\$ 61,382
2020	\$ -	\$ -	\$ (1,578)
Thereafter	\$ -	\$ -	\$ -

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:

	ERS	PFRS
Measurement date	March 31, 2015	March 31, 2015
Actuarial valuation date	April 1, 2014	April 1, 2014
Inflation	2.7%	2.7%
Salary increases	4.9%	6.0%
Investment rate of return	7.5%	7.5%
Decrement tables	April 1, 2005 - March 31, 2010	April 1, 2005 - March 31, 2010
	System experience	System experience

For ERS and PFRS, annuitant mortality rates are based on April 1, 2005 - March 31, 2010 Systems's experience with adjustments for mortality improvements based on MP-2014.

For ERS and PFRS, the actuarial assumptions used in the April 1, 2011 valuation are based on results of an actuarial experience study for the period April 1, 2005 - March 31, 2010.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS (Cont'd)

2. PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Cont'd)

Actuarial Assumptions (Cont'd)

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 rate of return (expected returns net of investment expenses and inflation) are developed for each major 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 target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major class included in the target asset allocation are summarized below:

<i>Measurement date:</i>	<u>ERS</u>	<u>PFRS</u>
<i>Asset type:</i>	March 31, 2015	March 31, 2015
Domestic equity	7.30%	7.30%
International equity	8.55%	8.55%
Private equity	11.00%	11.00%
Real estate	8.25%	8.25%
Absolute return strategy investments	6.75%	6.75%
Opportunistic portfolio	8.60%	8.60%
Real assets	8.65%	8.65%
Bonds and mortgages	4.00%	4.00%
Cash	2.25%	2.25%
Inflation-indexed bonds	4.00%	4.00%

Discount Rate

The discount rate used to calculate the total pension liability was 7.5% for ERS and PFRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' 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 period of projected benefit payments to determine the total pension liability.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS (Cont'd)

2. PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Cont'd)

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5% for ERS and PFRS, as well as what the City's proportionate share of the net pension asset (liability) would be if it were calculated using a discount rate that is 1% point lower (6.5%) or 1% higher (8.5%) than the current rate:

	1% Decrease <u>6.5%</u>	Current Discount <u>7.5%</u>	1% Increase <u>8.5%</u>
<u>ERS</u>			
Employer's proportionate share of the Net pension asset (liability)	\$(13,917,414)	\$ (2,087,998)	\$ 7,899,962
<u>PFRS</u>			
Employer's proportionate share of the Net pension asset (liability)	\$ (9,987,199)	\$ (750,101)	\$ 6,991,145

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2015 were as follows:

	<u>ERS</u> (Dollars in Thousands)	<u>PFRS</u> (Dollars in Thousands)
Employers' total pension liability	\$164,591,504	\$ 28,474,417
Plan net position	<u>161,213,259</u>	<u>28,199,157</u>
Employers' net position total	<u>\$ 3,378,245</u>	<u>\$ 275,260</u>
Ratio of Plan net position to the Employers' total pension liability	<u>97.9%</u>	<u>99.0%</u>

Restatement of Net Position

For the year ended December 31, 2015, the City implemented GASB Statement No. 68 "Accounting and Financial Reporting for Pensions - Amendment to GASB Statement No. 27". The implementation of Statement No. 68 resulted in the reporting of an asset, deferred outflow of resources, liability and deferred inflow of resources related to the City's participation in the New York State Employees' Retirement System and the New York State Police and Fire Retirement System. The City's net position has been restated as follows:

	<u>Governmental Activities</u>	<u>Business type Activities</u>	<u>Total</u>
Net position, beginning of year, as previously stated	\$ 11,751,929	\$134,327,068	\$146,078,997
<u>GASB Statement No. 68 implementation:</u>			
Beginning system liability - ERS	(1,254,972)	(1,538,009)	(2,792,981)
Beginning system liability - PFRS	(1,134,471)	-	(1,134,471)
Beginning deferred outflow of resources for contributions subsequent to the measurement date:			
ERS	927,022	1,173,045	2,100,067
PFRS	<u>1,761,014</u>	<u>-</u>	<u>1,761,014</u>
Net position, beginning of year, as restated	<u>\$ 12,050,522</u>	<u>\$133,962,104</u>	<u>\$146,012,626</u>

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS (Cont'd)

3. OTHER POST EMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)

Plan Description

The City provides post-employment benefit options for health care and dental insurance to eligible employees, terminated employees, and their dependents. The benefits are provided in accordance with City ordinances, collective bargaining agreements, and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The criteria to determine eligibility include years of service, employee age, and disability due to line of duty. The City funds the benefits on a pay-as-you-go basis. Eligible employees are required to pay set premiums for a portion of the cost with the City subsidizing the remaining costs. The Plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Funding Policy

The obligations of the plan members, employers and other entities are established by actions of the City Council for governmental activities and the Board for the Business-type activities, pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and members varies depending on the applicable agreement. Other post-employment benefit costs are currently are satisfied on a pay-as-you-go basis.

Accounting Policy

The accrual basis of accounting is used. The fair market value of assets, if any, is determined by the market value of assets, if any, paid by a willing buyer to a willing seller.

Annual OPEB Cost and Net OPEB Obligation

The annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has engaged an actuary to calculate the ARC and related information per the provisions of GASB Statement 45 for employers providing plans with more than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and the City's net OPEB obligation at December 31, 2015.

Annual OPEB Cost and Net OPEB Obligation

	<u>Governmental</u>	<u>Business type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
Annual Required Contribution (ARC)	\$ 5,386,559	\$ 562,409	\$ 5,948,968
Interest on net OPEB Obligation	725,901	390,059	1,115,960
Adjustment to annual required contribution	<u>(751,734)</u>	<u>(398,115)</u>	<u>(1,149,849)</u>
Annual OPEB Cost	5,360,726	554,353	5,915,079
Less expected Contributions	<u>(3,032,114)</u>	<u>(354,578)</u>	<u>(3,386,692)</u>
Increase in Net OPEB Obligation	2,328,612	199,775	2,528,387
Net OPEB obligation, January 1, 2015	<u>18,147,524</u>	<u>9,751,460</u>	<u>27,898,984</u>
Net OPEB obligation, December 31, 2015	<u>\$ 20,476,136</u>	<u>\$ 9,951,235</u>	<u>\$ 30,427,371</u>

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS (Cont'd)

3. OTHER POST EMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Cont'd)

Funded Status and Funding Progress

	Governmental Activities	Business type Activities	Total
Actuarial Accrued Liability (AAL)	\$ 90,953,024	\$ 8,702,820	\$ 99,655,844
Actuarial Value of Plan Assets	<u>0</u>	<u>0</u>	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	\$ 90,953,024	\$ 8,702,820	\$ 99,655,844
Covered Payroll	\$ 16,061,447	\$ 7,462,956	\$ 23,524,403
Ratio of the unfunded actuarial accrued liability to covered payroll	<u>566.28%</u>	<u>116.61%</u>	<u>423.63%</u>

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, 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.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members. The 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. The following assumptions were made:

The actuarial valuation method utilized is called the Entry Age Normal Method, over a level percent of pay. The actuarial assumptions include a 4.0% investment rate of return (net of administrative expenses), which is the expected short-term investment rate of the City's own assets since currently, the plan has no assets at the valuation date to establish an investment rate, and an annual healthcare cost trend of 9% initially, reduced by decrements to an ultimate rate of 5% after ten years. Both rates include a 2.5% inflation assumption. Unfunded Actuarial Accrued Liability (UAAL) is being amortized as a level percentage of projected payrolls on an open basis.

4. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by independent plan administrators through administrative service agreements. The Plan, available to all eligible City employees, permits employees to defer a portion of their salary until termination, retirement, death or unforeseeable emergency.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - INTERFUND ACTIVITY OF GOVERNMENTAL FUNDS

The governmental funds include interfund balances and activity as of and for the year ended December 31, 2015 as follows:

	<u>Due From</u>	<u>Due To</u>	<u>Transfer-In</u>	<u>Transfer-Out</u>
General Fund	\$ -	\$ 735,655	\$ 98,557	\$ -
Capital Projects Fund	259,893	-	-	3,000
Special Revenue Fund:				
Special Revenue Fund	407,757	-	-	-
Department of Development	68,005	-	-	-
Debt Service Fund	-	-	-	95,557
	<u>\$ 735,655</u>	<u>\$ 735,655</u>	<u>\$ 98,557</u>	<u>\$ 98,557</u>

Interfund balances and activity are eliminated in the government-wide financial statements.

NOTE 8 - FEDERAL AND STATE GRANTS

In the normal course of operations, the City receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 9 - CHANGE IN ACCOUNTING METHOD AND RESTATEMENT OF FUND BALANCE

During the year ended December 31, 2015, the City changed its method of accounting for the funding of and payments made for its self-insured health, prescription and dental insurance. Effective January 1, 2015, payments for health, prescription, and dental claims were accounted for in the City's General Fund. Previously, the City's General Fund funded the City's Trust and Agency Fund for anticipated health, prescription, and dental claims. The City's Trust and Agency Fund would then make payments for the actual health, prescription and dental claims. The change in accounting method resulted in a restatement of the beginning of year fund balance for the City's General Fund of \$717,888 which was comprised of the following:

Cash and cash equivalents	\$ 1,192,651
Amounts held in custody	15,000
Claims payable	<u>(489,763)</u>
	<u>\$ 717,888</u>

NOTE 10 - GENERAL FUND BUDGET AMENDMENTS

Original budget	<u>\$34,998,695</u>
Amendments:	
General government support	(5,852)
Public safety	9,563
Streets	(61,979)
Culture and recreation	691
Capital outlays	106,459
Employee benefits	98,950
Debt service - interest	<u>2,362</u>
Total amendments	<u>150,194</u>
Revised budget	<u>\$35,148,889</u>

NOTE 11 - LITIGATION

The City is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 12 - BUSINESS-TYPE ACTIVITIES OTHER DISCLOSURES (Board of Public Utilities)

1. Summary of Accounting Policies

Business

The Board of Public Utilities operates five divisions which include Electric, Water, Solid Waste, Waste Water, and District Heating. The Board of Public Utilities is a blended component unit of the City of Jamestown.

Basis of Presentation

The financial statements of the Board of Public Utilities have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Board of Public Utilities is engaged only in business-type activities as defined in GASB Statement No. 34. The Board of Public Utilities applies all applicable GASB pronouncements, as well as, Financial Accounting Standards Board's (FASB) Accounting Standards Codification unless these standards conflict or contradict GASB pronouncements.

The financial statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the cash is received or paid. Non-exchange transactions in which the Board of Public Utilities gives or receives value without directly receiving or giving equal value in exchange include grants and donations. Revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Board of Public Utilities distinguishes operating revenues and expenses from nonoperating items in its financial statements. Operating revenues and expenses generally result from providing services and delivering goods in connection with the Board of Public Utilities's principal on-going operations. The principal operating revenue of the Board of Public Utilities are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Capital Assets and Depreciation

Capital assets are stated at cost, which includes salaries and benefits, transportation costs, and overhead. Depreciation of capital assets are computed using group composite straight-line rates. When assets are retired, their cost, together with the cost of removal less salvage, if any, is charged to accumulated depreciation.

Revenue Recognition

Customers are billed based on usage. Revenue is recognized based upon billings.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Divisions consider all highly liquid investments with an original maturity of three months or less, when purchased, to be cash equivalents.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 12 - BUSINESS-TYPE ACTIVITIES DISCLOSURES (Board of Public Utilities) (Cont'd)

1. Summary of Accounting Policies (Cont'd)

Investments

Investments are reported at fair value; fair value is generally based on market prices.

Inventory

Inventory is valued at cost utilizing the average cost method.

Restricted Cash and Investments

Restricted cash and investments consist of amounts designated for plant dismantling, overhaul, and economic development.

Post Employment Benefits

The Divisions provide health insurance coverage for current and future retirees and their spouses.

Fair Value of Financial Instruments

The Divisions financial instruments consist of cash, investments, and any short term debt. The carrying amounts of these financial instruments approximate their fair value due to the short-term nature of the financial instruments.

Health Insurance

The Divisions fund its health costs through self-insured health premiums. The Divisions employ an administrator to manage the self-insurance plan. Monthly premiums, based on prior experience, are deposited in a separate bank account from which the administrator pays out funds for health claims, prescriptions, administration fees, and stop loss insurance premiums. Stop loss coverage was \$125,000 per occurrence.

Deferred Inflows/Outflows of Resources

In addition to assets, the Statement of Net Position reports 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 future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Divisions have two items that qualified for reporting in this category. These items relate to pensions reported in the Statement of Net Position. In addition to liabilities, the statement of net position reports 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 Divisions have one item that qualified for reporting in this category. This item is related to pensions reported in the Statement of Net Position.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 12 - BUSINESS-TYPE ACTIVITIES DISCLOSURES (Board of Public Utilities) (Cont'd)

1. Summary of Accounting Policies (Cont'd)

Accounts Receivable

Accounts receivable are carried at their net realizable value. The Divisions policy is to accrue a penalty on past due customer receivables. Accounts are written-off as uncollectible after the likelihood of payment is considered remote by management. The allowance for uncollectible accounts totaled \$125,531 as of December 31, 2015.

Utilization of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from these estimates.

Net Position

Net position is classified into three categories according to availability of assets for satisfaction of the Divisions obligations. The Divisions net position is classified as follows:

Net investment in capital assets - This represents the Divisions total investments in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net position - Consists of net positions with constraints 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 of enabling legislation.

Unrestricted - Unrestricted net position represent resources derived from services and other operating revenue.

Derivative Instruments

The Electric Division of the Board of Public Utilities recognizes all derivative instruments as either assets or liabilities on the statement of net position at fair value. The Electric Division holds derivative financial instruments for the purpose of managing the market risk of certain identifiable and anticipated transactions relating to purchase of natural gas for use in power generation of electricity. In general, the types of risk hedged are those relating to the variability of future earnings and cash flows caused by change in commodity prices. The Electric Division does not engage in speculative derivative activities or derivative trading activities.

In accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the Electric Division includes any cash collateral held in this account in a net presentation on the statement of net position with the associated fair value of instruments in the account. The Electric Division's outstanding derivative portfolio consists of 81 and 49 natural gas futures contracts measured in dekatherms (dth) at December 31, 2015 and 2014, respectively. As such, the Electric Division is exposed to concentrations or credit risk related to these contracts.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 12 - BUSINESS-TYPE ACTIVITIES DISCLOSURES (Board of Public Utilities) (Cont'd)

1. Summary of Accounting Policies (Cont'd)

Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The Board of Public Utilities financial statements that are included at fair value in the statement of net position include cash and cash equivalents, long-term debt, and derivative instruments. The carrying amount approximates fair value of cash and cash equivalents. Long-term debt is carried at cost, which approximates fair value based on current rates at which the Board of Public Utilities could borrow funds with similar remaining maturities. The fair value of derivative instrument is based on market transactions and other market evidence, whenever possible, including market-based input models, broker or dealer quotations, and third-party market or published commodity values upon which the contract value is based.

Fair Value Measurement - Definition and Hierarchy

The Board of Public Utilities uses quoted prices in active markets related to natural gas futures contracts in determining fair value. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Board of Public Utilities. Unobservable inputs are inputs that reflect the Board of Public Utilities assumptions about the assumptions market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances.

The Board of Public Utilities's commodity hedging instruments are valued using Level 2 inputs defined as follows:

Level 2 - Valuations based on quoted prices in inactive markets, or whose values are based on models - but the inputs to those models are observable either directly or indirectly for substantially the full term of the asset or liability. The total value of future contracts was deemed immaterial at both December 31, 2015 and 2014. Cash collateral at December 31, 2015 was \$1,131,049, and is recorded on the statement of net position.

Date of Management's Review

Management of the Board of Public Utilities has evaluated events and transactions for potential recognition or disclosure in the financial statements through April 13, 2016, which is the date the financial statements of the Board of Public Utilities were available to be issued.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 12 - BUSINESS-TYPE ACTIVITIES DISCLOSURES (Board of Public Utilities) (Cont'd)

2. Deposits and Investments

The Board of Public Utilities investment policies are governed by State statutes because they are a component unit of the City of Jamestown. In addition, the BPU has its own written investment policy. Monies must be deposited in FDIC insured commercial banks and trust companies located within the State. The BPU Business Manager is authorized to use interest bearing demand deposits and certificates of deposit. Permissible investments include demand accounts and certificates of deposit, obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and municipalities and school districts. Deposits of the Board of Public Utilities were fully insured or collateralized by securities held in the name of the City of Jamestown.

The following Table presents the investments and maturities of the Board of Public Utilities securities with interest rate risk as of December 31, 2015:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 6 Months</u>	<u>6 Months to 1 year</u>	<u>1 - 5 Years</u>	<u>More than 5 Years</u>
U.S. Treasuries	<u>\$21,324,072</u>	<u>\$ 5,000,390</u>	<u>\$ -</u>	<u>\$16,323,682</u>	<u>\$ -</u>

3. Charges for Future Benefits

As of December 31, 2015, non-current assets include charges for future benefits and were comprised of the following:

Compensated absences	<u>\$ 1,178,568</u>
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4. Restricted Net Position

Plant Dismantling

Certain revenues of the Electric Division of the Board of Public Utilities are required to be set aside to fund anticipated future costs associated with dismantling of the Electric Division's existing coal plant. Pursuant to the Electric Division's 2004 rate plan, approved by the NYS Public Service Commission, the off-system sales profits of \$1,225,000 were reflected in the Electric Divisions's rates. Any amounts exceeding that level are to be set aside to fund the plant dismantling costs. Actual contributions to the plant dismantling reserve are per the PSC approved profit matrix if profits are less than \$1,225,000. The plant dismantling reserve has been capped and only expenses will be deducted from this reserve going forward.

Overhaul

Pursuant to the Electric Division of the Board of Public Utilities's 2016 Rate Plan approved by the NYS Public Service Commission, the off-system sales profits of \$1,225,000 were reflected in the Electric Division's rates but any amounts exceeding that level were to be set aside to fund the plan overhaul costs. Actual contributions to the reserve are capped at \$1,000,000 annually.

Energy Conservation

The program provides the Board of Public Utilities community with information needed to understand why they should change their energy usage habits and educate them on becoming more energy responsible.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 12 - BUSINESS-TYPE ACTIVITIES DISCLOSURES (Board of Public Utilities) (Cont'd)

5. Other non-current liability - Economic Development

At December 31, 2015, non-current liabilities include \$415,808 for economic development. The economic development liability was originally established with \$600,000. The purpose of this fund is to provide funding to improve infrastructure and build line extensions for new loads. Because the funds collected were a result of over billings to customers in prior years, the Municipal Electric Division is accruing interest on the amounts not refunded at 3.25% per annum.

Included in the rate structure placed in service as of November 1, 2005, was an allowance to fund post-retirement benefits earned. Subsequent to enactment of the rate, the regulator determined that this allowance was excessive. As a result, the amount collected for these benefits in excess of the amounts actually expended for the benefits has been deferred until such time as the regulator determines their disposition. Interest has been added to these funds at the average investment return earned by the Board of Public Utilities during the year.

6. Municipal Electric System Disclosures

Major Customer

The Municipal Electric System sells excess energy into the New York State Independent System Operator, commonly referred to as off system sales. Revenues to the Electric System from this regional transmission organization amounted to approximately 23.2% and 33.1% of Electric System revenue for the years ended December 31, 2015 and 2014, respectively.

Contingencies

The Municipal Electric System has received notice of potential liability for a contribution toward clean up costs for two super fund sites. Transformer carcasses, previously owned by the Electric System were shipped to these sites for disposal. Although the Electric System potentially has joint responsibility for additional contributions to these sites, management believes that any additional liability would not have a material effect on operations.

**CITY OF JAMESTOWN, NEW YORK
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE**

YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
Revenues:				
Real property taxes	\$15,079,560	\$15,079,560	\$15,079,118	\$ (442)
Real property tax items	314,000	314,000	311,447	(2,553)
Non-property tax items	6,393,000	6,393,000	6,509,211	116,211
Departmental income	822,000	822,000	879,945	57,945
Intergovernmental charges	180,000	180,000	225,062	45,062
Use of money and property	14,000	14,000	2,431	(11,569)
Licenses and permits	220,500	220,500	188,985	(31,515)
Fines and forfeitures	118,000	118,000	90,225	(27,775)
Other unclassified revenue	10,000	37,985	76,309	38,324
Board of Public Utilities				
Payments in lieu-of-taxes	3,786,000	3,786,000	3,810,177	24,177
Contribution	482,000	482,000	482,000	-
Refund of prior year expenditures	425,000	425,000	120,098	(304,902)
State aid	6,097,309	6,219,518	6,805,284	585,766
Federal aid	-	-	26,406	26,406
Total revenues	<u>33,941,369</u>	<u>34,091,563</u>	<u>34,606,698</u>	<u>515,135</u>
Expenditures:				
General government support	\$ 3,728,906	\$ 3,723,054	\$ 3,691,292	\$ 31,762
Public safety	10,924,595	10,934,158	10,884,513	49,645
Streets	3,581,348	3,519,369	3,917,099	(397,730)
Culture and recreation	2,017,783	2,018,474	1,988,587	29,887
Home and community services	848,000	848,000	800,773	47,227
Capital outlays	895,629	1,002,088	1,006,444	(4,356)
Employee benefits	10,414,829	10,513,779	10,974,760	(460,981)
Debt service-principal	2,091,309	2,091,309	2,091,309	-
Debt service-interest	496,296	498,658	498,653	5
Total expenditures	<u>34,998,695</u>	<u>35,148,889</u>	<u>35,853,430</u>	<u>(704,541)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,057,326)</u>	<u>(1,057,326)</u>	<u>(1,246,732)</u>	<u>(189,406)</u>
Other Sources:				
Proceeds from issuance of debt	-	-	-	-
Transfers in from other funds	3,000	3,000	98,557	95,557
Total other sources	<u>3,000</u>	<u>3,000</u>	<u>98,557</u>	<u>95,557</u>
Excess (deficiency) of revenues and other sources over expenditures	<u>(1,054,326)</u>	<u>(1,054,326)</u>	<u>(1,148,175)</u>	<u>(93,849)</u>
Fund balance, beginning of year	<u>2,715,872</u>	<u>2,715,872</u>	<u>2,715,872</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,661,546</u>	<u>\$ 1,661,546</u>	<u>\$ 1,567,697</u>	<u>\$ (93,849)</u>

See Independent Auditor's Report.

CITY OF JAMESTOWN, NEW YORK

**SCHEDULE OF FUNDING PROGRESS FOR OPEB OBLIGATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Schedule of Funding Progress

The schedule of funding progress for OPEB obligations as of the actuarial valuation date follows:

	Governmental Activities	Business-type Activities	Total
1. Actuarial Accrued Liability (AAL)	\$90,953,024	\$ 8,702,820	\$ 99,655,844
2. Actuarial Value of Plan Assets	<u>0</u>	<u>0</u>	<u>0</u>
3. Unfunded Actuarial Accrued Liability (UAAL)	\$90,953,024	\$ 8,702,820	\$ 99,655,844
4. Funded Ratio (3. Divided by 2.)	0%	0%	0%
5. Annual Covered Payroll	\$16,061,447	\$ 7,462,956	\$ 23,524,403
6. Ratio of the unfunded actuarial accrued liability to covered payroll	<u>566.28%</u>	<u>116.61%</u>	<u>423.63%</u>

Schedule of Employer Contributions

	Annual OPEB Cost	Actual Contribution	Percentage Contributed
<u>Governmental Activities</u>			
December 31, 2015	\$ 5,360,726	\$ 3,032,114	56.56%
December 31, 2014	\$ 5,503,428	\$ 2,876,598	52.27%
December 31, 2013	\$ 5,823,506	\$ 3,030,983	52.05%
December 31, 2012	\$ 5,881,808	\$ 2,979,573	50.66%
<u>Business-type Activities</u>			
December 31, 2015	\$ 554,353	\$ 354,578	63.96%
December 31, 2014	\$ 548,577	\$ 555,839	101.32%
December 31, 2013	\$ 606,457	\$ 322,849	53.24%
December 31, 2012	\$ 599,880	\$ 338,217	56.38%

Schedule of Funding Progress

Governmental Activities

Fiscal Year	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
Beginning						
01/01/12	\$0	\$96,294,473	\$96,294,473	0.00%	\$15,434,480	623.89%
01/01/13	\$0	\$98,217,420	\$98,217,240	0.00%	\$14,939,343	657.44%
01/01/14	\$0	\$91,494,970	\$91,494,970	0.00%	\$16,229,903	563.74%
01/01/15	\$0	\$90,953,024	\$90,953,024	0.00%	\$16,061,447	566.28%

Business-type Activities

Fiscal Year	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
Beginning						
01/01/12	\$0	\$ 8,973,435	\$ 8,973,435	0.00%	\$ 7,834,877	114.53%
01/01/13	\$0	\$ 8,973,435	\$ 8,973,345	0.00%	\$ 7,834,877	114.53%
01/01/14	\$0	\$ 8,702,820	\$ 8,702,820	0.00%	\$ 7,462,956	116.61%
01/01/15	\$0	\$ 8,702,820	\$ 8,702,820	0.00%	\$ 7,462,956	116.61%

For Business-type activities, the Actuarial Accrued Liability is calculated every other year pursuant to the provisions of GASB Statement No. 45.

See Independent Auditor's Report.

**CITY OF JAMESTOWN, NEW YORK
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET**

DECEMBER 31, 2015

	<u>Special Revenue</u>	<u>Department Of Development</u>	<u>Risk Retention</u>	<u>Totals</u>
Assets				
Cash and cash equivalents	\$ 12,299	\$ 4,251,881	\$ -	\$ 4,264,180
Account receivable:				
Governments	-	75,205	-	75,205
Other	-	18,025	-	18,025
Loans receivable, net of allowance of \$769,043 for loan loss	-	479,160	-	479,160
Due from other funds	407,757	68,005	-	475,762
Real property held for sale	-	18,643	-	18,643
Total assets	<u>420,056</u>	<u>4,910,919</u>	<u>-</u>	<u>5,330,975</u>
Liabilities				
Account payable and accrued expenses	-	2,499	-	2,499
Amounts held in project escrow	-	26,000	-	26,000
Deferred revenue:				
Restricted grants	420,056	171,965	-	592,021
Federal grants	-	68,542	-	68,542
Other	-	151,470	-	151,470
Total liabilities	<u>420,056</u>	<u>420,476</u>	<u>-</u>	<u>840,532</u>
Fund Balance				
Reserved for:				
Economic development	-	4,490,443	-	4,490,443
Risk retention	-	-	-	-
Total fund balance	<u>\$ -</u>	<u>\$ 4,490,443</u>	<u>\$ -</u>	<u>\$ 4,490,443</u>

See Independent Auditor's Report.

CITY OF JAMESTOWN, NEW YORK
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2015

	<u>Special Revenue</u>	<u>Department Of Development</u>	<u>Risk Retention</u>	<u>Totals</u>
Revenues:				
Departmental income	\$ -	\$ 379,711	\$ -	\$ 379,711
Use of money and property	-	23,049	1	23,050
Local sources and other revenue	477,349	373,193	-	850,542
Grants and contributions	-	668,789	-	668,789
Interfund revenues	-	388,000	-	388,000
State aid	115,163	13,164	-	128,327
Federal aid	55,635	1,534,346	-	1,589,981
Total revenues	<u>648,147</u>	<u>3,380,252</u>	<u>1</u>	<u>4,028,400</u>
Expenditures:				
General government support	-	915,905	-	915,905
Public safety	349,991	-	-	349,991
Home and community	88,530	1,534,346	-	1,622,876
Capital outlays	209,626	200,200	-	409,826
Economic development	-	856,410	-	856,410
Total expenditures	<u>648,147</u>	<u>3,506,861</u>	<u>-</u>	<u>4,155,008</u>
Other Uses:				
Transfer to other funds	<u>-</u>	<u>-</u>	<u>95,557</u>	<u>95,557</u>
Total other uses	<u>-</u>	<u>-</u>	<u>95,557</u>	<u>95,557</u>
Excess (deficiency) of revenues over expenditures and other uses	-	(126,609)	(95,556)	(222,165)
Fund balance, beginning of year	<u>-</u>	<u>4,617,052</u>	<u>95,556</u>	<u>4,712,608</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ 4,490,443</u>	<u>\$ -</u>	<u>\$ 4,490,443</u>

See Independent Auditor's Report.

**CITY OF JAMESTOWN, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

YEAR ENDED DECEMBER 31, 2015

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Disbursements/ Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>		
<i>Direct Programs:</i>		
Community Development Block Grant	14.218	\$ 1,270,015
Home Investment Partnership Program (HOME)	14.239	<u>264,331</u>
Total U.S. Department of Housing and Urban Development		<u>\$ 1,534,346</u>
<u>U.S. Department of Justice</u>		
<i>Direct Program:</i>		
Edward Byrne Justice Assistance Grant	16.738	<u>\$ 16,645</u>
Total U.S. Department of Justice		<u>\$ 16,645</u>
<u>Department of Homeland Security</u>		
<i>Direct Program:</i>		
Assistance to Firefighters Grant	97.044	\$ 38,990
<i>Passed through New York State Division of Homeland Security and Emergency Services (PA# 013-38264-00)</i>		
Disaster Grants - Public Assistance	97.036	<u>26,406</u>
Total Department of Homeland Security		<u>\$ 65,396</u>
Total Federal Expenditures		<u>\$ 1,616,387</u>

See accompanying notes to schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of the City of Jamestown, New York under the programs of the federal government for the year ended December 31, 2015. The information in this schedule is presented in accordance with the 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)*. Because the schedule presents only a selected portion of the operations of the City of Jamestown, New York, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Jamestown, New York.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**CITY OF JAMESTOWN, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED DECEMBER 31, 2015

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? Yes No

Significant deficiency identified not considered to be a material weakness? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal Control over major programs:

Material weakness identified? Yes No

Significant deficiency identified not considered to be a material weakness? 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 the Uniform Guidance? Yes No

Identification of major program:

CFDA Number

14.218

Name of Federal Program

Community Development Block Grant

Dollar threshold used to distinguish between Type A and Type B programs? \$750,000

Auditee qualified as low-risk auditee? Yes No

SECTION II - FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

**CITY OF JAMESTOWN, NEW YORK
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

YEAR ENDED DECEMBER 31, 2015

There were no audit findings noted for the year ended December 31, 2014.

**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**

To the City Council
City of Jamestown, New York

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Jamestown, New York, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Jamestown, New York's basic financial statements and have issued my report thereon dated September 20, 2016.

Internal Control Over Financial Reporting

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

My consideration of the 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 my audit I did not identify any deficiencies in internal control that I 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 of Jamestown, New York's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Jamestown, New York'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.

 CPA P.C.

JOHN S. TRUSSALO, CPA, P.C.
Jamestown, New York
September 20, 2016

**Independent Auditor's Report on Compliance For Each Major Program and
on Internal Control Over Compliance Required by the Uniform Guidance**

To the City Council
City of Jamestown, New York

Report on Compliance for Each Major Federal Program

I have audited the City of Jamestown, New York's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Jamestown, New York's major federal programs for the year ended December 31, 2015. City of Jamestown, New York'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the City of Jamestown, New York's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I 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 City of Jamestown, New York's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

Opinion on each Major Federal Program

In my opinion, the City of Jamestown, New York, 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, 2015.

Report on Internal Control Over Compliance

Management of City of Jamestown, New York, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the City of Jamestown, New York'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, I do not express an opinion on the effectiveness of the City of Jamestown, New York'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.

Report on Internal Control Over Compliance (Cont'd)

My 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. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Handwritten signature of John S. Trussalo in black ink, followed by the text "CPA P.C." in a smaller font.

JOHN S. TRUSSALO, CPA, P.C.
Jamestown, New York
September 20, 2016