

Financial Statements

CITY OF JAMESTOWN, NEW YORK

YEAR ENDED DECEMBER 31, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 through 11), Budget Comparison Schedule - General Fund (page 54), Schedule of Funding Progress for OPEB Obligations (page 55), Schedule of City's Contributions - Retirement Plans (page 56) and Schedule of City's Proportionate Share of Net Pension Liability (page 57), 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 5, 2018, 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.

 CPA P.C.

JOHN S. TRUSSALO, CPA, P.C.
Jamestown, New York
September 5, 2018

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, 2017. 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 \$4,131,680 at December 31, 2017 compared to \$5,996,913 at December 31, 2016, a decrease of \$1,865,233.
- Revenues from governmental activities totaled \$39,885,038 for 2017 compared to \$37,575,511 for 2016. Expenditures for governmental activities totaled \$41,750,271 for 2017 compared to \$42,702,068 for 2016.
- The fund balance of the City's General Fund included in the Fund financial statements totaled \$2,884,683 at December 31, 2017 compared to \$1,547,438 at December 31, 2016, an increase of \$1,337,245.

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.

City of Jamestown, New York
Management's Discussion and Analysis (Cont'd)

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.

**City of Jamestown, New York
Management's Discussion and Analysis (Cont'd)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The net position for the City of Jamestown, New York, as a whole, totaled \$148,272,928 as of December 31, 2017 and \$146,556,336 as of December 31, 2016, an increase of \$1,716,592. 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, 2017 and 2016 were as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Assets:						
Current and other assets	\$12,652,426	\$11,739,085	\$ 40,411,036	\$ 41,695,863	\$ 53,063,462	\$ 53,434,948
Capital assets	<u>41,989,501</u>	<u>40,391,219</u>	<u>132,258,781</u>	<u>127,903,086</u>	<u>174,248,282</u>	<u>168,294,305</u>
Total assets	<u>54,641,927</u>	<u>52,130,304</u>	<u>172,669,817</u>	<u>169,598,949</u>	<u>227,311,744</u>	<u>221,729,253</u>
Deferred Outflows of Resources	<u>8,100,357</u>	<u>14,214,348</u>	<u>2,960,331</u>	<u>5,899,682</u>	<u>11,060,688</u>	<u>20,114,030</u>
Liabilities:						
Long-term debt	17,383,309	18,581,712	9,363,280	11,967,819	26,746,589	30,549,531
Bond anticipation note payable	-	-	2,000,000	-	2,000,000	-
Net OPEB obligation	27,964,403	24,179,501	10,070,640	9,996,481	38,035,043	34,175,982
Net pension liability	7,996,933	12,359,652	3,415,006	5,661,600	11,411,939	18,021,252
Other liabilities	<u>3,479,114</u>	<u>3,139,012</u>	<u>5,929,004</u>	<u>6,470,450</u>	<u>9,408,118</u>	<u>9,609,462</u>
Total liabilities	<u>56,823,759</u>	<u>58,259,877</u>	<u>30,777,930</u>	<u>34,096,350</u>	<u>87,601,689</u>	<u>92,356,227</u>
Deferred Inflows of Resources	<u>1,786,845</u>	<u>2,087,862</u>	<u>710,970</u>	<u>842,858</u>	<u>2,497,815</u>	<u>2,930,720</u>
Net Position:						
Investment in capital assets, net of related debt	27,450,863	24,364,819	122,823,483	115,836,927	150,274,346	140,201,746
Restricted	5,885,177	7,049,013	5,290,027	10,212,096	11,175,204	17,261,109
Unrestricted	<u>(29,204,360)</u>	<u>(25,416,919)</u>	<u>16,027,738</u>	<u>14,510,400</u>	<u>(13,176,622)</u>	<u>(10,906,519)</u>
Total net position	<u>\$ 4,131,680</u>	<u>\$ 5,996,913</u>	<u>\$144,141,248</u>	<u>\$140,559,423</u>	<u>\$148,272,928</u>	<u>\$146,556,336</u>

Net Position Analysis - Overall

The City's overall net position totaled \$148,272,928 as of December 31, 2017 of which \$150,274,346 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 \$4,131,680 as of December 31, 2017. Investment in capital assets, net of related debt totaled \$27,450,863, restricted net position totaled \$5,885,177, and unrestricted net position deficit of (\$29,204,360).

Net Position Analysis - Business-type Activities

The City's net position from business-type activities totaled \$144,141,248 as of December 31, 2017. Investment in capital assets, net of related debt totaled \$122,823,483, restricted net position totaled \$5,290,027, and unrestricted net position totaled \$16,027,738.

**City of Jamestown, New York
Management's Discussion and Analysis (Cont'd)**

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, 2017 and 2016 is summarized below:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,303,220	\$ 2,001,956	\$ 53,543,553	\$ 55,173,590	\$ 55,846,773	\$ 57,175,546
Operating grant/contributions	1,902,563	2,398,744	-	-	1,902,563	2,398,744
Capital grants/contributions	2,701,065	1,513,232	-	-	2,701,065	1,513,232
General revenues:						
Real property taxes	15,843,412	15,693,513	-	-	15,843,412	15,693,513
Sales tax	6,109,549	5,875,625	-	-	6,109,549	5,875,625
Board of Public Utilities:						
Payment in lieu of taxes	3,953,730	3,748,195	-	-	3,953,730	3,748,195
Contribution	-	482,000	-	-	-	482,000
Investment earnings	31,221	42,021	252,588	280,013	283,809	322,034
State Aid	5,760,716	4,697,150	-	-	5,760,716	4,697,150
Other	<u>1,279,562</u>	<u>1,123,075</u>	<u>-</u>	<u>56,031</u>	<u>1,279,562</u>	<u>1,179,106</u>
Total revenues	<u>39,885,038</u>	<u>37,575,511</u>	<u>53,796,141</u>	<u>55,509,634</u>	<u>93,681,179</u>	<u>93,085,145</u>
Expenses:						
General government support	5,416,260	5,155,912	-	-	5,416,260	5,155,912
Public safety	11,361,437	11,818,089	-	-	11,361,437	11,818,089
Public improvements/projects	75,637	317,995	-	-	75,637	317,995
Streets	3,928,759	3,998,563	-	-	3,928,759	3,998,563
Culture and recreation	1,676,782	2,123,657	-	-	1,676,782	2,123,657
Home and community/development	3,180,282	3,315,475	-	-	3,180,282	3,315,475
Employee benefits	15,549,398	15,342,902	-	-	15,549,398	15,342,902
Contribution to City's General Fund	-	-	-	482,000	-	482,000
Debt service	561,716	629,475	466,337	537,302	1,028,053	1,166,777
Utility operations	<u>-</u>	<u>-</u>	<u>49,747,979</u>	<u>51,925,528</u>	<u>49,747,979</u>	<u>51,925,528</u>
Total expenses	<u>41,750,271</u>	<u>42,702,068</u>	<u>50,214,316</u>	<u>52,944,830</u>	<u>91,964,587</u>	<u>95,646,898</u>
Change in net position	(1,865,233)	(5,126,557)	3,581,825	2,564,804	1,716,592	(2,561,753)
Net position, beginning of year	<u>5,996,913</u>	<u>11,123,470</u>	<u>140,559,423</u>	<u>137,994,619</u>	<u>146,556,336</u>	<u>149,118,089</u>
Net position, end of year	<u>\$ 4,131,680</u>	<u>\$ 5,996,913</u>	<u>\$144,141,248</u>	<u>\$140,559,423</u>	<u>\$148,272,928</u>	<u>\$146,556,336</u>

Governmental Activities

Revenues from the City's governmental activities totaled \$39,885,038 for 2017 compared to \$37,575,511 for 2016. Revenues for 2017 were comprised of the following: Property tax revenue (40%), Sales tax revenue (15%), State aid revenue (15%), Operating and Capital Grants/Contributions (12%), Board of Public Utilities revenue (10%), Charges for services (5%), Other revenue (3%).

Expenditures of governmental activities totaled \$41,750,271 for 2017 compared to \$42,702,068 for 2016. 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 \$53,543,553 for 2017 and \$55,173,590 for 2016. Investment earnings totaled \$252,588 for 2017 and \$280,013 for 2016. Other income totaled \$0 for 2017 and \$56,031 for 2016. The cost of all Business-type activities totaled \$50,214,316 for 2017 and \$52,944,830 for 2016.

**City of Jamestown, New York
Management's Discussion and Analysis (Cont'd)**

LONG-TERM LIABILITIES

Governmental Activities

Long-term liabilities included in the City's governmental-activities totaled \$17,383,309 as of December 31, 2017 and \$18,581,712 as of December 31, 2016; a net decrease of \$1,198,403. As of December 31, 2017, long-term liabilities were comprised of the following: General Obligation Bonds \$14,330,000; Bond anticipation note payable \$400,000, Notes payable to Board of Public Utilities \$375,321; Note payable to NYS Police and Fire Retirement System \$373,238; Compensated absences \$2,071,433; Unamortized debt issuance costs, net of amortized premium \$(166,683). 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 decreased \$249,803 to \$2,071,433 as of December 31, 2017.
- During 2017, the City issued a \$400,000 bond anticipation note for equipment purchases.

Net OPEB Obligations for Governmental Activities

- The net OPEB obligations included in the government-wide statement of net position increased \$3,784,902 to \$27,964,403 as of December 31, 2017.

Net Pension Liability for Governmental Activities

- The net pension liability for governmental activities included in the government-wide statement of net position represents the City's share of the net pension liability of the NYS retirement systems. The net pension liability for the ERS totaled \$2,502,735 and \$4,329,595 as of December 31, 2017 and 2016, respectively. The net pension liability for the PFRS totaled \$5,494,198 and \$8,030,057 as of December 31, 2017 and 2016, respectively.

Business-type Activities

Long-term liabilities included in the City's business-type activities totaled \$9,363,280 as of December 31, 2017 and \$11,967,819 as of December 31, 2016; a decrease of \$2,604,539. In addition, during 2017, the City's business-type activities issued a \$2,000,000 bond anticipation note.

Net Pension Liability for Business-type Activities

- The net pension liability for business-type activities 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 \$3,415,006 and \$5,661,600 as of December 31, 2017 and 2016, respectively.

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, 2017 the City's general obligation debt, including statutory exclusions, was at 32.35% of the legal limit compared to 33.08% of the legal limit at December 31, 2016.

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

City of Jamestown, New York
Management's Discussion and Analysis (Cont'd)

CAPITAL ASSETS

Governmental Activities

As of December 31, 2017, the City's governmental-activities maintained \$41,989,501 in capital assets (Cost \$87,313,826 less accumulated depreciation of \$45,324,325). As of December 31, 2016 the City's governmental-activities maintained \$40,391,219 in capital assets (Cost \$82,931,151 less accumulated depreciation of \$42,539,932). Capital additions for 2017 totaled \$4,492,530 and were comprised of following: Infrastructure (including roads, sidewalks, and storm sewers) \$2,841,985; Buildings and structures \$969,407; Equipment \$495,205; Vehicles \$185,933.

Depreciation expense totaled \$2,851,433 and \$2,750,428 for the years ended December 31, 2017 and 2016, respectively.

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

Business-type Activities

As of December 31, 2017, the City's business-type activities maintained \$132,258,781 in capital assets (Cost \$266,341,069 less accumulated depreciation of \$134,082,288). As of December 31, 2016, the City's business-type activities maintained \$127,903,086 in capital assets (Cost \$271,379,576 less accumulated depreciation of \$143,476,490). Capital additions for 2017 totaled \$6,224,529 and were comprised of the following: Electric Division \$3,404,973; Waste Water Division \$1,591,710; Water Division \$1,002,643; Solid Waste Division \$197,164; District Heat Division \$28,039.

Depreciation expense totaled \$7,447,647 and \$7,620,117 for the years ended December 31, 2017 and 2016, respectively.

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 \$8,604,885 as of December 31, 2017 and \$8,126,440 as of December 31, 2016; an increase of \$478,445. The schedule below indicates the fund balances as of December 31, 2017 and 2016, and the net increase (decrease) for the year.

	Fund Balance 2017	Fund Balance 2016	Increase (Decrease)
General fund	\$ 2,884,683	\$ 1,547,438	\$ 1,337,245
Capital projects fund	1,531,042	2,211,035	(679,993)
Special revenue fund	4,189,160	4,367,967	(178,807)
Total	\$ 8,604,885	\$ 8,126,440	\$ 478,445

**City of Jamestown, New York
Management's Discussion and Analysis (Cont'd)**

THE CITY'S GOVERNMENTAL FUNDS (Cont'd)

General Fund

The change in the City's General fund balance for the year ended December 31, 2017 and 2016 follows:

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
<i>Revenues and Other Sources:</i>			
Real property taxes	\$15,843,412	\$15,693,513	\$ 149,899
Real property tax items	323,936	325,055	(1,119)
Non-property tax items	6,768,709	6,489,546	279,163
Departmental income	782,095	937,150	(155,055)
Intergovernmental charges	219,684	213,548	6,136
State aid	7,525,684	6,378,560	1,147,124
Board of Public Utilities:			
Payments in lieu of taxes	3,953,730	3,748,195	205,535
Contribution	-	482,000	(482,000)
Use of money and property	795	648	147
Other revenue	437,610	583,413	(145,803)
Interfund transfers in	1,057	2,000	(943)
Total revenues	<u>35,856,712</u>	<u>34,853,628</u>	<u>1,003,084</u>
<i>Expenditures:</i>			
General government support	3,890,403	3,691,966	198,437
Public safety	10,806,032	11,069,002	(262,970)
Streets	3,773,034	3,736,956	36,078
Culture and recreation	1,633,305	2,077,305	(444,000)
Home and community services	841,142	816,444	24,698
Capital outlays	1,101,191	1,100,332	859
Employee benefits	10,624,290	10,403,465	220,825
Debt service - principal	1,321,079	1,383,983	(62,904)
Debt service - interest	528,991	594,434	(65,443)
Total expenditures	<u>34,519,467</u>	<u>34,873,887</u>	<u>(354,420)</u>
Excess (deficiency) for the year	1,337,245	(20,259)	<u>1,357,504</u>
Fund balance, beginning of year	<u>1,547,438</u>	<u>1,567,697</u>	
Fund balance, end of year	<u>\$ 2,884,683</u>	<u>\$ 1,547,438</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 2017, the City appropriated \$0 of its 2016 fund balance. During 2017, actual general fund revenues and other sources totaled \$35,856,712 compared to a final revenue and other sources budget of \$35,235,570, a favorable variance of \$621,142. During 2017, actual general fund expenditures totaled \$34,519,467 compared to a final expenditure budget of \$35,235,570, a favorable variance of \$716,103. As a result, the City's fund balance as of December 31, 2017 was \$1,337,245 higher than budgeted.

The 2017 General Fund final expenditure budget totaled \$35,235,570 compared to a 2016 final expenditure budget of \$35,370,634. The 2017 final expenditure budget included a net supplementary increase of \$212,076 from the original approved budget. The net supplementary increase is detailed in Note 9 to the basic financial statements. Other appropriations required changes in functional categories due to spending patterns.

A detailed budgetary comparison to actual for the General Fund is provided on page 54.

**City of Jamestown, New York
Management's Discussion and Analysis (Cont'd)**

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, 2017 and 2016 follows:

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
<i>Revenues and Other Sources:</i>			
Proceeds from issuance of debt	\$ 400,000	\$ -	\$ 400,000
General fund appropriations	1,101,191	1,100,332	859
Sale of property/compensation for loss	200,000	54,556	145,444
Other revenue	142,415	17,813	124,602
Total revenues	<u>1,843,606</u>	<u>1,172,701</u>	<u>670,905</u>
<i>Expenditures and Other Uses:</i>			
Capital outlays	2,522,542	1,593,563	928,979
Interfund transfer to General Fund	1,057	2,000	(943)
Total expenditures	<u>2,523,599</u>	<u>1,595,563</u>	<u>928,036</u>
Deficiency for the year	(679,993)	(422,862)	<u>(257,131)</u>
Fund balance, beginning of year	<u>2,211,035</u>	<u>2,633,897</u>	
Fund balance, end of year	<u>\$ 1,531,042</u>	<u>\$ 2,211,035</u>	

The Capital Projects Fund included capital outlay expenditures of \$2,522,542 and \$1,593,563 for the years ended December 31, 2017 and 2016, respectively. Capital outlay expenditures were comprised of the following:

	<u>2017</u>	<u>2016</u>
Street resurfacing, construction, curb, gutter, sidewalks	\$ 991,191	\$ 900,374
Equipment and vehicles	478,476	247,419
Storm Sewers and Sidewalks	100,000	100,000
Building improvements	877,237	167,707
Other expenditures not capitalized	75,638	178,063
	<u>\$ 2,522,542</u>	<u>\$ 1,593,563</u>

Special Revenue Fund

The Special Revenue Fund of the City is comprised of the following: 1) Department of Development operations, 2) City's Special Revenue Fund which accounts for Federal and State grant revenues and expenditures.

The change in the Special Revenue fund balance for the years ended December 31, 2017 and 2016 follows:

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
<i>Revenues and Other Sources:</i>			
Departmental income	\$ 399,445	\$ 401,751	\$ (2,306)
Use of money and property	30,424	41,280	(10,856)
Interfund revenues	395,000	395,000	-
Federal aid	1,184,406	1,205,362	(20,956)
State aid	1,336,307	258,056	1,078,251
Other revenue	641,592	1,086,493	(444,901)
Total revenues	<u>3,987,174</u>	<u>3,387,942</u>	<u>599,232</u>

**City of Jamestown, New York
Management's Discussion and Analysis (Cont'd)**

Special Revenue Fund (Cont'd)

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
<i>Expenditures and Other Uses:</i>			
General government support	\$ 974,939	\$ 925,931	\$ 49,008
Public safety	217,685	421,304	(203,619)
Home and community services and economic development	1,527,682	1,889,707	(362,025)
Capital outlays	<u>1,445,675</u>	<u>273,476</u>	<u>1,172,199</u>
	<u>4,165,981</u>	<u>3,510,418</u>	<u>655,563</u>
Deficiency for the year	(178,807)	(122,476)	<u>(56,331)</u>
Fund balance, beginning of year	<u>4,367,967</u>	<u>4,490,443</u>	
Fund balance, end of year	<u>\$ 4,189,160</u>	<u>\$ 4,367,967</u>	

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the 2017 budget, tax rates, and fees that will be charged for activities. These factors include the pursuit of additional state aid and a reduction in costs for the self-funded health insurance plan via a buy-out for retired participants, which is currently awaiting approval by New York State. Full value of the property in the City totaled \$666,572,258 as of December 31, 2017. This valuation is projected to be relatively consistent for 2018. The City, along with other municipalities in New York State, is faced with many mandatory increases beyond the City's control. There is a mandatory increase in the NYS Employee Retirement System, NYS Police and Fire System, and medical and liability insurance. The City is also faced with the challenge of declining revenues and the constitutional tax limit. These current indicators are consistent with those used when adopting the General Fund Budget for 2017. The City did not allocate any of its unassigned fund balance of \$1,849,933 towards the 2018 budget.

Other Post Employment Benefits (OPEB)

The City provides post-employment benefit options for health care and dental insurance to eligible employees. As of December 31, 2017, the net OPEB obligation, which is unfunded, totaled \$27,964,403 for governmental activities and \$10,070,640 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

The Net pension liability for the NYS Employee Retirement System included in governmental activities totaled \$2,502,735 and \$4,329,595 as of December 31, 2017 and 2016, respectively. The Net pension liability included in governmental activities for NYS Police and Fire Retirement System totaled \$5,494,198 and \$8,030,057 as of December 31, 2017 and 2016, respectively. The Net pension liability is a function of each of the Plans and is beyond the control of the City's elected and appointed officials.

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 2017, the City was at 100.00% of its Constitutional Tax Limit, compared to 98.68% for 2016, and 94.15% for 2015.

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, 2017

	PRIMARY GOVERNMENT		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash and cash equivalents	\$ 6,418,715	\$ 5,689,538	\$ 12,108,253
Cash and cash equivalents - restricted	-	2,000,000	2,000,000
Total cash and cash equivalents	6,418,715	7,689,538	14,108,253
Cash collateral - derivative	-	1,018,429	1,018,429
Investments	-	13,502,349	13,502,349
Investments - restricted	-	5,683,879	5,683,879
Receivables:			
State, federal, and local governments	3,131,281	-	3,131,281
School taxes	1,065,243	-	1,065,243
Accounts and other, net of allowance	211,718	6,703,631	6,915,349
Loans, net of allowance	768,624	375,321	1,143,945
Interest	-	42,602	42,602
Prepaid pension expense	760,202	94,994	855,196
Prepaid expenses and deposits	206,788	13,797	220,585
Property acquired for taxes and held for sale	22,095	-	22,095
Inventories	67,760	1,017,829	1,085,589
Other current and accrued assets	-	3,174,501	3,174,501
Charges for future benefits	-	716,228	716,228
Non-utility property	-	377,938	377,938
Capital assets:			
Land and construction in progress	1,207,755	6,842,863	8,050,618
Other capital assets, net of depreciation	40,781,746	125,415,918	166,197,664
Total assets	<u>54,641,927</u>	<u>172,669,817</u>	<u>227,311,744</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows	8,100,357	2,960,331	11,060,688
Total deferred outflows of resources	<u>8,100,357</u>	<u>2,960,331</u>	<u>11,060,688</u>
LIABILITIES			
Accounts payable and accrued liabilities	2,218,321	5,081,562	7,299,883
Due to other governments	1,065,243	-	1,065,243
Consumer deposits	-	404,949	404,949
Bond anticipation note payable	-	2,000,000	2,000,000
Deferred revenue - taxes and other	195,550	-	195,550
Non current liabilities:			
Due within one year	1,857,891	2,700,000	4,557,891
Due in more than one year	15,525,418	6,663,280	22,188,698
Other noncurrent liabilities:			
Net OPEB obligation	27,964,403	10,070,640	38,035,043
Economic development	-	442,493	442,493
Net pension liability - ERS	2,502,735	3,415,006	5,917,741
Net pension liability - PFRS	5,494,198	-	5,494,198
Total liabilities	<u>56,823,759</u>	<u>30,777,930</u>	<u>87,601,689</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension inflows	1,786,845	710,970	2,497,815
Total deferred inflows of resources	<u>1,786,845</u>	<u>710,970</u>	<u>2,497,815</u>
NET POSITION			
Net investment in capital assets	27,450,863	122,823,483	150,274,346
Restricted for:			
Economic development	4,754,135	-	4,754,135
Capital expenditures	1,131,042	-	1,131,042
Plant dismantling	-	4,243,995	4,243,995
Overhaul	-	997,391	997,391
Energy conservation	-	48,641	48,641
Unrestricted	(29,204,360)	16,027,738	(13,176,622)
Total net position	<u>\$ 4,131,680</u>	<u>\$144,141,248</u>	<u>\$148,272,928</u>

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

CITY OF JAMESTOWN, NEW YORK
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

<u>Functions</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Primary Government Business-type Activities</u>	<u>Total</u>
Primary Government:							
<i>Governmental activities:</i>							
General government support	\$ 5,416,260	\$ 864,632	\$ 316,834	\$ 92,170	\$ (4,142,624)	\$ -	\$ (4,142,624)
Public safety	11,361,437	562,754	363,982	-	(10,434,701)	-	(10,434,701)
Public improvements and projects	75,637	-	-	-	(75,637)	-	(75,637)
Streets	3,928,759	48,978	-	1,504,486	(2,375,295)	-	(2,375,295)
Culture and recreation	1,676,782	-	-	-	(1,676,782)	-	(1,676,782)
Home and community service/development	3,180,282	826,856	1,221,747	1,104,409	(27,270)	-	(27,270)
Employee benefits	15,549,398	-	-	-	(15,549,398)	-	(15,549,398)
Debt service	561,716	-	-	-	(561,716)	-	(561,716)
Total Governmental activities	<u>41,750,271</u>	<u>2,303,220</u>	<u>1,902,563</u>	<u>2,701,065</u>	<u>(34,843,423)</u>	<u>-</u>	<u>(34,843,423)</u>
<i>Business-type activities:</i>							
Board of Public Utilities	<u>50,214,316</u>	<u>53,543,553</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,329,237</u>	<u>3,329,237</u>
Total Business-type activities	<u>50,214,316</u>	<u>53,543,553</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,329,237</u>	<u>3,329,237</u>
Total Primary Government	<u>\$ 91,964,587</u>	<u>\$ 55,846,773</u>	<u>\$ 1,902,563</u>	<u>\$ 2,701,065</u>	<u>(34,843,423)</u>	<u>3,329,237</u>	<u>(31,514,186)</u>
General Revenues:							
Property taxes for general purposes					\$ 15,843,412	\$ -	\$ 15,843,412
Sales taxes for general purposes					6,109,549	-	6,109,549
State aid not restricted to specific purpose					5,760,716	-	5,760,716
City's Board of Public Utilities - Payment in lieu of taxes					3,953,730	-	3,953,730
Franchise fees and Utilities gross receipts					489,925	-	489,925
Other unclassified revenue					355,023	-	355,023
Other tax items					323,936	-	323,936
Refund of prior year expenditures					110,678	-	110,678
Investment earnings					<u>31,221</u>	<u>252,588</u>	<u>283,809</u>
Total general revenues					<u>32,978,190</u>	<u>252,588</u>	<u>33,230,778</u>
Change in net position					(1,865,233)	3,581,825	1,716,592
Net position, beginning of year					<u>5,996,913</u>	<u>140,559,423</u>	<u>146,556,336</u>
Net position, end of year					<u>\$ 4,131,680</u>	<u>\$144,141,248</u>	<u>\$148,272,928</u>

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

**CITY OF JAMESTOWN, NEW YORK
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2017**

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
ASSETS:				
Cash and cash equivalents	\$ 2,172,011	\$ 1,491,105	\$ 2,755,599	\$ 6,418,715
Amounts held in custody - health care deposit	131,400	-	-	131,400
Receivables:				
State, Federal, and Local Governments	2,020,977	-	1,110,304	3,131,281
School taxes	1,065,243	-	-	1,065,243
Other	189,418	-	22,300	211,718
Loans, net of allowance of \$693,742 for loan loss	-	-	768,624	768,624
Prepaid expenses:				
Retirement plans	760,202	-	-	760,202
Insurance	75,388	-	-	75,388
Property acquired for taxes and held for sale, net	3,452	-	18,643	22,095
Due from other funds	-	396,097	162,522	558,619
Inventories	67,760	-	-	67,760
Total assets	<u>6,485,851</u>	<u>1,887,202</u>	<u>4,837,992</u>	<u>13,211,045</u>
LIABILITIES:				
Payables:				
Accounts	435,228	312,528	27,857	775,613
School district	1,065,243	-	-	1,065,243
Other	75,079	43,632	56,000	174,711
Accrued liabilities	788,146	-	-	788,146
Accrued health care claims	435,486	-	-	435,486
Retiree health insurance premiums received in advance	44,365	-	-	44,365
Due to other funds	558,619	-	-	558,619
Deferred revenue:				
Federal grants	-	-	28,922	28,922
Restricted grants	-	-	391,936	391,936
Property taxes	167,352	-	-	167,352
Other	31,650	-	144,117	175,767
Total liabilities	<u>3,601,168</u>	<u>356,160</u>	<u>648,832</u>	<u>4,606,160</u>
FUND BALANCES:				
Non spendable	1,034,750	-	-	1,034,750
Restricted:				
Economic development	-	-	4,189,160	4,189,160
Capital expenditures	-	1,531,042	-	1,531,042
Unassigned	1,849,933	-	-	1,849,933
Total fund balances	<u>\$ 2,884,683</u>	<u>\$ 1,531,042</u>	<u>\$ 4,189,160</u>	<u>\$ 8,604,885</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, 2017

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

Total fund balance - governmental funds		\$ 8,604,885
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of these assets is \$87,313,826 and the accumulated depreciation is \$45,324,325.		41,989,501
Long term liabilities, including general obligation bonds, retirement system notes payable, and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		(17,383,309)
The Net OPEB Obligation is not due and payable in the current period and therefore is not reported in the funds.		(27,964,403)
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.		564,975
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.		3,452
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	5,705,654	
Contributions subsequent to measurement date - ERS and PFRS	2,394,703	
<i>Deferred Outflows of Resources:</i>		
Deferred pension inflows - ERS and PFRS	(1,786,845)	
<i>Net Pension Liability - ERS and PFRS</i>	<u>(7,996,933)</u>	<u>(1,683,421)</u>
Total net position - governmental activities		<u>\$ 4,131,680</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, 2017

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
Revenues:				
Real property taxes	\$15,843,412	\$ -	\$ -	\$15,843,412
Real property tax items	323,936	-	-	323,936
Non-property tax items	6,768,709	-	-	6,768,709
Departmental income	782,095	-	399,445	1,181,540
Intergovernmental charges	219,684	-	-	219,684
Use of money and property	795	-	30,424	31,219
Licenses and permits	232,357	-	-	232,357
Fines and forfeitures	72,993	-	-	72,993
Sale of property/compensation for loss	-	200,000	-	200,000
Other unclassified revenue	21,582	142,415	641,592	805,589
Board of Public Utilities - Payment in lieu of taxes	3,953,730	-	-	3,953,730
Refund of prior year expenditures	110,678	-	-	110,678
State aid	7,525,684	-	1,336,307	8,861,991
Federal aid	-	-	1,184,406	1,184,406
Interfund revenues	-	1,101,191	395,000	1,496,191
Total revenues	<u>35,855,655</u>	<u>1,443,606</u>	<u>3,987,174</u>	<u>41,286,435</u>
Expenditures:				
General government support	3,890,403	-	974,939	4,865,342
Public safety	10,806,032	-	217,685	11,023,717
Streets	3,773,034	-	-	3,773,034
Culture and recreation	1,633,305	-	-	1,633,305
Home and community and economic development	841,142	-	1,527,682	2,368,824
Capital outlays	1,101,191	2,522,542	1,445,675	5,069,408
Employee benefits	10,624,290	-	-	10,624,290
Debt service - principal	1,321,079	-	-	1,321,079
Debt service - interest	528,991	-	-	528,991
Total expenditures	<u>34,519,467</u>	<u>2,522,542</u>	<u>4,165,981</u>	<u>41,207,990</u>
Excess (deficiency) revenues over expenditures	<u>1,336,188</u>	<u>(1,078,936)</u>	<u>(178,807)</u>	<u>78,445</u>
Other Sources (Uses):				
Proceeds from issuance of bond anticipation note	-	400,000	-	400,000
Interfund transfers	1,057	(1,057)	-	-
Total other sources (uses)	<u>1,057</u>	<u>398,943</u>	<u>-</u>	<u>400,000</u>
Net change in fund balances	1,337,245	(679,993)	(178,807)	478,445
Fund balances, beginning of year	<u>1,547,438</u>	<u>2,211,035</u>	<u>4,367,967</u>	<u>8,126,440</u>
Fund balances, end of year	<u>\$ 2,884,683</u>	<u>\$ 1,531,042</u>	<u>\$ 4,189,160</u>	<u>\$ 8,604,885</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, 2017**

Net change in fund balances - total governmental funds		\$ 478,445
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 \$4,451,938 exceeded depreciation expense of \$2,851,433 in the current year.		1,600,505
Governmental funds report net 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 net amortization expense in the current year.		(19,487)
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.		(3,784,902)
Governmental funds recognized the net decrease in the liability for compensated absences as an expenditure. The government-wide financial statements recognize the net decrease in the liability for compensated absences as a reduction in the liability.		249,803
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:		
<i>Proceeds from issuance of debt:</i>		
Bond anticipation note	<u>(400,000)</u>	(400,000)
<i>Principal payments:</i>		
General obligation bonds	1,105,000	
Notes payable - Board of Public Utilities	85,313	
Note payable - NYPA	130,766	
Notes payable - NYS Police and Fire Retirement System	<u>47,008</u>	1,368,087
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.		94,794
The government-wide financial statements recognize the gain (loss) from the disposition of fixed assets based upon proceeds from the sale less accumulated depreciation.		(2,223)
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	(390,142)	
NYS Police and Fire Retirement System	<u>(1,060,113)</u>	<u>(1,450,255)</u>
Change in net position of governmental activities		<u>\$ (1,865,233)</u>

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

CITY OF JAMESTOWN, NEW YORK
PROPRIETARY FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Business-type Activities Enterprise Fund <u>Board of Public Utilities</u>
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 5,689,538
Cash and equivalents - Restricted	<u>2,000,000</u>
Total cash and cash equivalents	7,689,538
Cash collateral - derivative	1,018,429
Investments	13,502,349
Interest receivable	42,602
Receivables:	
Accounts, net of allowance of \$524,730	6,384,939
Affiliates	318,692
Inventories, at average cost	1,017,829
Prepaid pension expense	94,994
Prepaid items	2,966,592
Other current and accrued assets	<u>207,909</u>
Total current assets	<u>33,243,873</u>
Other assets:	
Investments - restricted	5,683,879
Notes receivable from City of Jamestown, New York's General Fund	375,321
Non-utility property	377,938
Deposits and prepayments	<u>13,797</u>
Total other assets	<u>6,450,935</u>
Property and equipment, less accumulated depreciation	<u>132,258,781</u>
Charges for future benefits	<u>716,228</u>
Total assets	<u>172,669,817</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred pension outflows	<u>2,960,331</u>
Total deferred outflows of resources	<u>2,960,331</u>

CITY OF JAMESTOWN, NEW YORK
PROPRIETARY FUND
STATEMENT OF NET POSITION (Cont'd)
DECEMBER 31, 2017

	<u>Business-type Activities</u> <u>Enterprise Fund</u> <u>Board of Public Utilities</u>
LIABILITIES:	
Current liabilities:	
Accounts payable and accrued liabilities	5,081,562
Consumer deposits	404,949
Bond anticipation note payable	2,000,000
Current maturities of long-term debt	<u>2,700,000</u>
Total current liabilities	<u>10,186,511</u>
Non-current liabilities:	
Long term debt, less current maturities	6,663,280
Accumulated post employment benefit obligation	10,070,640
Economic development	442,493
Net pension liability	<u>3,415,006</u>
Total non-current liabilities	<u>20,591,419</u>
Total liabilities	<u>30,777,930</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred pension inflows	<u>710,970</u>
Total deferred inflows of resources	<u>710,970</u>
NET POSITION	
Net investment in capital assets	122,823,483
Restricted for:	
Plant dismantling	4,243,995
Overhaul	997,391
Energy conservation	48,641
Unrestricted	<u>16,027,738</u>
Total net position	<u>\$144,141,248</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, 2017

	Business-type Activities Enterprise Fund <u>Board of Public Utilities</u>
Operating Revenues	<u>\$ 53,543,553</u>
Operating Expenses:	
Operations	25,560,557
Administrative and general	8,707,917
Depreciation and amortization	7,149,143
Payments in lieu of taxes to primary government	3,953,730
Taxes	2,633,957
Consumer accounts	1,184,890
Repairs and maintenance	<u>557,785</u>
Total operating expenses	<u>49,747,979</u>
Operating Income	<u>3,795,574</u>
Non-operating Expense (Revenue):	
Interest expense	466,337
Change in fair value of investments	37,065
Interest income	<u>(289,653)</u>
Total non-operating expense, net	<u>213,749</u>
Change in net position	3,581,825
Net position, beginning of year	<u>140,559,423</u>
Net position, end of year	<u>\$144,141,248</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, 2017

	<u>Business-type Activities Enterprise Fund Board of Public Utilities</u>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 53,271,628
Cash paid to suppliers and employees	(37,140,341)
Cash paid for taxes and payments in lieu of taxes	(6,592,445)
Net cash provided by operating activities	<u>9,538,842</u>
Cash Flows from Noncapital Financing Activities:	
Collection of accounts receivable from related parties	(4,250)
Loan principal payments received from City of Jamestown, NY	85,312
Net cash provided by noncapital financing activities	<u>81,062</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(11,473,809)
Principal payments on long-term debt	(2,600,000)
Interest paid on long-term debt	(457,172)
Proceeds from issuance of bond anticipation note	2,000,000
Net cash used in capital and related financing activities	<u>(12,530,981)</u>
Cash Flows from Investing Activities:	
Proceeds from sale of investments	2,000,000
Interest income	302,802
Cash received from premium purchase of investments	42,921
Change in cash collateral - derivative	38,735
Purchase of investments	(3,786)
Net cash provided by investing activities	<u>2,380,672</u>
 Net decrease in cash and cash equivalents	 (530,405)
 Cash and cash equivalents, beginning of year	 <u>8,219,943</u>
 Cash and cash equivalents, end of year	 <u>\$ 7,689,538</u>
Reconciliation of change in net position to net cash provided by operating activities:	
Operating income	\$ 3,795,574
<i>Adjustments to reconcile operating income to net cash provided by operating activities:</i>	
Depreciation and amortization	7,149,143
Pension expense	560,869
<i>Change in operating assets and liabilities:</i>	
Accounts receivable	(522,705)
Inventories	(191,228)
Prepaid items	(796,320)
Charges for future benefits	(36,151)
Other current and accrued assets	60,651
Accounts payable	(864,839)
Other current and accrued liabilities	434,285
Accumulated post employment benefit obligation	74,159
Consumer deposits	(256,671)
Miscellaneous operating reserves	132,075
Net cash provided by operating activities	<u>\$ 9,538,842</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, 2017

	<u>Agency Funds</u>	<u>Recreation Department Trust Funds</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 31,664	\$ 16,751	\$ 48,415
Total assets	<u>31,664</u>	<u>16,751</u>	<u>48,415</u>
Liabilities			
Other liabilities	689	-	689
Amounts held in custody for others	<u>30,975</u>	<u>-</u>	<u>30,975</u>
Total liabilities	<u>31,664</u>	<u>-</u>	<u>31,664</u>
Net Position			
Net position held in trust	<u>-</u>	<u>16,751</u>	<u>16,751</u>
Total net position	<u><u>\$ -</u></u>	<u><u>\$ 16,751</u></u>	<u><u>\$ 16,751</u></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, 2017

	<u>Recreation Department Trust Funds</u>
Additions:	
Special event revenue and entry fees	<u>\$ 20,987</u>
Total additions	<u>20,987</u>
Deductions:	
Culture and recreation	<u>22,401</u>
Total deductions	<u>22,401</u>
Change in net position	(1,414)
Net position:	
Beginning of Year	<u>18,165</u>
End of Year	<u><u>\$ 16,751</u></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 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. Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City only has one item that qualifies for reporting in this category. This is related to pensions reported in the Statement of Net Position. This represents the effect of the net change in the City's proportion of the collective net pension liability and the difference during the measurement period between the City's contributions and its proportional share of total contributions to the pension systems not included in pension expense. Lastly, is the City's contributions to the pension systems subsequent to the measurement date. See details of deferred pension outflows in Note 6.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

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

F. Deferred Inflows/Outflows of Resources (Cont'd)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The City only has one item that qualifies for reporting in this category. This is related to pensions reported in the Statement of Net Position. This represents the effect of the net change in the City's proportion of the collective net pension liability and the difference during the measurement period between the City's contributions and its proportional share of total contributions to the pension systems not included in pension expense. See details of deferred pension outflows in Note 6.

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 5, 2018, 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.

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.

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)

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	\$ 14,156,668
Less Fiduciary Funds cash and equivalents	<u>(48,415)</u>
Total cash and equivalents - Government-wide Statement of Net Position	<u>\$ 14,108,253</u>
Governmental activities	\$ 6,418,715
Business-type activities	<u>7,689,538</u>
	<u>\$ 14,108,253</u>

The City's financial institution (bank) balances at December 31, 2017 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, 2017 was computed as follows:

Five-year Average Full Valuation of Taxable Real Estate (2012-2016)	<u>\$666,572,258</u>
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Constitutional Tax limit

2% of Five-year Average Full Valuation of Taxable Real Estate	<u>\$ 13,331,445</u>
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2017 Tax Levy less Statutory Exclusions

Total tax levy for 2017	<u>\$ 15,844,270</u>
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Statutory Exclusions from Constitutional Tax Limit:

Debt service for General Obligation Bonds	(1,625,175)
Budgetary appropriations for capital expenditures	<u>(887,650)</u>
Total statutory exclusions	<u>(2,512,825)</u>

Tax levy subject to constitutional tax limit	<u>\$ 13,331,445</u>
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Constitutional tax margin	<u>\$ 0</u>
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Constitutional Tax Limit

For 2017, the City's tax levy (subject to the constitutional tax limit) totaled \$13,331,445 which was 100.00% of its constitutional tax limit of \$13,331,445.

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 judgments 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 2017 was \$15,801,315. Subdivision 5 of General Municipal Law Section 3-c, expressly authorizes a local government's governing body to override the property tax cap for the coming fiscal year by the adoption of a local law approved by a vote of sixty percent (60%) of said governing body. The City council voted to override the City's 2017 property tax cap of \$15,801,315.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 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
<i>Total capital assets not being depreciated</i>	<u>1,207,755</u>	<u>-</u>	<u>-</u>	<u>1,207,755</u>
<i>Capital assets being depreciated:</i>				
Infrastructure	34,515,612	2,841,985	-	37,357,597
Buildings and structures	26,735,573	969,407	-	27,704,980
Equipment	17,450,592	495,205	-	17,945,797
Vehicles	<u>3,021,619</u>	<u>185,933</u>	<u>(109,855)</u>	<u>3,097,697</u>
<i>Total capital assets being depreciated</i>	<u>81,723,396</u>	<u>4,492,530</u>	<u>(109,855)</u>	<u>86,106,071</u>
<i>Less accumulated depreciation:</i>				
Infrastructure	13,902,683	1,119,921	-	15,022,604
Buildings and structures	13,537,157	612,765	-	14,149,922
Equipment	12,581,777	932,741	-	13,514,518
Vehicles	<u>2,518,315</u>	<u>186,006</u>	<u>(67,040)</u>	<u>2,637,281</u>
<i>Total accumulated depreciation</i>	<u>42,539,932</u>	<u>2,851,433</u>	<u>(67,040)</u>	<u>45,324,325</u>
<i>Total capital assets being depreciated, net</i>	<u>39,183,464</u>	<u>1,641,097</u>	<u>(42,815)</u>	<u>40,781,746</u>
Governmental activities capital assets, net	<u>\$40,391,219</u>	<u>\$ 1,641,097</u>	<u>\$ (42,815)</u>	<u>\$41,989,501</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, 2017 is summarized as follows:

Governmental activities:

General support	\$ 550,918
Public safety	335,497
Streets	715,083
Culture and recreation	43,477
Home and Community	<u>1,206,458</u>
Total depreciation expense	<u>\$ 2,851,433</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	\$ 1,904,077	\$ -	\$ -	\$ 1,904,077
Construction in progress	<u>13,729,240</u>	<u>7,494,773</u>	<u>(16,285,227)</u>	<u>4,938,786</u>
<i>Total capital assets not being depreciated</i>	<u>15,633,317</u>	<u>7,494,773</u>	<u>(16,285,227)</u>	<u>6,842,863</u>
<i>Capital assets being depreciated:</i>				
Electric Division	156,397,139	12,355,204	(11,141,635)	157,610,708
Waste Water Division	44,789,694	1,449,889	(83,450)	46,156,133
Water Division	39,786,925	984,687	(37,951)	40,733,661
Solid Waste Division	3,053,380	197,164	-	3,250,544
District Heat Division	<u>11,719,121</u>	<u>28,039</u>	<u>-</u>	<u>11,747,160</u>
<i>Total capital assets being depreciated</i>	<u>255,746,259</u>	<u>15,014,983</u>	<u>(11,263,036)</u>	<u>259,498,206</u>
<i>Less accumulated depreciation:</i>				
Electric Division	86,981,407	5,246,033	(16,841,849)	75,385,591
Waste Water Division	29,544,637	817,824	-	30,362,461
Water Division	17,339,297	684,495	-	18,023,792
Solid Waste Division	1,394,513	226,262	-	1,620,775
District Heat Division	<u>8,216,636</u>	<u>473,033</u>	<u>-</u>	<u>8,689,669</u>
<i>Total accumulated depreciation</i>	<u>143,476,490</u>	<u>7,447,647</u>	<u>(16,841,849)</u>	<u>134,082,288</u>
<i>Total capital assets being depreciated, net</i>	<u>112,269,769</u>	<u>7,567,336</u>	<u>5,578,813</u>	<u>125,415,918</u>
Business-type activities capital assets, net	<u>\$127,903,086</u>	<u>\$ 15,062,109</u>	<u>\$ (10,706,414)</u>	<u>\$132,258,781</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, 2017 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	\$ 5,020,813	\$ 70,145	\$ 155,075	\$ 5,246,033
Waste Water Division	817,824	-	-	817,824
Water Division	684,495	-	-	684,495
Solid Waste Division	226,262	-	-	226,262
District Heat Division	<u>473,033</u>	<u>-</u>	<u>-</u>	<u>473,033</u>
Total depreciation expense	<u>\$ 7,222,427</u>	<u>\$ 70,145</u>	<u>\$ 155,075</u>	<u>\$ 7,447,647</u>

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM DEBT

Constitutional Debt Limit

As of December 31, 2017, the City's constitutional debt limit is computed as follows:

Five-year Average Full Valuation of Taxable Real Estate (2013-2017)	<u>\$667,930,864</u>
Constitutional debt limit - 7% of Five-year Average Full Valuation of Taxable Real Estate	\$ 46,672,565
Indebtedness subject to constitutional debt limit - Governmental activities	<u>15,099,000</u>
Net Debt Contracting Margin	<u>\$ 31,573,565</u>
Percentage of Debt Contracting Power Exhausted	<u>32.35%</u>

Summary of Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended December 31, 2017 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	\$15,435,000	\$ -	\$ (1,105,000)	\$14,330,000	\$ 1,135,000
Unamortized premium	3,029	-	(881)	2,148	881
Less debt issuance costs	<u>(189,199)</u>	<u>-</u>	<u>20,368</u>	<u>(168,831)</u>	<u>(20,368)</u>
	<u>15,248,830</u>	<u>-</u>	<u>(1,085,513)</u>	<u>\$14,163,317</u>	<u>\$ 1,115,513</u>
 Bond anticipation note	 <u>-</u>	 <u>400,000</u>	 <u>-</u>	 <u>400,000</u>	 <u>400,000</u>
 <i>Notes payable:</i>					
Board of Public Utilities:					
Note payable-Electric Division	413,438	-	(79,421)	334,017	80,889
Note payable-District Heat Division	47,196	-	(5,892)	41,304	6,000
Note payable - NYPA (Via BPU)	130,766	-	(130,766)	-	-
NYS Police/Fire Retirement System	<u>420,246</u>	<u>-</u>	<u>(47,008)</u>	<u>373,238</u>	<u>48,489</u>
	<u>1,011,646</u>	<u>-</u>	<u>(263,087)</u>	<u>748,559</u>	<u>135,378</u>
 Subtotal for bonds and notes	 16,260,476	 400,000	 (1,348,600)	 15,311,876	 1,650,891
 Compensated absences	 <u>2,321,236</u>	 <u>-</u>	 <u>(249,803)</u>	 <u>2,071,433</u>	 <u>207,000</u>
 Total Governmental activities	 <u>\$18,581,712</u>	 <u>\$ 400,000</u>	 <u>\$ (1,598,403)</u>	 <u>\$17,383,309</u>	 <u>\$ 1,857,891</u>
 <u>Business-type Activities:</u>					
General obligation bonds and notes	\$11,930,000	\$ -	\$ (2,600,000)	\$ 9,330,000	\$ 2,700,000
Unamortized premium	<u>37,819</u>	<u>-</u>	<u>(4,539)</u>	<u>33,280</u>	<u>4,538</u>
 Total Business-type activities	 <u>\$11,967,819</u>	 <u>\$ -</u>	 <u>\$ (2,604,539)</u>	 <u>\$ 9,363,280</u>	 <u>\$ 2,704,538</u>

Unamortized Premium and Issuance Costs

	<u>Outstanding Principal</u>	<u>Unamortized Premium</u>	<u>Unamortized Issuance Costs</u>
2006 Refunding Serial Bonds	\$ 165,000	\$ 2,148	\$ -
2013 Public Improvement Bonds	<u>4,890,000</u>	<u>-</u>	<u>(168,831)</u>
	<u>\$ 5,055,000</u>	<u>\$ 2,148</u>	<u>\$ (168,831)</u>

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

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

Governmental Activities - Additional Debt Disclosures:

General Obligation Bonds

Description	Final Maturity	Interest Rate	Beginning of Year	Additions	Retired	End of Year
2006A Bond Refunding	2019	3.5%-4.50%	\$ 145,000	\$ -	\$ (50,000)	\$ 95,000
2006C Bond Refunding	2020	3.5%-4.00%	95,000	-	(25,000)	70,000
2010A Public Improvement	2025	4.0%-4.25%	3,205,000	-	(300,000)	2,905,000
2011A Public Improvement	2026	3.5%-4.25%	2,975,000	-	(250,000)	2,725,000
2013 Public Improvement	2030	2.0%-4.00%	5,220,000	-	(330,000)	4,890,000
2015 Public Improvement	2035	2.25%-4.00%	3,795,000	-	(150,000)	3,645,000
			<u>\$15,435,000</u>	<u>\$ -</u>	<u>\$ (1,105,000)</u>	<u>\$14,330,000</u>

Bond Anticipation Note

On September 20, 2017, the City issued a \$400,000 bond anticipation note at 1.32% due September 20, 2018.

Notes Payable

As of December 31, 2017, notes payable were comprised of the following:

	Amount
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.	\$ 334,017
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.	41,304
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>373,238</u>
	<u>\$ 748,559</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.

Governmental-activities Debt Service Requirements

The annual debt service requirements to maturity for general obligation bonds and notes, as of December 31, 2017 are as follows:

Year	General Obligation Bonds		Other Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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	1,170,000	363,598	146,006	8,326	1,316,006	371,924
2022	1,215,000	321,235	61,393	5,596	1,276,393	326,831
2023-2027	5,520,000	943,605	125,097	5,648	5,645,097	949,253
2028-2032	2,205,000	263,315	-	-	2,205,000	263,315
2033-2035	760,000	37,385	-	-	760,000	37,385
Totals	<u>\$14,330,000</u>	<u>\$ 3,259,265</u>	<u>\$ 748,559</u>	<u>\$ 64,865</u>	<u>\$15,078,559</u>	<u>\$ 3,324,130</u>

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

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

Governmental-activities Debt Service Requirements (Cont'd)

Year	Unamortized Premium	Unamortized Debt Issuance Costs
2018	\$ 881	\$ (20,368)
2019	881	(20,368)
2020	386	(15,491)
2021	-	(11,649)
2022	-	(11,649)
2023-2027	-	(58,245)
2028-2030	-	(31,061)
	<u>\$ 2,148</u>	<u>\$ (168,831)</u>

Business-type Activities - Additional Debt Disclosures:

Bonds Payable

Description	Final Maturity	Interest Rate	Beginning of Year	Additions	Retired	End of Year
<i>Electric:</i>						
2006 Bond Refunding	2019	4.85-5.00%	\$ 6,745,000	\$ -	\$ (2,155,000)	\$ 4,590,000
2015 Bond Refunding	2025	1.00-2.375%	2,305,000	-	(275,000)	2,030,000
<i>District Heating:</i>						
2010A General Obligation Bond	2030	4.00-4.50%	2,390,000	-	(130,000)	2,260,000
Improvement Bond	2026	4.00-5.00%	490,000	-	(40,000)	450,000
			11,930,000	\$ -	\$ (2,600,000)	\$ 9,330,000
<i>Unamortized Premium</i>			37,819	-	(4,539)	33,280
			<u>\$11,967,819</u>	<u>\$ -</u>	<u>\$ (2,604,539)</u>	<u>\$ 9,363,280</u>

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, 2017 are as follows:

Year	Principal	Unamortized Premium	Interest	Total
2018	\$ 2,700,000	\$ 4,538	\$ 340,176	\$ 3,044,714
2019	2,795,000	4,538	237,132	3,036,670
2020	455,000	4,538	130,217	589,755
2021	450,000	4,538	116,569	571,107
2022	460,000	4,538	102,506	567,044
2023-2027	1,835,000	10,590	292,000	2,137,590
2028-2030	635,000	-	42,888	677,888
Totals	<u>\$ 9,330,000</u>	<u>\$ 33,280</u>	<u>\$ 1,261,488</u>	<u>\$10,624,768</u>

Bond Anticipation Note

On March 8, 2017, the Electric Division issued a \$2,000,000 bond anticipation note at 1.48% due March 8, 2018.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

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.

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.

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)

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>Department Of</u>			
	<u>General Fund</u>	<u>Development</u>	<u>General Fund</u>	<u>Board of Public Utilities</u>
	<u>NYS and Local</u>	<u>NYS and Local</u>	<u>NYS and Local</u>	<u>NYS and Local</u>
	<u>Employees</u>	<u>Employees</u>	<u>Police and Fire</u>	<u>Employees</u>
2017	\$ 924,036	\$ 71,197	\$2,177,017	\$1,337,901
2016	\$ 950,252	\$ 70,429	\$2,188,383	\$1,329,650
2015	\$1,065,971	\$ 66,366	\$2,082,692	\$1,393,399

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

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

At December 31, 2017, 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, 2017. The total pension asset (liability) used to calculate the net pension asset (liability) was determined by an actuarial valuation as of April 1, 2016. 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, 2017	March 31, 2017
Net pension asset (liability)	\$(5,917,741)	\$(5,494,198)
City's portion of the Plan's total		
Net Pension Liability	0.0614446%	.2650806%
Change in proportion since prior measurement date	.0009608	(.0006133)

The ERS net liability of \$5,917,741 is recognized as follows: Governmental Activities \$2,502,735 and; Business-type Activities \$3,415,006. The PFRS net liability of \$5,494,198 is recognized in Governmental Activities.

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, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Cont'd)

Governmental Activities:

For the year ended December 31, 2017, the City's Governmental Activities recognized pension expense of \$1,386,067 for ERS and \$3,170,109 for PFRS. At December 31, 2017, the City's Governmental Activities reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	<u>ERS</u>	<u>PFRS</u>	<u>ERS</u>	<u>PFRS</u>
Differences between expected and actual experience	\$ 62,716	\$ 720,744	\$ 380,054	\$ 949,276
Changes in assumptions	499,898	820,550	-	-
Net difference between projected and actual investment earnings on plan investments	855,025	2,706,760	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	39,961	-	146,590	310,925
City's contributions subsequent to measurement date	<u>746,879</u>	<u>1,647,824</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$2,204,479</u></u>	<u><u>\$5,895,878</u></u>	<u><u>\$ 526,644</u></u>	<u><u>\$1,260,201</u></u>

Business-Type Activities:

For the year ended December 31, 2017, the City's Business-type Activities recognized pension expense of \$1,896,698 for ERS. At December 31, 2017, the City's Business-type Activities reported deferred outflows of resources and deferred inflows of resources related to pensions follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>ERS</u>	<u>ERS</u>
Differences between expected and actual experience	\$ 85,577	\$ 518,589
Changes in assumptions	1,166,692	-
Net difference between projected and actual investment earnings on plan investments	682,114	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	22,522	192,381
BPU's contributions subsequent to measurement date	<u>1,003,426</u>	<u>-</u>
Total	<u><u>\$2,960,331</u></u>	<u><u>\$ 710,970</u></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, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Cont'd)

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, 2018. 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:

<u>Year ended March 31,</u>	<u>ERS</u>		<u>PFRS</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
2018	\$ 436,169	\$ 583,020	\$1,013,650
2019	\$ 436,169	\$ 583,020	\$1,013,650
2020	\$ 403,391	\$ 551,195	\$ 952,408
2021	\$ (344,773)	\$ (471,300)	\$ (99,199)
2022	\$ -	\$ -	\$ 107,344
Thereafter	\$ -	\$ -	\$ -

Actuarial Assumptions

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

	<u>ERS</u>	<u>PFRS</u>
Inflation	2.5%	2.5%
Salary increases	3.8%	4.5%
Investment rate of return	7.0%	7.0%
Cost of living adjustments	1.3%	1.3%
Decrement tables	April 1, 2010 - March 31, 2015	April 1, 2010 - March 31, 2015

For ERS and PFRS, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 Systems's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014. The actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

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, 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 return, 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 for the ERS and PFRS as of March 31, 2017 are summarized below:

	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
<i>Asset type:</i>		
Domestic equity	36.0%	4.6%
International equity	14.0%	6.4%
Private equity	10.0%	7.8%
Real estate	10.0%	5.8%
Absolute return strategy investments	2.0%	4.0%
Opportunistic portfolio	3.0%	5.9%
Real assets	3.0%	5.5%
Bonds and mortgages	17.0%	1.3%
Cash	1.0%	(0.3%)
Inflation-indexed bonds	4.0%	1.5%
	<u>100.0%</u>	

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% 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 determined. 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, 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 7.0% 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 (6.0%) or 1% higher (8.0%) than the current rate:

	1% Decrease <u>6.0%</u>	Current Discount <u>7.0%</u>	1% Increase <u>8.0%</u>
<u>ERS</u>			
Employer's proportionate share of the Net pension asset (liability)	\$(18,900,092)	\$ (5,917,741)	\$ 5,058,813
<u>PFRS</u>			
Employer's proportionate share of the Net pension asset (liability)	\$(15,575,733)	\$ (5,494,198)	\$ 2,961,742

Pension Plan Fiduciary Net Position

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

	<u>ERS</u> <u>(Dollars in Thousands)</u>	<u>PFRS</u> <u>(Dollars in Thousands)</u>
Employers' total pension liability	\$177,400,586	\$ 31,670,483
Plan net position	<u>168,004,363</u>	<u>29,597,830</u>
Employers' net position liability	<u>\$ 9,396,223</u>	<u>\$ 2,072,653</u>
Ratio of Plan net position to the employers' total pension liability	<u>94.7%</u>	<u>93.5%</u>

Prepaid Pension Plan Expense

Employer contributions are paid annually based on the Systems fiscal year which ends on March 31st. Prepaid retirement contributions as of December 31, 2017 represent the employer contribution for the period January 1, 2018 through March 31, 2018 based upon paid wages multiplied by the employers' contribution rate by tier.

Prepaid retirement contributions as of December 31, 2017 were comprised of the following:

Governmental Activities:

ERS	\$ 248,960
PFRS	<u>529,193</u>
	<u>\$ 778,153</u>

Business-type Activities:

ERS	<u>\$ 334,475</u>
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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, 2017.

Annual OPEB Cost and Net OPEB Obligation

	<u>Governmental Activities</u>	<u>Business type Activities</u>	<u>Total</u>
Annual Required Contribution (ARC)	\$ 7,524,588	\$ 427,710	\$ 7,952,298
Interest on net OPEB Obligation	967,180	399,859	1,367,039
Adjustment to annual required contribution	<u>(1,044,493)</u>	<u>(431,823)</u>	<u>(1,476,316)</u>
Annual OPEB Cost	7,447,275	395,746	7,843,021
Less expected Contributions	<u>(3,662,373)</u>	<u>(321,587)</u>	<u>(3,983,960)</u>
Increase in Net OPEB Obligation	3,784,902	74,159	3,859,061
Net OPEB obligation, beginning	<u>24,179,501</u>	<u>9,996,481</u>	<u>34,175,982</u>
Net OPEB obligation, end	<u><u>\$ 27,964,403</u></u>	<u><u>\$ 10,070,640</u></u>	<u><u>\$ 38,035,043</u></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

	<u>Governmental</u> <u>Activities</u>	<u>Business type</u> <u>Activities</u>	<u>Total</u>
Actuarial Accrued Liability (AAL)	\$124,482,644	\$ 6,686,235	\$131,168,879
Actuarial Value of Plan Assets	<u>0</u>	<u>0</u>	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	\$124,482,644	\$ 6,686,235	\$131,168,879
Covered Payroll	\$ 16,574,399	\$ 4,525,253	\$ 21,099,652
Ratio of the unfunded actuarial accrued liability to covered payroll	<u>751.05%</u>	<u>147.75%</u>	<u>621.66%</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 initial medical trend rate of 5.5% for 2017, and an ultimate medical trend rate of 3.8%. Both rates include a 2.2% inflation rate 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, 2017 as follows:

	<u>Due From</u>	<u>Due To</u>	<u>Transfer-In</u>	<u>Transfer-Out</u>
General Fund	\$ -	\$ 558,619	\$ 1,057	\$ -
Capital Projects Fund	396,097	-	-	1,057
Special Revenue Fund	162,522	-	-	-
	<u>\$ 558,619</u>	<u>\$ 558,619</u>	<u>\$ 1,057</u>	<u>\$ 1,057</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 - GENERAL FUND BUDGET AMENDMENTS

Original budget	<u>\$35,023,494</u>
<i>Amendments:</i>	
General government support	218,563
Public safety	(84,374)
Streets	128,881
Culture and recreation	(53,937)
Home and community services	5,152
Capital outlays	203,273
Employee benefits	(205,635)
Debt service - interest	153
Total amendments	<u>212,076</u>
Revised budget	<u>\$35,235,570</u>

NOTE 10 - 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.

NOTE 11 - TAX ABATEMENTS

The County of Chautauqua, New York, entered into various property tax abatement programs for the purpose of economic development and job creation. For the year ended December 31, 2017, the City's property tax revenue was reduced \$228,106. The City received Payment in Lieu of Tax (PILOT) payments totaling \$82,076.

NOTE 12 - LABOR NEGOTIATIONS

The collective bargaining agreement for the police officers' union expired on December 31, 2015. Negotiations and mediation have failed to produce a new agreement. Interest arbitration hearings were conducted during the Spring of 2018. The decision of the tripartite arbitration panel has not been awarded as of the date of this report.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 13 - 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.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 13 - BUSINESS-TYPE ACTIVITIES DISCLOSURES (Board of Public Utilities) (Cont'd)

1. Summary of Accounting Policies (Cont'd)

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.

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 had one item 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 had 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 13 - 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 \$524,730 as of December 31, 2017.

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.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 13 - BUSINESS-TYPE ACTIVITIES DISCLOSURES (Board of Public Utilities) (Cont'd)

1. Summary of Accounting Policies (Cont'd)

Derivative Instruments (Cont'd)

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 58 natural gas futures contracts measured in dekatherms (dth) at December 31, 2017. As such, the Electric Division is exposed to concentrations or credit risk related to these contracts.

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 as of December 31, 2017. Cash collateral at December 31, 2017 was \$1,018,429, and is included in 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 17, 2018, 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 13 - 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 (including restricted investments) and maturities of the Board of Public Utilities investment securities with interest rate risk as of December 31, 2017:

<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>\$19,186,228</u>	<u>\$ 1,996,327</u>	<u>\$ 1,997,344</u>	<u>\$15,192,557</u>	<u>\$ -</u>

3. Charges for Future Benefits

As of December 31, 2017, non-current assets include charges for future benefits and were comprised of the following: Compensated absences \$716,228.

The Electric Division has elected to defer the recognition of the expense for compensated absences pursuant to the provisions of FASB Accounting Standards Codification. These accrued costs will be included as allowable costs for rate-making purposes when paid. The Water and Waste Water Divisions recognize the expense of compensated absences when paid. Accordingly, the expense has been deferred subject to the provisions of the Topics of Codification.

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'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 overhaul reserve were \$1,047,732 for the year ended December 31, 2017.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 13 - BUSINESS-TYPE ACTIVITIES DISCLOSURES (Board of Public Utilities) (Cont'd)

4. Restricted Net Position (Cont'd)

Energy Conservation

The program provides the Electric Division's community with information needed to understand why they should change their energy usage habits and educate them on becoming more energy responsible.

5. Other non-current liability - Economic Development

At December 31, 2017, non-current liabilities include \$442,493 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. Additional Disclosures - Electric Division

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 12.7% of Electric System revenue for the year ended December 31, 2017.

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.

Commitments

On October 13, 2016, the Board authorized the BPU's General Manager to enter into an asset purchase agreement with EmKey Transportation Inc. for the purchase of all the assets, and none of the liabilities, of EmKey Transportation Inc. for the sum of \$5,400,000, subject to review and approval by counsel and the Public Service Commission (PSC). As of the date of these financial statements, this acquisition was still under review by the PSC. The BPU issued a \$2,000,000 bond anticipation note during the year ended December 31, 2017 to provide partial funding for this acquisition.

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

YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues:				
Real property taxes	\$15,844,270	\$15,844,270	\$15,843,412	\$ (858)
Real property tax items	320,000	320,000	323,936	3,936
Non-property tax items	6,618,000	6,618,000	6,768,709	150,709
Departmental income	868,000	868,000	782,095	(85,905)
Intergovernmental charges	213,000	213,000	219,684	6,684
Use of money and property	3,000	3,000	795	(2,205)
Licenses and permits	230,700	230,700	232,357	1,657
Fines and forfeitures	80,000	80,000	72,993	(7,007)
Other unclassified revenue	20,000	28,803	21,582	(7,221)
Board of Public Utilities -				
Payments in lieu-of-taxes	3,764,000	3,764,000	3,953,730	189,730
Refund of prior year expenditures	150,000	150,000	110,678	(39,322)
State aid	<u>6,911,524</u>	<u>7,114,797</u>	<u>7,525,684</u>	<u>410,887</u>
Total revenues	<u>35,022,494</u>	<u>35,234,570</u>	<u>35,855,655</u>	<u>621,085</u>
Expenditures:				
General government support	\$ 3,723,740	\$ 3,942,303	\$ 3,890,403	\$ 51,900
Public safety	11,077,268	10,992,894	10,806,032	186,862
Streets	3,730,918	3,859,799	3,773,034	86,765
Culture and recreation	1,703,733	1,649,796	1,633,305	16,491
Home and community services	837,000	842,152	841,142	1,010
Capital outlays	897,918	1,101,191	1,101,191	-
Employee benefits	11,203,000	10,997,365	10,624,290	373,075
Debt service-principal	1,321,079	1,321,079	1,321,079	-
Debt service-interest	<u>528,838</u>	<u>528,991</u>	<u>528,991</u>	<u>-</u>
Total expenditures	<u>35,023,494</u>	<u>35,235,570</u>	<u>34,519,467</u>	<u>716,103</u>
Excess (deficiency) of revenues over expenditures	<u>(1,000)</u>	<u>(1,000)</u>	<u>1,336,188</u>	<u>1,337,188</u>
Other Sources:				
Transfers in from other funds	<u>1,000</u>	<u>1,000</u>	<u>1,057</u>	<u>57</u>
Total other sources	<u>1,000</u>	<u>1,000</u>	<u>1,057</u>	<u>57</u>
Excess of revenues and other sources over expenditures	-	-	1,337,245	1,337,245
Fund balance, beginning of year	<u>1,547,438</u>	<u>1,547,438</u>	<u>1,547,438</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,547,438</u>	<u>\$ 1,547,438</u>	<u>\$ 2,884,683</u>	<u>\$ 1,337,245</u>

See Independent Auditor's Report.

CITY OF JAMESTOWN, NEW YORK

**SCHEDULE OF FUNDING PROGRESS FOR OPEB OBLIGATIONS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Schedule of Funding Progress

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
1. Actuarial Accrued Liability (AAL)	\$124,482,644	\$ 6,686,235	\$121,593,091
2. Actuarial Value of Plan Assets	0	0	0
3. Unfunded Actuarial Accrued Liability (UAAL)	\$124,482,644	\$ 6,686,235	\$121,593,091
4. Funded Ratio (3. Divided by 2.)	0%	0%	0%
5. Annual Covered Payroll	\$ 16,574,399	\$ 4,525,253	\$ 21,283,271
6. Ratio of the unfunded actuarial accrued liability to covered payroll	<u>751.05%</u>	<u>147.75%</u>	<u>571.31%</u>

Schedule of Employer Contributions

	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
<u>Governmental Activities</u>			
December 31, 2017	\$ 7,447,275	\$ 3,662,373	49.18%
December 31, 2016	\$ 7,039,040	\$ 3,335,675	47.39%
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%
<u>Business-type Activities</u>			
December 31, 2017	\$ 395,746	\$ 321,587	81.26%
December 31, 2016	\$ 395,891	\$ 350,645	88.51%
December 31, 2015	\$ 554,353	\$ 354,578	63.96%

Schedule of Funding Progress

Governmental Activities

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
12/31/17	\$0	\$124,482,464	\$124,482,464	0.00%	\$16,574,399	751.05%
12/31/16	\$0	\$114,906,856	\$114,906,856	0.00%	\$16,642,157	690.46%
12/31/15	\$0	\$ 90,953,024	\$ 90,953,024	0.00%	\$16,061,447	566.28%
12/31/14	\$0	\$ 91,494,970	\$ 91,494,970	0.00%	\$16,229,903	563.74%
12/31/13	\$0	\$ 98,217,420	\$ 98,217,240	0.00%	\$14,939,343	657.44%

Business-type Activities

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
12/31/16	\$0	\$ 6,686,235	\$ 6,686,235	0.00%	\$ 4,525,253	147.75%
12/31/14	\$0	\$ 8,702,820	\$ 8,702,820	0.00%	\$ 7,462,956	116.61%
12/31/12	\$0	\$ 8,973,435	\$ 8,973,435	0.00%	\$ 7,834,877	114.53%

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, NY
Required Supplementary Information
Schedule of City Contributions
Last 10 Fiscal Years

	<i>Police and Fire Retirement System - Governmental Activities</i>									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 2,177,017	\$ 2,188,383	\$ 2,082,692	\$ 2,480,027	\$ 2,366,903	\$ 1,951,100	\$ 1,822,960	\$ 1,388,768	\$ 1,125,961	\$ 1,292,528
Contributions in relation to contractually required contribution	2,177,017	2,188,383	2,082,692	2,480,027	2,366,903	1,951,100	1,822,960	1,388,768	1,125,961	1,292,528
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered employee payroll	\$ 9,261,033	\$ 9,132,062	\$ 8,515,335	\$ 8,605,271	\$ 8,095,166	\$ 7,900,008	\$ 8,210,013	\$ 7,894,832	\$ 8,123,060	\$ 8,428,335
Contributions as a percentage of covered-employee payroll	24%	24%	24%	29%	29%	25%	22%	18%	14%	15%
	<i>Employees' Retirement System - Governmental Activities</i>									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 995,233	\$ 1,020,681	\$ 1,132,337	\$ 1,236,030	\$ 1,344,693	\$ 1,084,669	\$ 1,039,281	\$ 708,764	\$ 446,253	\$ 545,796
Contributions in relation to contractually required contribution	995,233	1,020,681	1,132,337	1,236,030	1,344,693	1,084,669	1,039,281	708,764	446,253	545,796
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered employee payroll	\$ 6,658,116	\$ 6,564,819	\$ 6,397,807	\$ 6,456,423	\$ 6,516,625	\$ 6,179,488	\$ 6,372,406	\$ 6,382,768	\$ 6,470,105	\$ 6,379,633
Contributions as a percentage of covered-employee payroll	15%	16%	18%	19%	21%	18%	16%	11%	7%	9%
	<i>Employees' Retirement System - Business-type Activities</i>									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 1,337,901	\$ 1,329,650	\$ 1,393,999	\$ 1,564,057	\$ 1,684,749	\$ 1,549,820	\$ 1,219,062	\$ 900,758	\$ 566,704	\$ 587,793
Contributions in relation to contractually required contribution	1,337,901	1,329,650	1,393,999	1,564,057	1,684,749	1,549,820	1,219,062	900,758	566,704	587,793
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll - Board of Public Utilities	\$ 9,443,838	\$ 9,258,282	\$ 8,546,134	\$ 8,944,723	\$ 8,864,599	\$ 8,408,088	\$ 8,004,104	\$ 8,117,200	\$ 8,133,081	\$ 7,966,093
Contributions as a percentage of covered-employee payroll	14%	14%	16%	17%	19%	18%	15%	11%	7%	7%

See Independent Auditor's Report.

City of Jamestown, NY
Required Supplementary Information
Schedule of City's Proportionate Share
of the Net Pension Liability
Last 3 Fiscal Years

	<i>Police and Fire Retirement System - Government wide</i>									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
City's proportion of the net pension liability	0.2650806%	0.2712136%	0.2725067%	-	-	-	-	-	-	-
City's proportionate share of the net pension liability	\$ 5,494,198	\$ 8,030,057	\$ 750,101	-	-	-	-	-	-	-
City's covered payroll	\$ 9,261,033	\$ 9,132,062	\$ 8,515,335	-	-	-	-	-	-	-
City's proportion of the net pension liability as a percentage of its covered payroll	59%	88%	9%	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	93.5%	90.2%	99.0%							
	<i>Employees' Retirement System - Government wide</i>									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
City's proportion of the net pension liability	0.0614446%	0.0604838%	0.0600616%	-	-	-	-	-	-	-
City's proportionate share of the net pension liability	\$ 5,917,741	\$ 9,991,195	\$ 2,029,029	-	-	-	-	-	-	-
City's covered payroll	\$ 16,101,954	\$ 15,823,101	\$ 14,943,941	-	-	-	-	-	-	-
City's proportion of the net pension liability as a percentage of its covered payroll	37%	63%	14%	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	94.7%	90.7%	97.9%							

See Independent Auditor's Report.

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

DECEMBER 31, 2017

	<u>Special Revenue</u>	<u>Department Of Development</u>	<u>Totals</u>
Assets			
Cash and cash equivalents	\$ 7,504	\$ 2,748,095	\$ 2,755,599
Account receivable:			
Governments	142,904	967,400	1,110,304
Other	-	22,300	22,300
Loans receivable, net of allowance of \$693,742 for loan loss	-	768,624	768,624
Due from other funds	162,522	-	162,522
Real property held for sale	-	18,643	18,643
Total assets	<u>312,930</u>	<u>4,525,062</u>	<u>4,837,992</u>
Liabilities			
Account payable and accrued expenses	-	27,857	27,857
Amounts held in project escrow	-	56,000	56,000
Deferred revenue:			
Restricted grants	312,930	79,006	391,936
Federal grants	-	28,922	28,922
Other	-	144,117	144,117
Total liabilities	<u>312,930</u>	<u>335,902</u>	<u>648,832</u>
Fund Balance			
Reserved for:			
Economic development	-	4,189,160	4,189,160
Total fund balance	<u>\$ -</u>	<u>\$ 4,189,160</u>	<u>\$ 4,189,160</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, 2017

	<u>Special Revenue</u>	<u>Department Of Development</u>	<u>Totals</u>
Revenues:			
Departmental income	\$ -	\$ 399,445	\$ 399,445
Use of money and property	-	30,424	30,424
Local sources and other revenue	255,691	385,901	641,592
Interfund revenues	-	395,000	395,000
State aid	188,287	1,148,020	1,336,307
Federal aid	<u>17,055</u>	<u>1,167,351</u>	<u>1,184,406</u>
Total revenues	<u>461,033</u>	<u>3,526,141</u>	<u>3,987,174</u>
Expenditures:			
General government support	57,852	917,087	974,939
Public safety	217,685	-	217,685
Home and community	-	1,121,988	1,121,988
Capital outlays	185,496	1,260,179	1,445,675
Economic development	<u>-</u>	<u>405,694</u>	<u>405,694</u>
Total expenditures	<u>461,033</u>	<u>3,704,948</u>	<u>4,165,981</u>
Excess (deficiency) of revenues over expenditures	-	(178,807)	(178,807)
Fund balance, beginning of year	<u>-</u>	<u>4,367,967</u>	<u>4,367,967</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ 4,189,160</u></u>	<u><u>\$ 4,189,160</u></u>

See Independent Auditor's Report.

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

YEAR ENDED DECEMBER 31, 2017

<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	\$ 917,436
Home Investment Partnership Program (HOME)	14.239	<u>204,552</u>
Total U.S. Department of Housing and Urban Development		<u>\$ 1,121,988</u>
<u>U.S. Environmental Protection Agency</u>		
<i>Direct Program:</i>		
Brownfields Assessment and Cleanup Cooperative	66.818	\$ 45,363
Total U.S. Environmental Protection Agency		<u>\$ 45,363</u>
<u>U.S. Department of Justice</u>		
<i>Direct Program:</i>		
Edward Byrne Justice Assistance Grant	16.738	\$ 17,055
Total U.S. Department of Justice		<u>\$ 17,055</u>
Total Federal Expenditures		<u>\$ 1,184,406</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, 2017. 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, 2017

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

 X No

Significant deficiency identified not
considered to be a material weakness?

 Yes

 X None Reported

Noncompliance material to financial
statements noted?

 Yes

 X No

Federal Awards

Internal Control over major programs:

Material weakness identified?

 Yes

 X No

Significant deficiency identified not
considered to be a material weakness?

 Yes

 X 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

 X 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?

 X 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, 2017

There were no audit findings noted for the year ended December 31, 2016.

**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, 2017, 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 5, 2018. 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.

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.

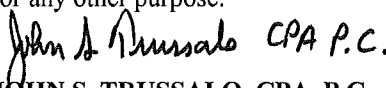
My consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not 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.


JOHN S. TRUSSALO, CPA, P.C.
Jamestown, New York
September 5, 2018

**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, 2017. 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, 2017.

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.

Report on Internal Control Over Compliance (Cont'd)

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.

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.

 CPA P.C.

JOHN S. TRUSSALO, CPA, P.C.
Jamestown, New York
September 5, 2018