

*Financial Statements*

***CITY OF JAMESTOWN, NEW YORK***

***YEAR ENDED DECEMBER 31, 2016***

**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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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, 2016, 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 53), Schedule of Funding Progress for OPEB Obligations (page 54), Schedule of City's Contributions - Retirement Plans (page 55) and Schedule of City's Proportionate Share of Net Pension Liability (page 56), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

**Other Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Jamestown, New York's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

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

 CPA P.C.

JOHN S. TRUSSALO, CPA, P.C.  
Jamestown, New York  
August 23, 2017

## **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, 2016. 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 \$5,996,913 at December 31, 2016 compared to \$11,123,470 at December 31, 2015, a decrease of \$5,126,557.

Revenues from governmental activities totaled \$37,575,511 for 2016 compared to \$38,404,763 for 2015. Expenditures for governmental activities totaled \$42,702,068 for 2016 compared to \$40,049,703 for 2015.

- The fund balance of the City's General Fund included in the Fund financial statements totaled \$1,547,438 at December 31, 2016 compared to \$1,567,697 at December 31, 2015, a decrease of \$20,259.

### **THE FINANCIAL STATEMENTS**

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

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

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

##### **Statement of Net Position and the Statement of Activities**

The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources of the City using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

## **Management's Discussion and Analysis**

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

#### *Governmental activities*

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

#### *Business-type activities*

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

### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State Statute, while other funds are established by the City to help manage money for particular purposes and compliance with various grant provisions.

#### *Governmental Funds*

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

#### *Proprietary Funds*

When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position. In fact, the City's enterprise funds are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

#### *Fiduciary Funds*

The City is the trustee, or fiduciary for certain funds held on behalf of the Recreation Department Trust. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

#### *Notes to Financial Statements*

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

#### *Other Information*

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

**Management's Discussion and Analysis**  
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**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The net position for the City of Jamestown, New York, as a whole, totaled \$146,556,336 as of December 31, 2016 and \$149,118,089 as of December 31, 2015, a decrease of \$2,561,753. 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, 2016 and 2015 were as follows:

	<b><u>Governmental Activities</u></b>		<b><u>Business-type Activities</u></b>		<b><u>Total</u></b>	
	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
<b>Assets:</b>						
Current and other assets	\$11,928,284	\$13,304,560	\$ 41,695,863	\$ 42,533,783	\$ 53,624,147	\$ 55,838,343
Capital assets	<u>40,391,219</u>	<u>41,020,256</u>	<u>127,903,086</u>	<u>125,473,297</u>	<u>168,294,305</u>	<u>166,493,553</u>
Total assets	<u>52,319,503</u>	<u>54,324,816</u>	<u>169,598,949</u>	<u>168,007,080</u>	<u>221,918,452</u>	<u>222,331,896</u>
<b>Deferred Outflows of Resources</b>	<u>14,214,348</u>	<u>2,979,068</u>	<u>5,899,682</u>	<u>1,282,011</u>	<u>20,114,030</u>	<u>4,261,079</u>
<b>Liabilities:</b>						
Long-term debt	18,767,882	20,234,949	11,967,819	14,717,357	30,735,701	34,952,306
Net OPEB obligation	24,179,501	20,476,136	9,996,481	9,951,235	34,175,982	30,427,371
Net pension liability	12,359,652	1,688,303	5,661,600	1,149,796	18,021,252	2,838,099
Other liabilities	<u>3,142,041</u>	<u>3,590,924</u>	<u>6,470,450</u>	<u>5,356,086</u>	<u>9,612,491</u>	<u>8,947,010</u>
Total liabilities	<u>58,449,076</u>	<u>45,990,312</u>	<u>34,096,350</u>	<u>31,174,474</u>	<u>92,545,426</u>	<u>77,164,786</u>
<b>Deferred Inflows of Resources</b>	<u>2,087,862</u>	<u>190,102</u>	<u>842,858</u>	<u>119,998</u>	<u>2,930,720</u>	<u>310,100</u>
<b>Net Position:</b>						
Investment in capital assets, net of related debt	24,364,819	23,609,872	115,836,927	110,632,306	140,201,746	134,242,178
Restricted	7,049,013	7,936,373	10,212,096	12,056,663	17,261,109	19,993,036
Unrestricted	<u>(25,416,919)</u>	<u>(20,422,775)</u>	<u>14,510,400</u>	<u>15,305,650</u>	<u>(10,906,519)</u>	<u>(5,117,125)</u>
<b>Total net position</b>	<b><u>\$ 5,996,913</u></b>	<b><u>\$11,123,470</u></b>	<b><u>\$140,559,423</u></b>	<b><u>\$137,994,619</u></b>	<b><u>\$146,556,336</u></b>	<b><u>\$149,118,089</u></b>

**Net Position Analysis - Overall**

The City's overall net position totaled \$146,556,336 as of December 31, 2016 of which \$140,201,746 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 \$5,996,913 as of December 31, 2016. Investment in capital assets, net of related debt totaled \$24,364,819, restricted net position totaled \$7,049,013, and unrestricted net position deficit of (\$25,416,919).

**Net Position Analysis - Business-type Activities**

The City's net position from business-type activities totaled \$140,559,423 as of December 31, 2016. Investment in capital assets, net of related debt totaled \$115,836,927, restricted net position totaled \$10,212,096, and unrestricted net position totaled \$14,510,400.

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

**Analysis of Changes in Net Position**

The change in the City's net position for governmental activities and business-type activities for the years ended December 31, 2016 and 2015 is summarized below:

	<b><u>Governmental Activities</u></b>		<b><u>Business-type Activities</u></b>		<b><u>Total</u></b>	
	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,001,956	\$ 1,841,004	\$ 55,173,590	\$ 55,896,620	\$ 57,175,546	\$ 57,737,624
Operating grant/contributions	2,398,744	3,456,893	-	-	2,398,744	3,456,893
Capital grants/contributions	1,513,232	1,601,959	-	-	1,513,232	1,601,959
General revenues:						
Real property taxes	15,693,513	15,079,118	-	-	15,693,513	15,079,118
Sales tax	5,875,625	5,957,558	-	-	5,875,625	5,957,558
Board of Public Utilities:						
Payment in lieu of taxes	3,748,195	3,810,177	-	-	3,748,195	3,810,177
Contribution	482,000	482,000	-	-	482,000	482,000
Investment earnings	42,021	39,053	280,013	73,942	322,034	112,995
State Aid	4,697,150	4,999,634	-	-	4,697,150	4,999,634
Other	1,123,075	1,137,367	56,031	-	1,179,106	1,137,367
<b>Total revenues</b>	<b><u>37,575,511</u></b>	<b><u>38,404,763</u></b>	<b><u>55,509,634</u></b>	<b><u>55,970,562</u></b>	<b><u>93,085,145</u></b>	<b><u>94,375,325</u></b>
<b>Expenses:</b>						
General government support	5,155,912	5,147,712	-	-	5,155,912	5,147,712
Public safety	11,818,089	11,549,117	-	-	11,818,089	11,549,117
Public improvements/projects	317,995	332,959	-	-	317,995	332,959
Streets	3,998,563	4,001,132	-	-	3,998,563	4,001,132
Culture and recreation	2,123,657	2,042,181	-	-	2,123,657	2,042,181
Home and community/development	3,315,475	3,780,659	-	-	3,315,475	3,780,659
Employee benefits	15,342,902	12,629,898	-	-	15,342,902	12,629,898
Contribution to City's General Fund	-	-	482,000	482,000	482,000	482,000
Debt service	629,475	566,045	537,302	681,166	1,166,777	1,247,211
Utility operations	-	-	51,925,528	50,774,881	51,925,528	50,774,881
<b>Total expenses</b>	<b><u>42,702,068</u></b>	<b><u>40,049,703</u></b>	<b><u>52,944,830</u></b>	<b><u>51,938,047</u></b>	<b><u>95,646,898</u></b>	<b><u>91,987,750</u></b>
<b>Change in net position</b>	<b>(5,126,557)</b>	<b>(1,644,940)</b>	<b>2,564,804</b>	<b>4,032,515</b>	<b>(2,561,753)</b>	<b>2,387,575</b>
<b>Net position, beginning of year</b>	<b><u>11,123,470</u></b>	<b><u>12,768,410</u></b>	<b><u>137,994,619</u></b>	<b><u>133,962,104</u></b>	<b><u>149,118,089</u></b>	<b><u>146,730,514</u></b>
<b>Net position, end of year</b>	<b><u>\$ 5,996,913</u></b>	<b><u>\$11,123,470</u></b>	<b><u>\$140,559,423</u></b>	<b><u>\$137,994,619</u></b>	<b><u>\$146,556,336</u></b>	<b><u>\$149,118,089</u></b>

**Governmental Activities**

Revenues from the City's governmental activities totaled \$37,575,511 for 2016 compared to \$38,404,763 for 2015. Revenues for 2016 were comprised of the following: Property tax revenue (42%), Sales tax revenue (16%), State aid revenue (13%), Board of Public Utilities revenue (11%), Operating and Capital Grants/Contributions (10%), Charges for services (5%), Other revenue (3%).

Expenditures of governmental activities totaled \$42,702,068 for 2016 compared to \$40,049,703 for 2015. The City's programs for governmental activities include General Government, Fire, Police, Public Works, Community Development, Parks and Recreation, and Debt Service for Interest.

**Business-type Activities**

The business-type activities include Electric, Water, Waste Water, Sanitation, and District Heat services. As shown in the Statement of Activities and Changes in Net Position, the amounts paid by users totaled \$55,173,590 for 2016 and \$55,896,620 for 2015. Investment earnings totaled \$280,013 for 2016 and \$73,942 for 2015. Other income totaled \$56,031 for 2016 and \$0 for 2015. The cost of all Business-type activities totaled \$52,944,830 for 2016 and \$51,938,047 for 2015.



## **LONG-TERM LIABILITIES**

### **Governmental Activities**

Long-term liabilities included in the City's governmental-activities totaled \$18,767,882 as of December 31, 2016 and \$20,234,949 as of December 31, 2015; a net decrease of \$1,467,067. As of December 31, 2016, long-term liabilities were comprised of the following: General Obligation Bonds \$15,435,000; Notes payable to Board of Public Utilities \$460,634; Note payable to New York Power Authority (via Board of Public Utilities) \$130,766; Note payable to NYS Police and Fire Retirement System \$420,246; Compensated absences \$2,321,236. 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 \$37,510 to \$2,321,236 as of December 31, 2016.
- During 2016, the City did not issue any new debt.

#### **Net OPEB Obligations for Governmental Activities**

- The net OPEB obligations included in the government-wide statement of net position increased \$3,703,365 to \$24,179,501 as of December 31, 2016.

#### **Net Pension Liability for Governmental Activities**

- The net pension liability included in the government-wide statement of net position represents the City's share of the net pension liability of the NYS retirement systems. The net pension liability for the ERS totaled \$4,329,595 and \$938,202 as of December 31, 2016 and 2015, respectively. The net pension liability for the PFRS totaled \$8,030,057 and \$750,101 as of December 31, 2016 and 2015, respectively.

### **Business-type Activities**

Long-term liabilities included in the City's business-type activities totaled \$11,967,819 as of December 31, 2016 and \$14,717,357 as of December 31, 2015; a decrease of \$2,749,538.

#### **Net Pension Liability for Business-type Activities**

- The net pension liability included in the government-wide statement of net position represents the City's share of the net pension liability of the ERS retirement system totaling \$5,661,600 and \$1,149,796 as of December 31, 2016 and 2015, 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, 2016 the City's general obligation debt, including statutory exclusions, was at 33.08% of the legal limit compared to 35.29% of the legal limit at December 31, 2015.

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

**CAPITAL ASSETS**

**Governmental Activities**

As of December 31, 2016, the City's governmental-activities maintained \$40,391,219 in capital assets (Cost \$82,931,151 less accumulated depreciation of \$42,539,932). As of December 31, 2015 the City's governmental-activities maintained \$41,020,256 in capital assets (Cost \$80,816,160 less accumulated depreciation of \$39,795,904). Capital additions for 2016 totaled \$3,085,766 and were comprised of following: Infrastructure (including roads, sidewalks, and storm sewers) \$2,326,409; Buildings and structures \$257,800; Equipment \$220,042; Vehicles \$281,515. Construction in progress decreased \$938,778. Vehicle deletions for 2016 totaled \$31,997.

Depreciation expense totaled \$2,750,428 and \$2,700,098 for the years ended December 31, 2016 and 2015, respectively.

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

**Business-type Activities**

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). As of December 31, 2015, the City's business-type activities maintained \$125,473,297 in capital assets (Cost \$262,876,143 less accumulated depreciation of \$137,402,846). Capital additions for 2016 totaled \$9,823,187 and were comprised of the following: Electric Division \$7,024,164; Waste Water Division \$1,324,802; Water Division \$1,049,551; Solid Waste Division \$259,628; District Heat Division \$165,042. Deletions for 2016 totaled \$1,319,754 and were for the following: Electric Division \$921,313; Waste Water Division \$76,831; Water Division \$114,517; Solid Waste Division \$207,093.

Depreciation expense totaled \$7,620,117 and \$7,485,167 for the years ended December 31, 2016 and 2015, 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 \$8,126,440 as of December 31, 2016 and \$8,692,037 as of December 31, 2015; a decrease of \$565,597. The schedule below indicates the fund balances as of December 31, 2016 and 2015, and the net increase (decrease) for the year.

	<b>Fund Balance 2016</b>	<b>Fund Balance 2015</b>	<b>Increase (Decrease)</b>
General fund	\$ 1,547,438	\$ 1,567,697	\$ (20,259)
Capital projects fund	2,211,035	2,633,897	(422,862)
Special revenue fund	4,367,967	4,490,443	(122,476)
<b>Total</b>	<b>\$ 8,126,440</b>	<b>\$ 8,692,037</b>	<b>\$ (565,597)</b>

**THE CITY'S GOVERNMENTAL FUNDS (Cont'd)**

**General Fund**

The change in the City's General fund balance for the year ended December 31, 2016 and 2015 follows:

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>
<b><i>Revenues and Other Sources:</i></b>			
Real property taxes	\$15,693,513	\$15,079,118	\$ 614,395
Real property tax items	325,055	311,447	13,608
Non-property tax items	6,489,546	6,509,211	(19,665)
Departmental income	937,150	879,945	57,205
Intergovernmental charges	213,548	225,062	(11,514)
State aid	6,378,560	6,805,284	(426,724)
Federal aid	-	26,406	(26,406)
Board of Public Utilities:			
Payments in lieu of taxes	3,748,195	3,810,177	(61,982)
Contribution	482,000	482,000	-
Use of money and property	648	2,431	(1,783)
Other revenue	583,413	475,617	107,796
Interfund transfers in	2,000	98,557	(96,557)
<b>Total revenues</b>	<b><u>34,853,628</u></b>	<b><u>34,705,255</u></b>	<b><u>148,373</u></b>
<b><i>Expenditures:</i></b>			
General government support	3,691,966	3,691,292	674
Public safety	11,069,002	10,884,513	184,489
Streets	3,736,956	3,917,099	(180,143)
Culture and recreation	2,077,305	1,988,587	88,718
Home and community services	816,444	800,773	15,671
Capital outlays	1,100,332	1,006,444	93,888
Employee benefits	10,403,465	10,974,760	(571,295)
Debt service - principal	1,383,983	2,091,309	(707,326)
Debt service - interest	594,434	498,653	95,781
<b>Total expenditures</b>	<b><u>34,873,887</u></b>	<b><u>35,853,430</u></b>	<b><u>(979,543)</u></b>
<b>Deficiency for the year</b>	<b>(20,259)</b>	<b>(1,148,175)</b>	<b><u>1,127,916</u></b>
<b>Fund balance, beginning of year</b>	<b><u>1,567,697</u></b>	<b><u>2,715,872</u></b>	
<b>Fund balance, end of year</b>	<b><u>\$ 1,547,438</u></b>	<b><u>\$ 1,567,697</u></b>	

**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 2016, the City appropriated \$409,753 of its 2015 fund balance. During 2016, actual general fund revenues and other sources totaled \$34,853,628 compared to a final revenue and other sources budget of \$34,960,881, an unfavorable variance of \$107,253. During 2016, actual general fund expenditures totaled \$34,873,887 compared to a final expenditure budget of \$35,370,634, a favorable variance of \$496,747. As a result, the City's fund balance as of December 31, 2016 was \$389,494 higher than budgeted.

The 2016 General Fund final expenditure budget totaled \$35,370,634 compared to a 2015 final expenditure budget of \$35,148,889. The 2016 final expenditure budget included a net supplementary increase of \$247,722 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 is provided in on page 53.

**THE CITY'S GOVERNMENTAL FUNDS (Cont'd)**

**Capital Projects Fund**

The change in the City's Capital Projects fund balance for the years ended December 31, 2016 and 2015 follows:

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>
<b><i>Revenues and Other Sources:</i></b>			
Proceeds from issuance of debt	\$ -	\$ 4,820,000	\$(4,820,000)
General fund appropriations	1,100,332	1,006,444	93,888
Sale of property	54,556	175,272	(120,716)
Other revenue	17,813	16,673	1,140
Total revenues	<u>1,172,701</u>	<u>6,018,389</u>	<u>(4,845,688)</u>
<b><i>Expenditures and Other Uses:</i></b>			
Capital outlays	1,593,563	2,297,970	(704,407)
Debt service - principal	-	1,820,000	(1,820,000)
Interfund transfer to General Fund	2,000	3,000	(1,000)
Total expenditures	<u>1,595,563</u>	<u>4,120,970</u>	<u>(2,525,407)</u>
<b>Excess (Deficiency) for the year</b>	<b>(422,862)</b>	<b>1,897,419</b>	<b><u>(2,320,281)</u></b>
<b>Fund balance, beginning of year</b>	<b><u>2,633,897</u></b>	<b><u>736,478</u></b>	
<b>Fund balance, end of year</b>	<b><u>\$ 2,211,035</u></b>	<b><u>\$ 2,633,897</u></b>	

The Capital Projects Fund included capital outlay expenditures of \$1,593,563 for the years ended December 31, 2016 and 2015, respectively. Capital outlay expenditures were comprised of the following:

	<u>2016</u>	<u>2015</u>
Street resurfacing, construction, curb, gutter, sidewalks	\$ 900,374	\$ 900,781
Equipment and vehicles	247,419	982,079
Storm Sewers and Sidewalks	100,000	100,000
Building improvements	167,707	182,351
Other expenditures not capitalized	178,063	132,759
	<u>\$ 1,593,563</u>	<u>\$ 2,297,970</u>

**Special Revenue Fund**

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

The change in the City's Special Revenue fund balance for the years ended December 31, 2016 and 2015 follows:

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>
<b><i>Revenues and Other Sources:</i></b>			
Departmental income	\$ 401,751	\$ 379,711	\$ 22,040
Use of money and property	41,280	23,050	18,230
Interfund revenues	395,000	388,000	7,000
Federal aid	1,205,362	1,589,981	(384,619)
State aid	258,056	128,327	129,729
Other revenue	1,086,493	1,519,331	(432,838)
Total revenues	<u>3,387,942</u>	<u>4,028,400</u>	<u>(640,458)</u>

**Special Revenue Fund (Cont'd)**

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>
<b><i>Expenditures and Other Uses:</i></b>			
General government support	\$ 925,931	\$ 915,905	\$ 10,026
Public safety	421,304	349,991	71,313
Home and community services and economic development	1,889,707	2,479,286	(589,579)
Capital outlays	273,476	409,826	(136,350)
Interfund transfer	-	95,557	(95,557)
	<u>3,510,418</u>	<u>4,250,565</u>	<u>(740,147)</u>
<b>Deficiency for the year</b>	(122,476)	(222,165)	<u>99,689</u>
<b>Fund balance, beginning of year</b>	<u>4,490,443</u>	<u>4,712,608</u>	
<b>Fund balance, end of year</b>	<u>\$ 4,367,967</u>	<u>\$ 4,490,443</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, 2016. This valuation is projected to be relatively consistent for 2017. 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 \$732,444 towards the 2017 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, 2016, the net OPEB obligation, which is unfunded, totaled \$24,179,501 for governmental activities and \$9,996,481 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 totaled \$4,329,595 and \$938,202 as of December 31, 2016 and 2015, respectively. The Net pension liability for NYS Police and Fire Retirement System totaled \$8,030,057 and \$750,101 as of December 31, 2016 and 2015, 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 2016, the City was at 98.86% of its Constitutional Tax Limit, compared to 94.15% for 2015, and 91.25% for 2014.

**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, 2016**

	<b>PRIMARY GOVERNMENT</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,071,593	\$ 8,219,943	\$ 15,291,536
Cash collateral - derivative	-	1,057,164	1,057,164
Total cash and cash equivalents	7,071,593	9,277,107	16,348,700
Investments	-	10,746,458	10,746,458
Investments - restricted	-	10,515,952	10,515,952
Receivables:			
State, federal, and local governments	1,701,970	-	1,701,970
School taxes	1,045,947	-	1,045,947
Accounts and other, net of allowance	261,012	6,169,404	6,430,416
Loans, net of allowance	809,926	460,634	1,270,560
Interest	-	11,428	11,428
Prepaid pension expense	753,514	363,506	1,117,020
Prepaid expenses and deposits	25,922	13,414	39,336
Bond issuance costs, net	189,199	-	189,199
Property acquired for taxes and held for sale	22,265	-	22,265
Inventories	46,936	826,601	873,537
Other current and accrued assets	-	2,222,315	2,222,315
Charges for future benefits	-	680,077	680,077
Non-utility property	-	408,967	408,967
<b>Capital assets:</b>			
Land and construction in progress	1,207,755	15,633,317	16,841,072
Other capital assets, net of depreciation	39,183,464	112,269,769	151,453,233
Total assets	52,319,503	169,598,949	221,918,452
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pension outflows	14,214,348	5,899,682	20,114,030
Total deferred outflows of resources	14,214,348	5,899,682	20,114,030
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	2,071,990	5,498,412	7,570,402
Due to other governments	1,045,947	-	1,045,947
Consumer deposits	-	661,620	661,620
Deferred revenue - other	21,075	-	21,075
<b>Non current liabilities:</b>			
Due within one year	1,599,945	2,604,538	4,204,483
Due in more than one year	17,167,937	9,363,281	26,531,218
<b>Other noncurrent liabilities:</b>			
Net OPEB obligation	24,179,501	9,996,481	34,175,982
Bond premium, net	3,029	-	3,029
Economic development	-	310,418	310,418
Net pension liability - ERS	4,329,595	5,661,600	9,991,195
Net pension liability - PFRS	8,030,057	-	8,030,057
Total liabilities	58,449,076	34,096,350	92,545,426
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension inflows	2,087,862	842,858	2,930,720
Total deferred inflows of resources	2,087,862	842,858	2,930,720
<b>NET POSITION</b>			
Net investment in capital assets	24,364,819	115,836,927	140,201,746
<b>Restricted for:</b>			
Economic development	4,837,978	-	4,837,978
Capital expenditures	2,211,035	-	2,211,035
Plant dismantling	-	9,294,276	9,294,276
Overhaul	-	911,258	911,258
Energy conservation	-	6,562	6,562
Unrestricted	(25,416,919)	14,510,400	(10,906,519)
Total net position	\$ 5,996,913	\$140,559,423	\$146,556,336

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

**CITY OF JAMESTOWN, NEW YORK**  
**STATEMENT OF ACTIVITIES**  
**YEARENDED DECEMBER 31, 2016**

Functions	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-type Activities
<b>Primary Government:</b>						
<b>Governmental activities:</b>						
General government support	\$ 5,155,912	\$ 868,832	\$ 271,307	\$ -	\$ (4,015,773)	\$ (4,015,773)
Public safety	11,818,089	638,065	271,372	123,379	(10,785,273)	(10,785,273)
Public improvements and projects	317,995	-	-	-	(317,995)	(317,995)
Streets	3,998,563	93,308	-	1,389,853	(2,515,402)	(2,515,402)
Culture and recreation	2,123,657	-	-	-	(2,123,657)	(2,123,657)
Home and community service/development	3,315,475	401,751	1,856,065	-	(1,057,659)	(1,057,659)
Employee benefits	15,342,902	-	-	-	(15,342,902)	(15,342,902)
Debt service	629,475	-	-	-	(629,475)	(629,475)
Total Governmental activities	<u>42,702,068</u>	<u>2,001,956</u>	<u>2,398,744</u>	<u>1,513,232</u>	<u>(36,788,136)</u>	<u>(36,788,136)</u>
<b>Business-type activities:</b>						
Board of Public Utilities	52,944,830	55,173,590	-	-	-	2,228,760
Total Business-type activities	<u>52,944,830</u>	<u>55,173,590</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,228,760</u>
Total Primary Government	<u>\$ 95,646,898</u>	<u>\$ 57,175,546</u>	<u>\$ 2,398,744</u>	<u>\$ 1,513,232</u>	<u>(36,788,136)</u>	<u>(34,559,376)</u>
<b>General Revenues:</b>						
Property taxes for general purposes					\$ 15,693,513	\$ 15,693,513
Sales taxes for general purposes					5,875,625	5,875,625
State aid not restricted to specific purpose					4,697,150	4,697,150
City's Board of Public Utilities:						
Payment in lieu of taxes					3,748,195	3,748,195
Contribution					482,000	482,000
Franchise fees and Utilities gross receipts					464,646	464,646
Other tax items					325,055	325,055
Refund of prior year expenditures					248,850	248,850
Other unclassified revenue					84,524	140,555
Investment earnings					42,021	322,034
Total general revenues					<u>31,661,579</u>	<u>31,997,623</u>
Change in net position					(5,126,557)	(2,561,753)
Net position, beginning of year, as previously stated					11,123,470	149,118,089
Net position, end of year					<u>\$ 5,996,913</u>	<u>\$146,556,336</u>

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

**CITY OF JAMESTOWN, NEW YORK**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**DECEMBER 31, 2016**

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 1,227,770	\$ 2,092,683	\$ 3,751,140	\$ 7,071,593
Amounts held in custody - health care deposit	15,000	-	-	15,000
Receivables:				
State, Federal, and Local Governments	1,655,302	-	46,668	1,701,970
School taxes	1,045,947	-	-	1,045,947
Other	244,351	-	16,661	261,012
Loans, net of allowance of \$760,136 for loan loss	-	-	809,926	809,926
Prepaid expenses:				
Retirement plans - ERS and PFRS	753,514	-	-	753,514
Insurance	10,922	-	-	10,922
Property acquired for taxes and held for sale, net	3,622	-	18,643	22,265
Due from other funds	-	165,475	221,840	387,315
Inventories	46,936	-	-	46,936
Total assets	<u>5,003,364</u>	<u>2,258,158</u>	<u>4,864,878</u>	<u>12,126,400</u>
<b>LIABILITIES:</b>				
Payables:				
Accounts	663,927	35,554	900	700,381
School district	1,045,947	-	-	1,045,947
Other	20,804	11,569	26,000	58,373
Accrued liabilities	778,262	-	-	778,262
Accrued health care claims	495,503	-	-	495,503
Retiree health insurance premiums received in advance	39,471	-	-	39,471
Due to other funds	387,315	-	-	387,315
Deferred revenue:				
Federal grants	-	-	28,441	28,441
Restricted grants	-	-	297,006	297,006
Property taxes	3,622	-	-	3,622
Other	21,075	-	144,564	165,639
Total liabilities	<u>3,455,926</u>	<u>47,123</u>	<u>496,911</u>	<u>3,999,960</u>
<b>FUND BALANCES:</b>				
Non spendable	814,994	-	-	814,994
Restricted:				
Economic development	-	-	4,367,967	4,367,967
Capital expenditures	-	2,211,035	-	2,211,035
Unassigned	732,444	-	-	732,444
Total fund balances	<u>\$ 1,547,438</u>	<u>\$ 2,211,035</u>	<u>\$ 4,367,967</u>	<u>\$ 8,126,440</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, 2016**

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

<b>Total fund balance - governmental funds</b>		<b>\$ 8,126,440</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of these assets is \$82,931,151 and the accumulated depreciation is \$42,539,932.		40,391,219
Bond issuance costs are not financial resources and, therefore, are not reported in the funds. Bond issuance costs totaled \$320,541 and the accumulated amortization is \$131,342.		189,199
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.		(18,767,882)
The Net OPEB Obligation is not due and payable in the current period and therefore is not reported in the funds.		(24,179,501)
Bond premium received were recognized by the funds when received. The government-wide financial statements recognize the bond premium as a liability and the revenue is recognized over the life of the bond. Bond premium received totaled \$24,163 and the accumulated accretion is \$21,134.		(3,029)
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.		470,011
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.		3,622
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	11,807,550	
Contributions subsequent to measurement date - ERS and PFRS	2,406,798	
<i>Deferred Outflows of Resources:</i>		
Deferred pension inflows - ERS and PFRS	(2,087,862)	
<i>Net Pension Liability - ERS and PFRS</i>	<u>(12,359,652)</u>	<u>(233,166)</u>
<b>Total net position - governmental activities</b>		<b><u>\$ 5,996,913</u></b>

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, 2016**

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Real property taxes	\$15,693,513	\$ -	\$ -	\$15,693,513
Real property tax items	325,055	-	-	325,055
Non-property tax items	6,489,546	-	-	6,489,546
Departmental income	937,150	-	401,751	1,338,901
Intergovernmental charges	213,548	-	-	213,548
Use of money and property	648	-	41,280	41,928
Licenses and permits	229,358	-	-	229,358
Fines and forfeitures	70,874	-	-	70,874
Sale of property/compensation for loss	-	54,556	-	54,556
Other unclassified revenue	34,331	17,813	1,086,493	1,138,637
Board of Public Utilities:				
Payment in lieu of taxes	3,748,195	-	-	3,748,195
Contribution	482,000	-	-	482,000
Refund of prior year expenditures	248,850	-	-	248,850
State aid	6,378,560	-	258,056	6,636,616
Federal aid	-	-	1,205,362	1,205,362
Interfund revenues	-	1,100,332	395,000	1,495,332
Total revenues	<u>34,851,628</u>	<u>1,172,701</u>	<u>3,387,942</u>	<u>39,412,271</u>
<b>Expenditures:</b>				
General government support	3,691,966	-	925,931	4,617,897
Public safety	11,069,002	-	421,304	11,490,306
Streets	3,736,956	-	-	3,736,956
Culture and recreation	2,077,305	-	-	2,077,305
Home and community and economic development	816,444	-	1,889,707	2,706,151
Capital outlays	1,100,332	1,593,563	273,476	2,967,371
Employee benefits	10,403,465	-	-	10,403,465
Debt service - principal	1,383,983	-	-	1,383,983
Debt service - interest	594,434	-	-	594,434
Total expenditures	<u>34,873,887</u>	<u>1,593,563</u>	<u>3,510,418</u>	<u>39,977,868</u>
<b>Excess (deficiency) revenues over expenditures</b>	<u>(22,259)</u>	<u>(420,862)</u>	<u>(122,476)</u>	<u>(565,597)</u>
<b>Other Sources (Uses):</b>				
Interfund transfers	2,000	(2,000)	-	-
Total other sources (uses)	<u>2,000</u>	<u>(2,000)</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	(20,259)	(422,862)	(122,476)	(565,597)
<b>Fund balances, beginning of year</b>	<u>1,567,697</u>	<u>2,633,897</u>	<u>4,490,443</u>	<u>8,692,037</u>
<b>Fund balances, end of year</b>	<u>\$ 1,547,438</u>	<u>\$ 2,211,035</u>	<u>\$ 4,367,967</u>	<u>\$ 8,126,440</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, 2016**

**Net change in fund balances - total governmental funds** \$ (565,597)

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 depreciation expense of \$2,750,428 exceeded capital outlays of \$2,121,391 in the current year. (629,037)

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

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

Governmental funds do not recognize the increase in the Net OPEB Obligation because they are not due and payable in the current period. The government-wide financial statements recognize the net increase in the Net OPEB Obligation as an expense. (3,703,365)

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. 37,510

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

***Proceeds from issuance of debt:***

General obligation bonds	-	
Bond anticipation note	-	
	<hr/>	-

***Principal payments:***

General obligation bonds	1,040,000	
Notes payable - Board of Public Utilities	83,625	
Note payable - NYPA	260,359	
Notes payable - NYS Police and Fire Retirement System	<u>45,573</u>	1,429,557

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. (342,309)

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	(479,553)	
NYS Police and Fire Retirement System	<u>(854,276)</u>	<u>(1,333,829)</u>

**Change in net position of governmental activities** **\$ (5,126,557)**

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

**CITY OF JAMESTOWN, NEW YORK  
PROPRIETARY FUND  
STATEMENT OF NET POSITION  
DECEMBER 31, 2016**

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

**ASSETS:**

**Current assets:**

Cash and cash equivalents	\$ 8,219,943
Cash collateral - derivative	1,057,164
Investments	10,746,458
Interest receivable	11,428
Receivables:	
Accounts, net of allowance of \$171,829	5,846,968
Affiliates	322,436
Inventories, at average cost	826,601
Prepaid pension expense	363,506
Other current and accrued assets	<u>2,222,315</u>
Total current assets	<u>29,616,819</u>

**Other assets:**

Investments - restricted	10,515,952
Notes receivable from City of Jamestown, New York's General Fund	460,634
Non-utility property	408,967
Deposits and prepayments	<u>13,414</u>
Total other assets and investments	<u>11,398,967</u>

**Property and equipment, less accumulated depreciation** 127,903,086

**Charges for future benefits** 680,077

**Total Assets** 169,598,949

**DEFERRED OUTFLOWS OF RESOURCES:**

Deferred pension outflows	<u>5,899,682</u>
<b>Total Deferred Outflows of Resources</b>	<u>5,899,682</u>

**LIABILITIES:**

**Current liabilities:**

Accounts payable and accrued liabilities	5,498,412
Consumer deposits	661,620
Current maturities of long-term debt	<u>2,604,538</u>
Total current liabilities	<u>8,764,570</u>

**Non-current liabilities:**

Long term debt, less current maturities	9,363,281
Accumulated post employment benefit obligation	9,996,481
Economic development	310,418
Net pension liability	<u>5,661,600</u>
Total non-current liabilities	<u>25,331,780</u>

**Total Liabilities** 34,096,350

**DEFERRED INFLOWS OF RESOURCES:**

Deferred pension inflows	<u>842,858</u>
<b>Total Deferred Inflows of Resources</b>	<u>842,858</u>

**NET POSITION**

Net investment in capital assets	115,836,927
Restricted for:	
Plant dismantling	9,294,276
Overhaul	911,258
Energy conservation	6,562
Unrestricted	<u>14,510,400</u>
<b>Total net position</b>	<u>\$140,559,423</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, 2016**

	<b>Business-type Activities Enterprise Fund <u>Board of Public Utilities</u></b>
<b>Operating Revenues</b>	<b><u>\$ 55,173,590</u></b>
<b>Operating Expenses:</b>	
Operations	27,630,183
Administrative and general	8,779,190
Depreciation and amortization	7,334,867
Payments in lieu of taxes to primary government	3,748,195
Taxes	2,552,316
Consumer accounts	1,241,570
Repairs and maintenance	<u>576,886</u>
Total Operating Expenses	<u>51,863,207</u>
Operating Income	<u>3,310,383</u>
<b>Non-operating Expense (Revenue):</b>	
Interest expense	537,302
Contribution to City of Jamestown, NY's General Fund	482,000
Gain on disposal of fixed assets	(56,031)
Change in fair value of investments	62,321
Interest income	<u>(280,013)</u>
Total Non-operating Expense, net	<u>745,579</u>
<b>Change in net position</b>	<b>2,564,804</b>
<b>Net position, beginning of year</b>	<b><u>137,994,619</u></b>
<b>Net position, end of year</b>	<b><u>\$140,559,423</u></b>

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, 2016**

	<b>Business-type Activities Enterprise Fund Board of Public Utilities</b>
<b>Cash Flows from Operating Activities:</b>	
Cash received from customers	\$ 54,610,544
Cash paid to suppliers and employees	(36,984,202)
Cash paid for taxes and payments in lieu of taxes	(6,295,732)
<b>Net cash provided by operating activities</b>	<b><u>11,330,610</u></b>
<b>Cash Flows from Noncapital Financing Activities:</b>	
Contribution to City of Jamestown NY General Fund	(482,000)
Collection of accounts receivable from related parties	(12,649)
Loan principal payments received from City of Jamestown, NY	83,625
<b>Net cash used in noncapital financing activities</b>	<b><u>(411,024)</u></b>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Acquisition and construction of capital assets	(9,817,790)
Principal payments on long-term debt	(2,745,000)
Interest paid on long-term debt	(559,297)
Proceeds from sale of capital assets	25,800
<b>Net cash used in capital and related financing activities</b>	<b><u>(13,096,287)</u></b>
<b>Cash Flows from Investing Activities:</b>	
Proceeds from sale of investments	4,999,693
Change in restricted cash	19,667
Interest income	274,935
Purchase of investments	(5,000,352)
Change in cash collateral - derivative	73,885
<b>Net cash provided by investing activities</b>	<b><u>367,828</u></b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,808,873)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b><u>10,028,816</u></b>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 8,219,943</u></b>
<b>Reconciliation of change in net position to net cash provided by operating activities:</b>	
Operating income	\$ 3,310,383
<i>Adjustments to reconcile operating income to net cash provided by operating activities:</i>	
Depreciation and amortization	7,334,867
Pension expense	616,993
<i>Change in operating assets and liabilities:</i>	
Accounts receivable	(563,046)
Inventories	51,466
Prepaid pension	(772)
Charges for future benefits	498,491
Other current and accrued assets	(1,178,530)
Accounts payable and accrued liabilities	1,204,868
Accumulated post employment benefit obligation	45,246
Consumer deposits	32,409
Economic development	(105,390)
Decrease in amount due from primary government	83,625
<b>Net cash provided by operating activities</b>	<b><u>\$ 11,330,610</u></b>

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, 2016**

	<b><u>Agency Funds</u></b>	<b><u>Recreation Department Trust Funds</u></b>	<b><u>Total</u></b>
<b>Assets</b>			
Cash and cash equivalents	\$ 31,664	\$ 18,165	\$ 49,829
Total assets	<u>31,664</u>	<u>18,165</u>	<u>49,829</u>
<b>Liabilities</b>			
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>
<b>Net Position</b>			
Net position held in trust	-	18,165	18,165
Total net position	<u>\$ -</u>	<u>\$ 18,165</u>	<u>\$ 18,165</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, 2016**

	<b><u>Recreation Department Trust Funds</u></b>
<b>Additions:</b>	
Special event revenue and entry fees	\$ 19,165
Total additions	<u>19,165</u>
<b>Deductions:</b>	
Culture and recreation	<u>17,564</u>
Total deductions	<u>17,564</u>
<b>Change in net position</b>	1,601
<b>Net position:</b>	
Beginning of Year	<u>16,564</u>
End of Year	<u>\$ 18,165</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:

<b><u>Assets</u></b>	<b><u>Years</u></b>
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 August 23, 2017, 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.

**J. New Accounting Standard**

The City has adopted and implemented the following current Statements of the Governmental Accounting Standards Board (GASB) that are applicable as of December 31, 2016:

- GASB No. 77 - Tax Abatement Disclosures

**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	\$ 15,341,365
Less Fiduciary Funds cash and equivalents	<u>(49,829)</u>
Total cash and equivalents - Government-wide Statement of Net Position	<u>\$ 15,291,536</u>
Governmental activities	\$ 7,071,593
Business-type activities	<u>8,219,943</u>
	<u>\$ 15,291,536</u>

The City's financial institution (bank) balances at December 31, 2016 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, 2016 was computed as follows:

Five-year Average Full Valuation of Taxable Real Estate (2011-2015)	<u>\$666,969,764</u>
<b><u>Constitutional Tax limit</u></b>	
2% of Five-year Average Full Valuation of Taxable Real Estate	<u>\$ 13,339,395</u>
<b><u>2015 Tax Levy less Statutory Exclusions</u></b>	
Total tax levy for 2016	<u>\$ 15,694,050</u>
<i>Statutory Exclusions from Constitutional Tax Limit:</i>	
Debt service for General Obligation Bonds	(1,622,679)
Budgetary appropriations for capital expenditures	<u>(884,650)</u>
Total statutory exclusions	<u>(2,507,329)</u>
 Tax levy subject to constitutional tax limit	 <u>\$ 13,186,721</u>
 Constitutional tax margin	 <u>\$ 152,674</u>

**Constitutional Tax Limit**

For 2016, the City's tax levy (subject to the constitutional tax limit) totaled \$13,186,721 which was 98.86% of its constitutional tax limit of \$13,339,395.

**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 2016 was \$15,224,263. 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 2016 property tax cap of \$15,224,263.

**CITY OF JAMESTOWN, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2016 follows:

**Governmental Activities**

	<b><u>Beginning of Year</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>End of Year</u></b>
<b><i>Capital assets not being depreciated:</i></b>				
Land	\$ 1,207,755	\$ -	\$ -	\$ 1,207,755
Construction in progress	938,778	-	(938,778)	-
<b><i>Total capital assets not being depreciated</i></b>	<b><u>2,146,533</u></b>	<b><u>-</u></b>	<b><u>(938,778)</u></b>	<b><u>1,207,755</u></b>
<b><i>Capital assets being depreciated:</i></b>				
Infrastructure	32,189,203	2,326,409	-	34,515,612
Buildings and structures	26,477,773	257,800	-	26,735,573
Equipment	17,230,550	220,042	-	17,450,592
Vehicles	2,772,101	281,515	(31,997)	3,021,619
<b><i>Total capital assets being depreciated</i></b>	<b><u>78,669,627</u></b>	<b><u>3,085,766</u></b>	<b><u>(31,997)</u></b>	<b><u>81,723,396</u></b>
<b><i>Less accumulated depreciation:</i></b>				
Infrastructure	12,845,558	1,057,125	-	13,902,683
Buildings and structures	12,925,684	611,473	-	13,537,157
Equipment	11,682,673	899,104	-	12,581,777
Vehicles	2,341,989	182,726	(6,400)	2,518,315
<b><i>Total accumulated depreciation</i></b>	<b><u>39,795,904</u></b>	<b><u>2,750,428</u></b>	<b><u>(6,400)</u></b>	<b><u>42,539,932</u></b>
<b><i>Total capital assets being depreciated, net</i></b>	<b><u>38,873,723</u></b>	<b><u>335,338</u></b>	<b><u>(25,597)</u></b>	<b><u>39,183,464</u></b>
<b>Governmental activities capital assets, net</b>	<b><u>\$41,020,256</u></b>	<b><u>\$ 335,338</u></b>	<b><u>\$ (964,375)</u></b>	<b><u>\$40,391,219</u></b>

**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, 2016 is summarized as follows:

**Governmental activities:**

General support	\$ 538,015
Public safety	327,783
Streets	694,022
Culture and recreation	46,352
Home and Community	1,144,256
<b>Total depreciation expense</b>	<b><u>\$ 2,750,428</u></b>

**CITY OF JAMESTOWN, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - CAPITAL ASSETS (Cont'd)**

**Business-type activities**

	<b><u>Beginning of Year</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>End of Year</u></b>
<b><i>Capital assets not being depreciated:</i></b>				
Land	\$ 1,904,077	\$ -	\$ -	\$ 1,904,077
Construction in progress	<u>7,942,636</u>	<u>5,895,923</u>	<u>(109,319)</u>	<u>13,729,240</u>
<b><i>Total capital assets not being depreciated</i></b>	<b><u>9,846,713</u></b>	<b><u>5,895,923</u></b>	<b><u>(109,319)</u></b>	<b><u>15,633,317</u></b>
<b><i>Capital assets being depreciated:</i></b>				
Electric Division	156,080,892	1,237,560	(921,313)	156,397,139
Waste Water Division	43,541,723	1,324,802	(76,831)	44,789,694
Water Division	38,851,891	1,049,551	(114,517)	39,786,925
Solid Waste Division	3,000,845	259,628	(207,093)	3,053,380
District Heat Division	<u>11,554,079</u>	<u>165,042</u>	<u>-</u>	<u>11,719,121</u>
<b><i>Total capital assets being depreciated</i></b>	<b><u>253,029,430</u></b>	<b><u>4,036,583</u></b>	<b><u>(1,319,754)</u></b>	<b><u>255,746,259</u></b>
<b><i>Less accumulated depreciation:</i></b>				
Electric Division	82,732,886	5,396,553	(1,148,032)	86,981,407
Waste Water Division	28,838,015	783,453	(76,831)	29,544,637
Water Division	16,714,073	739,741	(114,517)	17,339,297
Solid Waste Division	1,392,106	209,500	(207,093)	1,394,513
District Heat Division	<u>7,725,766</u>	<u>490,870</u>	<u>-</u>	<u>8,216,636</u>
<b><i>Total accumulated depreciation</i></b>	<b><u>137,402,846</u></b>	<b><u>7,620,117</u></b>	<b><u>(1,546,473)</u></b>	<b><u>143,476,490</u></b>
<b><i>Total capital assets being depreciated, net</i></b>	<b><u>115,626,584</u></b>	<b><u>(3,583,534)</u></b>	<b><u>226,719</u></b>	<b><u>112,269,769</u></b>
<b>Business-type activities capital assets, net</b>	<b><u>\$125,473,297</u></b>	<b><u>\$ 2,312,389</u></b>	<b><u>\$ 117,400</u></b>	<b><u>\$127,903,086</u></b>

**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, 2016 was comprised of the following:

	<b><u>Depreciation Expense</u></b>	<b><u>Proceeds From Sale of Property</u></b>	<b><u>Depreciation expense allocated to various expense accounts</u></b>	<b><u>Total</u></b>
<b>Business-type activities:</b>				
Electric Division	\$ 5,014,515	\$ 80,112	\$ 301,926	\$ 5,396,553
Waste Water Division	783,453	-	-	783,453
Water Division	739,741	-	-	739,741
Solid Waste Division	209,500	-	-	209,500
District Heat Division	<u>490,870</u>	<u>-</u>	<u>-</u>	<u>490,870</u>
<b>Total depreciation expense</b>	<b><u>\$ 7,238,079</u></b>	<b><u>\$ 80,112</u></b>	<b><u>\$ 301,926</u></b>	<b><u>\$ 7,620,117</u></b>

**CITY OF JAMESTOWN, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - LONG-TERM DEBT**

**Constitutional Debt Limit**

As of December 31, 2016, the City's constitutional debt limit is computed as follows:

Five-year Average Full Valuation of Taxable Real Estate (2012-2016)	<u>\$666,572,258</u>
Constitutional debt limit - 7% of Five-year Average Full Valuation of Taxable Real Estate	<u>\$ 46,660,058</u>
Indebtedness subject to constitutional debt limit:	
Governmental activities	<u>15,435,000</u>
<b>Net Debt Contracting Margin</b>	<b><u>\$ 31,225,058</u></b>
<b>Percentage of Debt Contracting Power Exhausted</b>	<b><u>33.08%</u></b>

**Summary of Changes in Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended December 31, 2016 follows:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Retired</u>	<u>End of Year</u>	<u>Due Within One Year</u>
<b><u>Governmental Activities:</u></b>					
General obligation bonds	<u>\$16,475,000</u>	<u>\$ -</u>	<u>\$ (1,040,000)</u>	<u>\$15,435,000</u>	<u>\$ 1,105,000</u>
<i>Notes and capital lease obligations:</i>					
Board of Public Utilities:					
Note payable-Electric Division	491,288	-	(77,850)	413,438	79,289
Note payable-District Heat Division	52,971	-	(5,775)	47,196	5,882
Note payable - NYPA (Via BPU)	391,125	-	(260,359)	130,766	130,766
*NYS Police/Fire Retirement System	<u>465,819</u>	<u>-</u>	<u>(45,573)</u>	<u>420,246</u>	<u>47,008</u>
	<u>1,401,203</u>	<u>-</u>	<u>(389,557)</u>	<u>1,011,646</u>	<u>262,945</u>
Subtotal for bonds and notes	17,876,203	-	(1,429,557)	16,446,646	1,367,945
Compensated absences	<u>2,358,746</u>	<u>-</u>	<u>(37,510)</u>	<u>2,321,236</u>	<u>232,000</u>
<b>Total Governmental activities</b>	<b><u>\$20,234,949</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (1,467,067)</u></b>	<b><u>\$18,767,882</u></b>	<b><u>\$ 1,599,945</u></b>
<b><u>Business-type Activities:</u></b>					
General obligation bonds and notes	<u>\$14,717,357</u>	<u>\$ -</u>	<u>\$ (2,749,538)</u>	<u>\$11,967,819</u>	<u>\$ 2,604,538</u>
<b>Total Business-type activities</b>	<b><u>\$14,717,357</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (2,749,538)</u></b>	<b><u>\$11,967,819</u></b>	<b><u>\$ 2,604,538</u></b>

\*Retirement payments are included in expenditures - Employee Benefits

**CITY OF JAMESTOWN, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**

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

**Governmental Activities - Additional Debt Disclosures:**

**General Obligation Bonds**

<b><u>Description</u></b>	<b><u>Final Maturity</u></b>	<b><u>Interest Rate</u></b>	<b><u>Beginning of Year</u></b>	<b><u>Additions</u></b>	<b><u>Retired</u></b>	<b><u>End of Year</u></b>
2006A Bond Refunding	2019	3.5%-4.50%	\$ 195,000	\$ -	\$ (50,000)	\$ 145,000
2006C Bond Refunding	2020	3.5%-4.00%	120,000	-	(25,000)	95,000
2010A Public Improvement	2025	4.0%-4.25%	3,490,000	-	(285,000)	3,205,000
2011A Public Improvement	2026	3.5%-4.25%	3,215,000	-	(240,000)	2,975,000
2013 Public Improvement	2030	2.0%-4.00%	5,545,000	-	(325,000)	5,220,000
2015 Public Improvement	2035	2.25%-4.00%	3,910,000	-	(115,000)	3,795,000
			<u>\$16,475,000</u>	<u>\$ -</u>	<u>\$ (1,040,000)</u>	<u>\$15,435,000</u>

**Notes Payable and Capital Lease Obligation**

As of December 31, 2016, notes payable and obligations under capital lease obligation were comprised of the following:

<b><u>Description</u></b>	<b><u>Amount</u></b>
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.	\$ 413,438
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.	47,196
Note payable to New York Power Authority (NYPA), issued via the Board of Public Utilities, payable \$21,817 per month including interest through June 2017, at a variable rate. For the year ended December 21, 2016 the variable rate was .60%. For the year ending December 31, 2017 the variable rate is 1.0%	130,766
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>420,246</u>
	<u>\$ 1,011,646</u>

**Compensated absences**

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

**CITY OF JAMESTOWN, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**

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

**Governmental-activities Debt Service Requirements**

The annual debt service requirements to maturity for general obligation bonds, bond anticipation note, notes payable, and capital lease obligations as of December 31, 2016 are as follows:

<u>Year</u>	<u>General Obligation Bonds</u>		<u>Other Notes</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 1,105,000	\$ 520,175	\$ 262,945	\$ 21,787	\$ 1,367,945	\$ 541,962
2018	1,135,000	482,575	135,378	18,400	1,270,378	500,975
2019	1,175,000	443,820	138,660	15,126	1,313,660	458,946
2020	1,150,000	403,732	142,025	11,769	1,292,025	415,501
2021	1,170,000	363,598	146,138	8,326	1,316,138	371,924
2022-2026	6,095,000	1,152,029	186,500	11,244	6,281,500	1,163,273
2027-2031	2,610,000	348,060	-	-	2,610,000	348,060
2032-2035	995,000	65,451	-	-	995,000	65,451
Totals	<u>\$15,435,000</u>	<u>\$ 3,779,440</u>	<u>\$ 1,011,646</u>	<u>\$ 86,652</u>	<u>\$16,446,646</u>	<u>\$ 3,866,092</u>

**Bond Issuance Costs and Accumulated Amortization**

**Governmental Activities**

Bond issuance costs are being amortized over the life of the bonds. As of December 31, 2016, bond issuance costs are summarized as follows:

2006 Refunding Serial Bonds	\$ 124,450
2013 Public Improvement Bonds	<u>196,091</u>
Total bond issuance costs	320,541
Accumulated amortization	<u>(131,342)</u>
Bond issuance costs, net	<u>\$ 189,199</u>

Amortization expense for the year ended December 31, 2016 totaled \$20,368 and is included in debt service costs.

**Business-type Activities - Additional Debt Disclosures:**

**Bonds Payable**

<u>Description</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Beginning of Year</u>	<u>Additions</u>	<u>Retired</u>	<u>End of Year</u>
<b><i>Electric:</i></b>						
1991 Improvement Bond	2016	7.00-7.10%	\$ 225,000	\$ -	\$ (225,000)	\$ -
2006 Bond Refunding	2019	4.85-5.00%	8,820,000	-	(2,075,000)	6,745,000
2015 Bond Refunding	2025	1.00-2.375%	2,585,000	-	(280,000)	2,305,000
2015 Unamortized Premium	2025	n/a	42,357	-	(4,538)	37,819
<b><i>District Heating:</i></b>						
2010A General Obligation Bond	2030	4.00-4.50%	2,515,000	-	(125,000)	2,390,000
Improvement Bond	2026	4.00-5.00%	530,000	-	(40,000)	490,000
			<u>\$14,717,357</u>	<u>\$ -</u>	<u>\$ (2,749,538)</u>	<u>\$11,967,819</u>

**CITY OF JAMESTOWN, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**

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

**Business-type Activities Debt Service Requirements**

The annual debt service requirements to maturity for business-type activities general obligation bonds and notes as of December 31, 2016 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 2,604,538	\$ 451,857	\$ 3,056,395
2018	2,704,538	340,176	3,044,714
2019	2,799,538	237,132	3,036,670
2020	459,538	130,217	589,755
2021	454,538	116,569	571,107
2022-2026	2,115,129	362,562	2,477,691
2027-2030	<u>830,000</u>	<u>74,832</u>	<u>904,832</u>
Totals	<u>\$11,967,819</u>	<u>\$ 1,713,345</u>	<u>\$13,681,164</u>

**NOTE 6 - PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS**

**1. PENSION PLANS**

**General Information**

The City participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS). These are cost sharing multiple employer, public employee retirement systems. The Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

**Plan Descriptions**

**Employees Retirement System (ERS)**

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

**Local Police and Fire Retirement System (PFRS)**

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



**CITY OF JAMESTOWN, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**

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

**1. PENSION PLANS (Cont'd)**

**Funding Policies**

The Systems are non-contributory except for the following:

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

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

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

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>
	<u>NYS and Local Employees</u>	<u>NYS and Local Police and Fire</u>	<u>NYS and Local Employees</u>
2016	\$ 950,252	\$2,188,383	\$1,329,650
2015	\$1,065,971	\$2,082,692	\$1,393,999
2014	\$1,109,976	\$2,480,027	\$1,564,057

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

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

At December 31, 2016, 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, 2016. The total pension asset (liability) used to calculate the net pension asset (liability) was determined by an actuarial valuation as of April 1, 2015. 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, 2016	March 31, 2016
Net pension asset (liability)	\$(9,991,195)	\$(8,030,057)
City's portion of the Plan's total		
Net Pension Liability	0.0604838%	.2712136%

The ERS net liability of \$9,991,195 is recognized in the following: Governmental Activities \$4,329,595; Business-type Activities \$5,661,600. The PFRS net liability of \$8,030,057 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, AND DEFERRED OUTFLOWS OF RESOURCES  
AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Cont'd)**

**Governmental Activities:**

For the year ended December 31, 2016, the City's Governmental Activities recognized pension expense of \$1,517,135 for ERS and \$2,904,037 for PFRS. At December 31, 2016, the City's Governmental Activities reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	<b><u>Deferred Outflows of Resources</u></b>		<b><u>Deferred Inflows of Resources</u></b>	
	<b><u>ERS</u></b>	<b><u>PFRS</u></b>	<b><u>ERS</u></b>	<b><u>PFRS</u></b>
Differences between expected and actual experience	\$ 21,879	\$ 72,022	\$ 513,199	\$1,214,048
Changes in assumptions	1,154,573	3,461,731	-	-
Net difference between projected and actual investment earnings on plan investments	2,568,553	4,500,198	-	-
Changes in Proportion and Differences Between Employer contributions and proportionate share of contributions	28,594	-	131,074	229,541
City's contributions subsequent to measurement date	<u>765,511</u>	<u>1,641,287</u>	<u>-</u>	<u>-</u>
Total	<u>\$4,539,110</u>	<u>\$9,675,238</u>	<u>\$ 644,273</u>	<u>\$1,443,589</u>

**Business-Type Activities:**

For the year ended December 31, 2016, the City's Business-type Activities recognized pension expense of \$1,962,678 for ERS. At December 31, 2016, the City's Business-type Activities reported deferred outflows of resources and deferred inflows of resources related to pensions follows:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
	<b><u>ERS</u></b>	<b><u>ERS</u></b>
Differences between expected and actual experience	\$ 28,609	\$ 671,090
Changes in assumptions	1,509,778	-
Net difference between projected and actual investment earnings on plan investments	3,358,772	-
Changes in Proportion and Differences Between Employer contributions and Proportionate share of contributions	5,285	171,768
BPU's contributions subsequent to measurement date	<u>997,238</u>	<u>-</u>
Total	<u>\$5,899,682</u>	<u>\$ 842,858</u>

**CITY OF JAMESTOWN, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**

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

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

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, 2017. 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:

<b>Year ended:</b>	<b><u>ERS</u></b>		<b><u>PFRS</u></b>
	<b><u>Governmental Activities</u></b>	<b><u>Business-Type Activities</u></b>	<b><u>Governmental Activities</u></b>
2017	\$ 790,563	\$1,022,498	\$1,558,415
2018	\$ 790,563	\$1,022,498	\$1,558,415
2019	\$ 790,563	\$1,022,498	\$1,558,415
2020	\$ 757,637	\$ 992,092	\$1,495,755
2021	\$ -	\$ -	\$ 419,362
Thereafter	\$ -	\$ -	\$ -

**Actuarial Assumptions**

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

	<b><u>ERS</u></b>	<b><u>PFRS</u></b>
Measurement date	March 31, 2016	March 31, 2016
Actuarial valuation date	April 1, 2015	April 1, 2015
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 System experience	April 1, 2010 - March 31, 2015 System experience

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 MP-2014.

For ERS and PFRS, the actuarial assumptions used in the April 1, 2015 valuation are based on 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, AND DEFERRED OUTFLOWS OF RESOURCES  
AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Cont'd)**

**Actuarial Assumptions (Cont'd)**

The long-term rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rate of return (expected 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, 2016 are summarized below:

	<b><u>Target Asset Allocation</u></b>	<b><u>Long-term Expected Real Rate of Return</u></b>
<b><i>Asset type:</i></b>		
Domestic equity	38.0%	7.3%
International equity	13.0%	8.6%
Private equity	10.0%	11.0%
Real estate	8.0%	8.3%
Absolute return strategy investments	3.0%	6.8%
Opportunistic portfolio	3.0%	8.6%
Real assets	3.0%	8.7%
Bonds and mortgages	18.0%	4.0%
Cash	2.0%	2.3%
Inflation-indexed bonds	<u>2.0%</u>	4.0%
	<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, AND DEFERRED OUTFLOWS OF RESOURCES  
AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Cont'd)**

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.0% 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:

	<b>1% Decrease <u>6.0%</u></b>	<b>Current Discount <u>7.0%</u></b>	<b>1% Increase <u>8.0%</u></b>
<b><u>ERS</u></b>			
Employer's proportionate share of the Net pension asset (liability)	\$(22,529,419)	\$ (9,991,195)	\$ 603,069
<b><u>PFRS</u></b>			
Employer's proportionate share of the Net pension asset (liability)	\$(17,935,976)	\$ (8,030,057)	\$ 273,251

**Pension Plan Fiduciary Net Position**

The components of the current-year net pension liability of the employers as of March 31, 2016 were as follows:

	<b><u>ERS</u></b> (Dollars in Thousands)	<b><u>PFRS</u></b> (Dollars in Thousands)
Employers' total pension liability	\$172,303,544	\$ 30,347,727
Plan net position	<u>156,253,265</u>	<u>27,386,940</u>
Employers' net position total	<u>\$ 16,050,279</u>	<u>\$ 2,960,787</u>
Ratio of Plan net position to the Employers' total pension liability	<u>90.7%</u>	<u>90.2%</u>

**Prepaid Pension Plan Expense**

Employer contributions are paid annually based on the Systems fiscal year which ends on March 31<sup>st</sup>. Prepaid retirement contributions as of December 31, 2016 represent the employer contribution for the period January 1, 2017 through March 31, 2017 based upon paid wages multiplied by the employers' contribution rate by tier.

Prepaid retirement contributions as of December 31, 2016 were comprised of the following:

**Governmental Activities:**

ERS	\$ 231,096
PFRS	<u>522,418</u>
	<u>\$ 753,514</u>

**Business-type Activities:**

ERS	<u>\$ 363,506</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, 2016.

**Annual OPEB Cost and Net OPEB Obligation**

	<b><u>Governmental Activities</u></b>	<b><u>Business type Activities</u></b>	<b><u>Total</u></b>
Annual Required Contribution (ARC)	\$ 7,104,512	\$ 427,710	\$ 7,532,222
Interest on net OPEB Obligation	819,045	398,049	1,217,094
Adjustment to annual required contribution	<u>(884,517)</u>	<u>(429,868)</u>	<u>(1,314,385)</u>
Annual OPEB Cost	7,039,040	395,891	7,434,931
Less expected Contributions	<u>(3,335,675)</u>	<u>(350,645)</u>	<u>(3,686,320)</u>
Increase in Net OPEB Obligation	3,703,365	45,246	3,748,611
Net OPEB obligation, January 1, 2016	<u>20,476,136</u>	<u>9,951,235</u>	<u>30,427,371</u>
<b>Net OPEB obligation, December 31, 2016</b>	<b><u>\$ 24,179,501</u></b>	<b><u>\$ 9,996,481</u></b>	<b><u>\$ 34,175,982</u></b>

**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**

	<b>Governmental Activities</b>	<b>Business type Activities</b>	<b>Total</b>
Actuarial Accrued Liability (AAL)	\$114,906,856	\$ 6,686,235	\$121,593,091
Actuarial Value of Plan Assets	<u>0</u>	<u>0</u>	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	\$114,906,856	\$ 6,686,235	\$121,593,091
Covered Payroll	\$ 16,642,157	\$ 4,641,114	\$ 21,283,271
Ratio of the unfunded actuarial accrued liability to covered payroll	<u>690.46%</u>	<u>144.07%</u>	<u>571.31%</u>

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Methods and Assumptions**

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

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

**4. DEFERRED COMPENSATION PLAN**

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

**CITY OF JAMESTOWN, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - INTERFUND ACTIVITY OF GOVERNMENTAL FUNDS**

The governmental funds include interfund balances and activity as of and for the year ended December 31, 2016 as follows:

	<u><b>Due From</b></u>	<u><b>Due To</b></u>	<u><b>Transfer-In</b></u>	<u><b>Transfer-Out</b></u>
General Fund	\$ -	\$ 387,315	\$ 2,000	\$ -
Capital Projects Fund	165,475	-	-	2,000
Special Revenue Fund:				
Special Revenue Fund	221,840	-	-	-
Debt Service Fund	-	-	-	-
	<u>\$ 387,315</u>	<u>\$ 387,315</u>	<u>\$ 2,000</u>	<u>\$ 2,000</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** **\$35,122,912**

***Amendments:***

General government support	97,270
Public safety	17,700
Streets	92,676
Culture and recreation	89,797
Capital outlays	204,702
Employee benefits	(254,610)
Debt service - interest	<u>187</u>
Total amendments	<u>247,722</u>

**Revised budget** **\$35,370,634**

**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, 2016, the City's property tax revenue was reduced \$226,397. The City received Payment in Lieu of Tax (PILOT) payments totaling \$80,274.



**CITY OF JAMESTOWN, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**

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

**1. Summary of Accounting Policies**

**Business**

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

**Basis of Presentation**

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

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

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

**Capital Assets and Depreciation**

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

**Revenue Recognition**

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

**Cash and Cash Equivalents**

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

**CITY OF JAMESTOWN, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**

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

**1. Summary of Accounting Policies (Cont'd)**

**Investments**

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

**Inventory**

Inventory is valued at cost utilizing the average cost method.

**Restricted Cash and Investments**

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

**Post Employment Benefits**

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

**Fair Value of Financial Instruments**

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

**Health Insurance**

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

**Deferred Inflows/Outflows of Resources**

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Divisions 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 12 - BUSINESS-TYPE ACTIVITIES DISCLOSURES (Board of Public Utilities) (Cont'd)**

**1. Summary of Accounting Policies (Cont'd)**

**Accounts Receivable**

Accounts receivable are carried at their net realizable value. The Divisions policy is to accrue a penalty on past due customer receivables. Accounts are written-off as uncollectible after the likelihood of payment is considered remote by management. The allowance for uncollectible accounts totaled \$171,829 as of December 31, 2016.

**Utilization of Estimates**

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

**Net Position**

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

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

Restricted net position - Consists of net positions with constraints on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions of enabling legislation.

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

**Derivative Instruments**

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

In accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the Electric Division includes any cash collateral held in this account in a net presentation on the statement of net position with the associated fair value of instruments in the account. The Electric Division's outstanding derivative portfolio consists of 58 natural gas futures contracts measured in dekatherms (dth) at December 31, 2016. As such, the Electric Division is exposed to concentrations or credit risk related to these contracts.

**CITY OF JAMESTOWN, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**

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

**1. Summary of Accounting Policies (Cont'd)**

**Fair Value of Financial Instruments**

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

**Fair Value Measurement - Definition and Hierarchy**

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

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

***Level 2*** - Valuations based on quoted prices in inactive markets, or whose values are based on models - but the inputs to those models are observable either directly or indirectly for substantially the full term of the asset or liability. The total value of future contracts was deemed immaterial as of December 31, 2016. Cash collateral at December 31, 2016 was \$1,057,164, and is recorded on the statement of net position.

**Date of Management's Review**

Management of the Board of Public Utilities has evaluated events and transactions for potential recognition or disclosure in the financial statements through April 20, 2017, which is the date the financial statements of the Board of Public Utilities were available to be issued.

**CITY OF JAMESTOWN, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**

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

**2. Deposits and Investments**

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

The following Table presents the investments (including restricted investments) and maturities of the Board of Public Utilities investment securities with interest rate risk as of December 31, 2016:

<b><u>Investment Type</u></b>	<b><u>Fair Value</u></b>	<b><u>Less than 6 Months</u></b>	<b><u>6 Months to 1 year</u></b>	<b><u>1 - 5 Years</u></b>	<b><u>More than 5 Years</u></b>
U.S. Treasuries	<u>\$21,262,410</u>	<u>\$ 1,999,081</u>	<u>\$ -</u>	<u>\$19,263,329</u>	<u>\$ -</u>

**3. Charges for Future Benefits**

As of December 31, 2016, non-current assets include charges for future benefits and were comprised of the following:

Compensated absences	<u>\$ 680,077</u>
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**4. Restricted Net Position**

**Plant Dismantling**

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

**Overhaul**

Pursuant to the Electric Division of the Board of Public Utilities's 2016 Rate Plan approved by the NYS Public Service Commission, the off-system sales profits of \$1,225,000 were reflected in the Electric Division's rates but any amounts exceeding that level were to be set aside to fund the plan overhaul costs. Actual contributions to the overhaul reserve were \$1,865,000 for the year ended December 31, 2016.

**Energy Conservation**

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

**CITY OF JAMESTOWN, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**

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

**5. Other non-current liability - Economic Development**

At December 31, 2016, non-current liabilities include \$310,418 for economic development. The economic development liability was originally established with \$600,000. The purpose of this fund is to provide funding to improve infrastructure and build line extensions for new loads. Because the funds collected were a result of over billings to customers in prior years, the Municipal Electric Division is accruing interest on the amounts not refunded at 3.25% per annum.

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

**6. Municipal Electric System Disclosures**

**Major Customer**

The Municipal Electric System sells excess energy into the New York State Independent System Operator, commonly referred to as off system sales. Revenues to the Electric System from this regional transmission organization amounted to approximately 17.2% of Electric System revenue for the year ended December 31, 2016.

**Contingencies**

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

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

**YEAR ENDED DECEMBER 31, 2016**

	<b>Budgeted Amounts</b>			<b>Variance</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Actual</u></b>	<b><u>Favorable</u></b> <b><u>(Unfavorable)</u></b>
<b>Revenues:</b>				
Real property taxes	\$15,694,050	\$15,694,050	\$15,693,513	\$ (537)
Real property tax items	315,000	315,000	325,055	10,055
Non-property tax items	6,582,000	6,582,000	6,489,546	(92,454)
Departmental income	915,000	915,000	937,150	22,150
Intergovernmental charges	210,000	210,000	213,548	3,548
Use of money and property	10,000	10,000	648	(9,352)
Licenses and permits	212,800	212,800	229,358	16,558
Fines and forfeitures	110,000	110,000	70,874	(39,126)
Other unclassified revenue	10,000	32,770	34,331	1,561
Board of Public Utilities				
Payments in lieu-of-taxes	3,831,000	3,831,000	3,748,195	(82,805)
Contribution	482,000	482,000	482,000	-
Refund of prior year expenditures	250,000	250,000	248,850	(1,150)
State aid	<u>6,089,309</u>	<u>6,314,261</u>	<u>6,378,560</u>	<u>64,299</u>
Total revenues	<u>34,711,159</u>	<u>34,958,881</u>	<u>34,851,628</u>	<u>(107,253)</u>
<b>Expenditures:</b>				
General government support	\$ 3,676,188	\$ 3,773,458	\$ 3,691,966	\$ 81,492
Public safety	11,187,318	11,205,018	11,069,002	136,016
Streets	3,703,356	3,796,032	3,736,956	59,076
Culture and recreation	1,953,190	2,042,987	2,077,305	(34,318)
Home and community services	837,000	837,000	816,444	20,556
Capital outlays	895,630	1,100,332	1,100,332	-
Employee benefits	10,892,000	10,637,390	10,403,465	233,925
Debt service-principal	1,383,983	1,383,983	1,383,983	-
Debt service-interest	<u>594,247</u>	<u>594,434</u>	<u>594,434</u>	<u>-</u>
Total expenditures	<u>35,122,912</u>	<u>35,370,634</u>	<u>34,873,887</u>	<u>496,747</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(411,753)</u>	<u>(411,753)</u>	<u>(22,259)</u>	<u>389,494</u>
<b>Other Sources:</b>				
Transfers in from other funds	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Total other sources	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
<b>Excess (deficiency) of revenues and other sources over expenditures</b>	<u>(409,753)</u>	<u>(409,753)</u>	<u>(20,259)</u>	<u>389,494</u>
<b>Fund balance, beginning of year</b>	<u>1,567,697</u>	<u>1,567,697</u>	<u>1,567,697</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 1,157,944</u>	<u>\$ 1,157,944</u>	<u>\$ 1,547,438</u>	<u>\$ 389,494</u>

See Independent Auditor's Report.

**CITY OF JAMESTOWN, NEW YORK**

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

**Schedule of Funding Progress**

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

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
1. Actuarial Accrued Liability (AAL)	\$114,906,856	\$ 6,686,235	\$121,593,091
2. Actuarial Value of Plan Assets	0	0	0
3. Unfunded Actuarial Accrued Liability (UAAL)	\$114,906,856	\$ 6,686,235	\$121,593,091
4. Funded Ratio (3. Divided by 2.)	0%	0%	0%
5. Annual Covered Payroll	\$ 16,642,157	\$ 4,641,114	\$ 21,283,271
6. Ratio of the unfunded actuarial accrued liability to covered payroll	<u>690.46%</u>	<u>144.07%</u>	<u>571.31%</u>

**Schedule of Employer Contributions**

	<b>Annual OPEB Cost</b>	<b>Actual Contribution</b>	<b>Percentage Contributed</b>
<b><u>Governmental Activities</u></b>			
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%
December 31, 2012	\$ 5,881,808	\$ 2,979,573	50.66%
<b><u>Business-type Activities</u></b>			
December 31, 2016	\$ 396,180	\$ 350,645	88.51%
December 31, 2015	\$ 554,353	\$ 354,578	63.96%
December 31, 2014	\$ 548,577	\$ 555,839	101.32%
December 31, 2013	\$ 606,457	\$ 322,849	53.24%
December 31, 2012	\$ 599,880	\$ 338,217	56.38%

**Schedule of Funding Progress**

**Governmental Activities**

<b>Fiscal Year Beginning</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a % of Covered Payroll</b>
01/01/12	\$0	\$ 96,294,473	\$ 96,294,473	0.00%	\$15,434,480	623.89%
01/01/13	\$0	\$ 98,217,420	\$ 98,217,240	0.00%	\$14,939,343	657.44%
01/01/14	\$0	\$ 91,494,970	\$ 91,494,970	0.00%	\$16,229,903	563.74%
01/01/15	\$0	\$ 90,953,024	\$ 90,953,024	0.00%	\$16,061,447	566.28%
01/01/16	\$0	\$114,906,856	\$114,906,856	0.00%	\$16,642,157	690.46%

**Business-type Activities**

<b>Fiscal Year Beginning</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a % of Covered Payroll</b>
01/01/12	\$0	\$ 8,973,435	\$ 8,973,435	0.00%	\$ 7,834,877	114.53%
01/01/13	\$0	\$ 8,973,435	\$ 8,973,345	0.00%	\$ 7,834,877	114.53%
01/01/14	\$0	\$ 8,702,820	\$ 8,702,820	0.00%	\$ 7,462,956	116.61%
01/01/15	\$0	\$ 8,702,820	\$ 8,702,820	0.00%	\$ 7,462,956	116.61%
01/01/16	\$0	\$ 6,686,235	\$ 6,686,235	0.00%	\$ 4,641,114	144.07%

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>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>	<u>2007</u>
Contractually required contribution	\$ 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	\$ 1,273,545
Contributions in relation to contractually required contribution	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	1,273,545
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered employee payroll	\$ 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	\$ 8,219,379
Contributions as a percentage of covered-employee payroll	24%	24%	29%	29%	25%	22%	18%	14%	15%	15%
Contractually required contribution	\$ 950,252	\$ 1,065,971	\$ 1,109,976	\$ 1,268,662	\$ 1,001,308	\$ 960,979	\$ 653,400	\$ 408,397	\$ 494,708	\$ 511,115
Contributions in relation to contractually required contribution	950,252	1,065,971	1,109,976	1,268,662	1,001,308	960,979	653,400	408,397	494,708	511,115
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered employee payroll	\$ 6,050,379	\$ 5,866,116	\$ 5,860,957	\$ 5,952,676	\$ 5,646,457	\$ 5,791,567	\$ 5,823,057	\$ 5,897,708	\$ 5,787,915	\$ 5,437,793
Contributions as a percentage of covered-employee payroll	16%	18%	19%	21%	18%	17%	11%	7%	9%	9%
Contractually required contribution	\$ 1,329,650	\$ 1,393,999	\$ 1,564,057	\$ 1,684,749	\$ 1,549,820	\$ 1,219,062	\$ 900,758	\$ 566,704	\$ 587,793	\$ 740,404
Contributions in relation to contractually required contribution	1,329,650	1,393,999	1,564,057	1,684,749	1,549,820	1,219,062	900,758	566,704	587,793	740,404
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll - Board of Public Utilities	\$ 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	\$ 8,218,592
Contributions as a percentage of covered-employee payroll	14%	16%	17%	19%	18%	15%	11%	7%	7%	9%

See Independent Auditor's Report.

City of Jamestown, NY  
Required Supplementary Information  
Schedule of City's Proportion Share  
of the Net Pension Liability  
Last 2 Fiscal Years

	<i>Police and Fire Retirement System - Government-wide</i>									
	<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>	<u>2007</u>
City's proportion of the net pension liability	0.2712136%	0.2725067%	-	-	-	-	-	-	-	-
City's proportionate share of the net pension liability	\$ 8,030,057	\$ 750,101	-	-	-	-	-	-	-	-
City's covered payroll	\$ 9,132,062	\$ 8,515,335	-	-	-	-	-	-	-	-
City's proportion of the net pension liability as a percentage of its covered payroll	88%	9%	-	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	90%	99%	-	-	-	-	-	-	-	-
	<i>Employees' Retirement System - Government-wide</i>									
	<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>	<u>2007</u>
City's proportion of the net pension liability	0.0604838%	0.0600616%	-	-	-	-	-	-	-	-
City's proportionate share of the net pension liability	\$ 9,991,195	\$ 2,087,998	-	-	-	-	-	-	-	-
City's covered payroll	\$ 6,050,379	\$ 5,866,116	-	-	-	-	-	-	-	-
City's proportion of the net pension liability as a percentage of its covered payroll	165%	36%	-	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	91%	98%	-	-	-	-	-	-	-	-

See Independent Auditor's Report.

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

**DECEMBER 31, 2016**

	<b><u>Special Revenue</u></b>	<b><u>Department Of Development</u></b>	<b><u>Totals</u></b>
<b>Assets</b>			
Cash and cash equivalents	\$ 30,151	\$ 3,720,989	\$ 3,751,140
Account receivable:			
Governments	7,968	38,700	46,668
Other	-	16,661	16,661
Loans receivable, net of allowance of \$760,136 for loan loss	-	809,926	809,926
Due from other funds	221,840	-	221,840
Real property held for sale	-	18,643	18,643
Total assets	<u>259,959</u>	<u>4,604,919</u>	<u>4,864,878</u>
<b>Liabilities</b>			
Account payable and accrued expenses	-	900	900
Amounts held in project escrow	-	26,000	26,000
Deferred revenue:			
Restricted grants	259,959	37,047	297,006
Federal grants	-	28,441	28,441
Other	-	144,564	144,564
Total liabilities	<u>259,959</u>	<u>236,952</u>	<u>496,911</u>
<b>Fund Balance</b>			
Reserved for:			
Economic development	-	4,367,967	4,367,967
Total fund balance	<u>\$ -</u>	<u>\$ 4,367,967</u>	<u>\$ 4,367,967</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, 2016**

	<b><u>Special Revenue</u></b>	<b><u>Department Of Development</u></b>	<b><u>Totals</u></b>
<b>Revenues:</b>			
Departmental income	\$ -	\$ 401,751	\$ 401,751
Use of money and property	-	41,280	41,280
Local sources and other revenue	478,969	607,524	1,086,493
Interfund revenues	-	395,000	395,000
State aid	103,685	154,371	258,056
Federal aid	<u>35,470</u>	<u>1,169,892</u>	<u>1,205,362</u>
Total revenues	<u>618,124</u>	<u>2,769,818</u>	<u>3,387,942</u>
<b>Expenditures:</b>			
General government support	-	925,931	925,931
Public safety	421,304	-	421,304
Home and community	63,276	1,151,955	1,215,231
Capital outlays	133,544	139,932	273,476
Economic development	<u>-</u>	<u>674,476</u>	<u>674,476</u>
Total expenditures	<u>618,124</u>	<u>2,892,294</u>	<u>3,510,418</u>
Excess (deficiency) of revenues over expenditures	-	(122,476)	(122,476)
<b>Fund balance, beginning of year</b>	<u>-</u>	<u>4,490,443</u>	<u>4,490,443</u>
<b>Fund balance, end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ 4,367,967</u></u>	<u><u>\$ 4,367,967</u></u>

See Independent Auditor's Report.

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

**YEAR ENDED DECEMBER 31, 2016**

<b><u>Federal Grantor/Program Title</u></b>	<b><u>Federal CFDA Number</u></b>	<b><u>Federal Disbursements/ Expenditures</u></b>
<b><u>U.S. Department of Housing and Urban Development</u></b>		
<i>Direct Programs:</i>		
Community Development Block Grant	14.218	\$ 939,277
Home Investment Partnership Program (HOME)	14.239	<u>212,678</u>
Total U.S. Department of Housing and Urban Development		<u>\$ 1,151,955</u>
<b><u>U.S. Environmental Protection Agency</u></b>		
<i>Direct Program:</i>		
Brownfields Assessment and Cleanup Cooperative	66.818	<u>\$ 17,937</u>
Total U.S. Environmental Protection Agency		<u>\$ 17,937</u>
<b><u>U.S. Department of Justice</u></b>		
<i>Direct Program:</i>		
Edward Byrne Justice Assistance Grant	16.738	<u>\$ 15,046</u>
Total U.S. Department of Justice		<u>\$ 15,046</u>
<b><u>Department of Homeland Security</u></b>		
<i>Direct Program:</i>		
Assistance to Firefighters Grant	97.044	<u>\$ 20,424</u>
Total Department of Homeland Security		<u>\$ 20,424</u>
<b>Total Federal Expenditures</b>		<b><u>\$ 1,205,362</u></b>

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, 2016. 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, 2016**

**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, 2016**

There were no audit findings noted for the year ended December 31, 2015.

**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, 2016, 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 August 23, 2017.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

 CPA P.C.

JOHN S. TRUSSALO, CPA, P.C.  
Jamestown, New York  
August 23, 2017



**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, 2016. 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, 2016.

**Report on Internal Control Over Compliance**

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

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

**Report on Internal Control Over Compliance (Cont'd)**

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

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

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

**JOHN S. TRUSSALO, CPA, P.C.**  
Jamestown, New York  
August 23, 2017