

**CITY OF SALAMANCA,
NEW YORK**

*Basic Financial Statements and Required Supplementary
Information for the Year Ended
March 31, 2016 and Independent Auditors' Reports*

CITY OF SALAMANCA, NEW YORK
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Year Ended March 31, 2016

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the Common Council
City of Salamanca, New York:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Salamanca, New York (the "City"), as of and for the year ended March 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

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Salamanca Industrial Development Agency ("SIDA") or the Salamanca Housing Authority ("SHA"), which are shown as discretely presented component units. Those financial statements were audited by other auditors whose reports thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the SIDA and SHA, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of the 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, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of March 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the City has restated net position of governmental activities and General Fund fund balance as of March 31, 2015. Additionally, during the year ended March 31, 2016, the City implemented Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis and other Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2016 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.



November 1, 2016

CITY OF SALAMANCA, NEW YORK
Management's Discussion and Analysis
Year Ended March 31, 2016

As management of the City of Salamanca, New York (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended March 31, 2016. This document should be read in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative. For comparative purposes, certain items from the prior year have been reclassified to conform with the current year presentation.

Financial Highlights

- The assets and deferred outflows of resources of the City's primary government exceeded its liabilities and deferred inflows of resources at the close of the fiscal year ended March 31, 2016 by \$51,437,955 (net position). This consists of \$28,648,554 net investment in capital assets, \$6,380 restricted for specific purposes, and unrestricted net position of \$22,783,021.
- The City's total primary government net position increased by \$1,010,303 during the year ended March 31, 2016. Net position increased \$393,351 and \$616,952 for governmental activities and business-type activities, respectively.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$21,704,194, an increase of \$4,512,104 in comparison with the prior year's fund balance of \$17,192,090 (as restated).
- At the end of the fiscal year, *unassigned fund balance* for the General Fund was \$15,395,709. This total amount is *available for spending* at the City's discretion and constitutes approximately 97.1 percent of the General Fund's total fund balance of \$15,852,749
- The City's governmental activities' bonds payable decreased \$305,404 during the current year as a result of scheduled principal payments.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements—The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government support, public safety, health, transportation, economic assistance and opportunity, culture and recreation, home and community services, and interest on long-term debt. The business-type activities of the City include water, sewer and electric.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the Salamanca Industrial Development Agency and the Salamanca Housing Authority for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 13-14 of this report.

Fund financial statements—A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds—*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Economic Development Fund, Library Fund and Capital Projects Fund, which are considered major funds.

The basic governmental fund financial statements can be found on pages 15-18 of this report.

Proprietary funds—The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and electric operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Fund, Sewer Fund and Electric Fund.

The proprietary fund financial statements can be found on pages 19-22 of this report.

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City’s own programs. The City maintains two fiduciary funds, the Private Purpose Trust Fund and the Agency Fund. The fiduciary fund financial statements can be found on pages 23-24 of this report.

Notes to the 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. The notes to the financial statements can be found on pages 25-62 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City’s progress in funding its obligation to provide post-employment benefits to its employees, the City’s net pension (asset)/liability, and the City’s budgetary comparison for the General Fund and the Library Fund. Required Supplementary Information and a related note to the required supplementary information can be found on pages 63-70 of this report.

Government-wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government’s financial position. In the case of the City’s primary government, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$51,437,955 at the close of the most recent fiscal year, as compared to \$50,427,652 (as restated) at the close of the fiscal year ended March 31, 2015.

Table 1, shown below, presents a condensed statement of net position compared to the prior year.

Table 1—Condensed Statements of Net Position—Primary Government

	Governmental Activities		Business-Type Activities		Total	
	March 31,		March 31,		March 31,	
	2016	2015 (as restated)	2016	2015 (as restated)	2016	2015 (as restated)
Current and other assets	\$ 23,570,060	\$ 23,964,346	\$ 2,085,658	\$ 2,452,376	\$ 25,655,718	\$ 26,416,722
Noncurrent assets	20,386,487	20,589,309	13,224,340	13,162,713	33,610,827	33,752,022
Total assets	<u>43,956,547</u>	<u>44,553,655</u>	<u>15,309,998</u>	<u>15,615,089</u>	<u>59,266,545</u>	<u>60,168,744</u>
Deferred outflows of resources	691,461	733,778	278,878	308,789	970,339	1,042,567
Current and other liabilities	826,666	1,799,977	992,304	1,424,386	1,818,970	3,224,363
Noncurrent liabilities	2,527,393	2,689,858	4,349,566	4,869,438	6,876,959	7,559,296
Total liabilities	<u>3,354,059</u>	<u>4,489,835</u>	<u>5,341,870</u>	<u>6,293,824</u>	<u>8,695,929</u>	<u>10,783,659</u>
Deferred inflows of resources	103,000	-	-	-	103,000	-
Net position:						
Net investment in capital assets	19,481,800	19,372,626	9,166,754	8,642,155	28,648,554	28,014,781
Restricted	6,380	6,378	-	301,235	6,380	307,613
Unrestricted	21,702,769	21,418,594	1,080,252	686,664	22,783,021	22,105,258
Total net position	<u>\$ 41,190,949</u>	<u>\$ 40,797,598</u>	<u>\$ 10,247,006</u>	<u>\$ 9,630,054</u>	<u>\$ 51,437,955</u>	<u>\$ 50,427,652</u>

The largest portion of the City's net position, \$28,648,554, reflects its investment in capital assets (e.g. land, buildings and building improvements, infrastructure and machinery and equipment), less any related debt used to acquire those assets. The City uses these capital assets to provide services to citizens. Accordingly, 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.

An additional portion of the City's primary government net position, \$6,380, represents resources that are subject to external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The remaining component of net position, \$22,783,021, is considered to be unrestricted.

Table 2, as presented below shows the changes in net position for the years ended March 31, 2016 and March 31, 2015.

Table 2—Condensed Statements of Changes in Net Position—Primary Government

	Governmental Activities		Business-Type Activities		Total	
	Year Ended March 31,		Year Ended March 31,		Year Ended March 31,	
	2016	2015 (as restated)	2016	2015 (as restated)	2016	2015 (as restated)
Revenues:						
Program revenues:						
Charges for services	\$ 643,790	\$ 744,150	\$ 8,174,809	\$ 9,035,998	\$ 8,818,599	\$ 9,780,148
Operating grants and contributions	2,927	15,417	25,848	-	28,775	15,417
Capital grants and contributions	-	230,609	-	28,820	-	259,429
General revenues	8,201,166	13,258,591	248,582	66,027	8,449,748	13,324,618
Total revenues	8,847,883	14,248,767	8,449,239	9,130,845	17,297,122	23,379,612
Program expenses	8,458,790	9,458,913	7,828,029	8,807,456	16,286,819	18,266,369
Excess (deficiency) of revenues over expenses	389,093	4,789,854	621,210	323,389	1,010,303	5,113,243
Transfers	4,258	18,225	(4,258)	(18,225)	-	-
Change in net position	393,351	4,808,079	616,952	305,164	1,010,303	5,113,243
Net position—beginning	40,797,598	34,661,249	9,630,054	9,260,640	50,427,652	43,921,889
Restatement (Note 2)	-	1,328,270	-	64,250	-	1,392,520
Net position—ending	<u>\$ 41,190,949</u>	<u>\$ 40,797,598</u>	<u>\$ 10,247,006</u>	<u>\$ 9,630,054</u>	<u>\$ 51,437,955</u>	<u>\$ 50,427,652</u>

Governmental activities. Governmental activities increased the City's net position by \$393,351. Overall revenues decreased 37.9 percent from the prior year largely due to the City recording one-time state aid relating to prior periods during the year ended March 31, 2015. Total expenses decreased 10.6 percent from the prior year primarily due to the payment made to the City's school district for their portion of the prior period state aid collected during the year ended March 31, 2015 and the retirement of employees.

A summary of sources of revenues for the years ended March 31, 2016 and March 31, 2015 is presented below in Table 3.

Table 3—Summary of Sources of Revenues—Governmental Activities

	Year Ended March 31,		Increase/(decrease)	
	2016	2015	Dollars	Percent
Charges for services	\$ 643,790	\$ 744,150	\$ (100,360)	(13.5)
Operating grants and contributions	2,927	15,417	(12,490)	(81.0)
Capital grants and contributions	-	230,609	(230,609)	(100.0)
Real property taxes and tax items	1,900,426	1,950,232	(49,806)	(2.6)
State aid—unrestricted	6,230,167	11,250,791	(5,020,624)	(44.6)
Other general revenues	70,573	57,568	13,005	22.6
Total revenues	<u>\$ 8,847,883</u>	<u>\$ 14,248,767</u>	<u>\$ (5,400,884)</u>	(37.9)

The most significant source of revenues is state aid—unrestricted of \$6,230,167, or 70.4 percent of total governmental activities revenues for the year ended March 31, 2016 and \$11,250,791, or 79.0 percent of total governmental activities revenues, for the year ended March 31, 2015. The next largest source of revenue is real property taxes and tax items of \$1,900,426, or 21.5 percent of total governmental activities revenues for the years ended March 31, 2016 and \$1,950,232, or 13.7 percent of total governmental activities revenues for the years ended March 31, 2015.

During the year ended March 31, 2016 state aid—unrestricted decreased \$5,020,624 as the City recognized prior period New York State Casino Revenue Sharing aid during the year ended March 31, 2015. In addition, capital grants and contributions decreased \$230,609 as the City did not receive and Consolidated Highway Aid during the year ended March 31, 2016.

A summary of program expenses for the year ended March 31, 2016 and March 31, 2015 is presented below in Table 4.

Table 4—Summary of Program Expenses—Governmental Activities

	Year Ended March 31,		Increase/(decrease)	
	2016	2015	Dollars	Percent
General government support	\$ 1,705,417	\$ 2,826,964	\$ (1,121,547)	(39.7)
Public safety	2,676,220	2,942,384	(266,164)	(9.0)
Health	209,501	169,554	39,947	23.6
Transportation	2,675,895	2,300,348	375,547	16.3
Economic assistance and opportunity	70,351	190,950	(120,599)	(63.2)
Culture and recreation	798,254	856,245	(57,991)	(6.8)
Home and community services	291,343	129,114	162,229	125.6
Interest and fiscal charges	31,809	43,354	(11,545)	(26.6)
Total program expenses	<u>\$ 8,458,790</u>	<u>\$ 9,458,913</u>	<u>\$ (1,000,123)</u>	(10.6)

The most significant expense items for the year ended March 31, 2016 were public safety of \$2,676,220, or 31.6 percent of total governmental activities expenses, transportation of \$2,675,895, or 31.6 percent of total governmental activities expenses and general government support of \$1,705,417, or 20.2 percent of total governmental activities expenses for the year ended March 31, 2016. For the year ended March 31, 2015 the most significant expense items were public safety of \$2,942,384, or 31.1 percent of total governmental activities expenses, general government support of \$2,826,964, or 29.9 percent of total

governmental activities expenses and transportation of \$2,300,348, or 24.3 percent of total governmental activities expenses.

During the year ended March 31, 2016, general government support decreased by \$1,121,547 primarily due to the payment made to the City's school district for their portion of the prior period state aid collected during the year ended March 31, 2015.

Business-type activities. Business-type activities increased the City's net position by \$616,952 due to normal operations.

Operating revenues relating to the City's business-type activity decreased by 9.5 percent and operating expenses decreased 11.5 percent for the year ended March 31, 2016, from the year ended March 31, 2015.

A summary of sources of operating revenues and expenses for the City's business-type activities for the years ended March 31, 2016 and March 31, 2015 is presented below in Table 5.

Table 5—Summary of Operating of Revenues and Expenses—Business-type Activities

	Year Ended March 31,		Increase/(decrease)	
	2016	2015	Dollars	Percent
Operating revenues:				
Charges for services	\$ 8,174,809	\$ 9,035,998	\$ (861,189)	(9.5)
Total operating revenues	<u>8,174,809</u>	<u>9,035,998</u>	<u>(861,189)</u>	(9.5)
Operating expenses:				
Personnel services	\$ 1,390,841	\$ 1,404,750	\$ (13,909)	(1.0)
Taxes and assessments on municipal property	8,449	9,380	(931)	(9.9)
Depreciation	496,421	474,349	22,072	4.7
Sanitary sewers	56,327	78,442	(22,115)	(28.2)
Sewage	134,485	175,634	(41,149)	(23.4)
Administration	63,852	75,334	(11,482)	(15.2)
Source of supply, power and pumping	52,997	52,215	782	1.5
Purification	6,873	7,804	(931)	(11.9)
Transportation and distribution	25,060	31,863	(6,803)	(21.4)
Electric and power	4,719,113	5,368,767	(649,654)	(12.1)
Employee benefits	548,442	797,362	(248,920)	(31.2)
Total operating expenses	<u>7,502,860</u>	<u>8,475,900</u>	<u>(973,040)</u>	(11.5)
Nonoperating revenues (expenses)	(50,739)	(236,709)	185,970	(78.6)
Transfers in (out)	<u>(4,258)</u>	<u>(18,225)</u>	<u>13,967</u>	(76.6)
Change in net position	<u>\$ 616,952</u>	<u>\$ 305,164</u>	<u>\$ 311,788</u>	102.2

As detailed above, the City's business-type activities' total operating expenses for the year ended March 31, 2016 decreased 11.5 percent from the previous year. The decrease is primarily the result of lower electric and power costs due to a milder winter in 2015-16 as well cleaning and pump maintenance needed during the year ended March 31, 2015.

The City's business-type activities' most significant expense items for the year ended March 31, 2016 are electric and power, which accounts for \$4,719,113 or 60.2 percent of total expenses, personnel services which account for \$1,390,841 or 17.8 percent of total expenses, and employee benefits which account for \$548,442 or 7.0 percent of total expenses. Similarly, for the year ended March 31, 2015, most significant expense items were electric and power, which accounted for \$5,368,767 or 63.3 percent of total expenses, personnel services which accounted for \$1,404,750, or 16.6 percent of total expenses, and employee benefits which accounted for \$797,362 or 9.4 percent of total expenses.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for particular purposes by the City Common Council.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$21,704,194, an increase of \$4,512,104 in comparison with the prior year's fund balance, as restated. Approximately 70.9 percent of this amount, \$15,395,709, constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is 1) not in spendable form, \$377,977, 2) restricted for particular purposes, \$6,380, 3) committed to a particular purpose, \$59,170, or 4) assigned for a particular purpose, \$5,864,958.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, *unassigned fund balance* of the General Fund was \$15,395,709, while total fund balance was \$15,852,749. The General Fund fund balance increased \$4,017,482 from the prior year. As a measure of the General Fund's liquidity, it may be useful to compare both *unassigned fund balance* and total fund balance to total expenditures. *Unassigned fund balance* represents 188.9 percent of General Fund expenditures and transfers out, while total fund balance represents 194.5 percent of that same amount.

During the year ended March 31, 2016, the City's Economic Development Fund fund balance increased by \$488,475 from the prior year, resulting in an ending fund balance of \$5,834,424, all of which is reported as fund balance assigned for specific use.

At March 31, 2016, the City's Library Fund reported fund balance of \$10,641 an increase of \$6,145 in comparison with the prior year, all of which is reported as fund balance assigned for specific use.

The fund balance in the Capital Projects Fund increased \$2 from March 31, 2015 as a result of interest earnings.

Proprietary funds. The City's proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The net position of the proprietary funds at the end of the current fiscal year totaled \$10,247,006. The Water Fund net position increased by \$193,997, the Sewer Fund net position increased by \$304,123 and the Electric Fund net position increased by \$118,832. The Water Fund and Sewer Fund increased primarily as a result of operating revenues exceeding operating expenses, while the increase in the Electric Fund was primarily due to an increase in miscellaneous revenues, specifically refunds of prior year expenses.

General Fund Budgetary Highlights

The City's General Fund budget generally contains budget transfers during the year. Furthermore, the budget is allowed to be amended upward (increased) for additional current year appropriations supported by an increase in budgeted revenues or appropriation of fund balance. A budgetary comparison schedule for the General Fund has been provided in the Required Supplementary Information section of this report to demonstrate compliance with the budget.

A summary of the General Fund results of operations for the year ended March 31, 2016 is presented in Table 6 below:

Table 6—Summary of General Fund Results of Operations

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues and other financing sources	\$ 8,115,527	\$ 8,450,206	\$ 12,166,612	\$ 3,716,406
Expenditures and other financing uses	8,315,527	8,649,816	8,149,130	500,686
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (200,000)</u>	<u>\$ (199,610)</u>	<u>\$ 4,017,482</u>	<u>\$ 4,217,092</u>

Original budget compared to final budget. During the year, the budget is modified, primarily to reflect the acceptance of state grants and related expenditures. These grants explain the majority of increases in appropriations and revenue from the original adopted budget final budget. The most significant grant that the budget was modified for was the New York State Casino Revenue Sharing funds.

Final budget compared to actual results. The General Fund had a favorable variance from final budgetary appropriations of \$500,686. The positive variances were realized primarily in employee benefits and public safety. Additionally, the City received \$3,691,477 more in state aid than was anticipated in the final budget.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of March 31, 2016 amounted to \$33,610,827 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and building improvements, infrastructure and machinery and equipment.

All depreciable capital assets were depreciated from acquisition date to the end of the current year as outlined in the City's capital asset policy.

Capital assets net of depreciation for the governmental activities and business-type activities at the years ended March 31, 2016 and March 31, 2015 are presented in Table 7 on the following page.

Table 7—Summary of Capital Assets (Net of Depreciation)

	Governmental activities		Business-type activities		Total	
	March 31,		March 31,		March 31,	
	2016	2015 (as restated)	2016	2015	2016	2015 (as restated)
Land	\$ 3,071,464	\$ 3,082,669	\$ 91,734	\$ 91,734	\$ 3,163,198	\$ 3,174,403
Construction in progress	972,091	972,091	103,727	601,307	1,075,818	1,573,398
Buildings and building improvements	2,068,629	2,230,534	11,820,079	11,356,583	13,888,708	13,587,117
Infrastructure	12,694,403	13,020,726	-	-	12,694,403	13,020,726
Machinery and equipment	1,579,900	1,283,289	1,208,800	1,113,089	2,788,700	2,396,378
Total	<u>\$ 20,386,487</u>	<u>\$ 20,589,309</u>	<u>\$ 13,224,340</u>	<u>\$ 13,162,713</u>	<u>\$ 33,610,827</u>	<u>\$ 33,752,022</u>

Additional information on the City's capital assets can be found in Note 5 to the financial statements.

Long-term liabilities. At March 31, 2016, the City's bonds payable totaled \$911,279 for governmental activities as compared to the prior year's total of \$1,216,683. The decrease is a result of scheduled principal payments.

The bonds payable for business-type activities at March 31, 2016 totaled \$3,917,051, a decrease of \$588,507 from the prior year due to scheduled principal payments.

Table 8—Debt and Long-Term Liabilities

	Governmental activities		Business-type activities		Total	
	March 31,		March 31,		March 31,	
	2016	2015 (as restated)	2016	2015 (as restated)	2016	2015 (as restated)
Bonds payable	\$ 911,279	\$ 1,216,683	\$ 3,917,051	\$ 4,505,558	\$ 4,828,330	\$ 5,722,241
Other post employment benefits obligation	642,082	415,970	-	-	642,082	415,970
State revolving funds loan	-	-	7,500	15,000	7,500	15,000
Compensated absences	638,347	579,174	109,166	104,341	747,513	683,515
Capital lease	-	-	133,035	-	133,035	-
Net pension liability	335,685	478,031	182,814	244,539	518,499	722,570
Total	<u>\$ 2,527,393</u>	<u>\$ 2,689,858</u>	<u>\$ 4,349,566</u>	<u>\$ 4,869,438</u>	<u>\$ 6,876,959</u>	<u>\$ 7,559,296</u>

Additional information on the City's long-term debt can be found in Note 11 to the financial statements.

Economic Factors and Next Year's Budget

The following factors were considered in preparing the City's budget for the year ending March 31, 2016. There are many other important factors outside the City's control that exert significant influence on the budget. Some of these factors are as follows:

- The unemployment rate (not seasonally adjusted) for the County of Cattaraugus which encompasses the City, was 6.2 percent at March 31, 2016. This rate is higher than the State's rate of 5.2 percent and the national rate of 5.0 percent.
- During the budget process for the 2016-17 City budget, the City appropriated \$19,893 of fund balances. This amount has been shown as assigned for subsequent year's expenditures as of March 31, 2016.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, creditors and investors 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 or need additional financial information, contact the Comptroller's Office, City of Salamanca, 225 Wildwood Avenue, Salamanca, New York 14779.

BASIC FINANCIAL STATEMENTS

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CITY OF SALAMANCA, NEW YORK
Statement of Net Position
March 31, 2016

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Salamanca Industrial Development Agency	Salamanca Housing Authority
ASSETS					
Cash and cash equivalents	\$ 20,089,900	\$ 400,368	\$ 20,490,268	\$ 299,908	\$ 220,840
Restricted cash and cash equivalents	65,762	221,609	287,371	458,821	375,782
Receivables (net of allowance):					-
Taxes	854,840	-	854,840	11,483	-
Other	65,039	1,025,614	1,090,653	-	24,044
Intergovernmental receivables	2,408,187	-	2,408,187	-	-
Internal balances	86,332	(86,332)	-	-	-
Due from Fiduciary Fund	-	74	74	-	-
Prepaid items	-	109,534	109,534	-	9,404
Inventories	-	414,791	414,791	-	6,286
Noncurrent assets	-	-	-	395,536	-
Capital assets not being depreciated	4,043,555	195,461	4,239,016	10,500	28,000
Capital assets, net of accumulated depreciation	16,342,932	13,028,879	29,371,811	923,579	1,230,052
Total assets	<u>43,956,547</u>	<u>15,309,998</u>	<u>59,266,545</u>	<u>2,099,827</u>	<u>1,894,408</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows—relating to pensions	691,461	278,878	970,339	1,007	41,732
Total deferred outflows of resources	<u>691,461</u>	<u>278,878</u>	<u>970,339</u>	<u>1,007</u>	<u>41,732</u>
LIABILITIES					
Accounts payable	379,707	681,544	1,061,251	855	10,976
Accrued liabilities	24,893	89,151	114,044	2,233	29,051
Intergovernmental payables	422,066	-	422,066	8,668	-
Customer deposits	-	221,609	221,609	-	-
Unearned revenue	-	-	-	203,775	7,775
Noncurrent liabilities:					
Due within one year	235,119	664,034	899,153	51,860	34,036
Due in more than one year	2,292,274	3,685,532	5,977,806	152,649	839,511
Total liabilities	<u>3,354,059</u>	<u>5,341,870</u>	<u>8,695,929</u>	<u>420,040</u>	<u>921,349</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows—relating to pensions	103,000	-	103,000	5,673	-
Total deferred inflows of resources	<u>103,000</u>	<u>-</u>	<u>103,000</u>	<u>5,673</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	19,481,800	9,166,754	28,648,554	734,466	460,041
Restricted for:					
Capital outlay	6,380	-	6,380	-	-
Other purposes	-	-	-	591,472	-
Unrestricted	21,702,769	1,080,252	22,783,021	349,183	554,750
Total net position	<u>\$ 41,190,949</u>	<u>\$ 10,247,006</u>	<u>\$ 51,437,955</u>	<u>\$ 1,675,121</u>	<u>\$ 1,014,791</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SALAMANCA, NEW YORK
Statement of Activities
Year Ended March 31, 2016

Function/Program	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			Component Units	
		Charges for Services	Operating Grants and Contributions	Primary Government		Salamanca Industrial Development Agency	Salamanca Housing Authority	
				Governmental Activities	Business-type Activities			Total
Primary government:								
Governmental activities:								
General government support	\$ 1,705,417	\$ 45,021	\$ 2,510	\$ (1,657,886)	\$ -	\$ (1,657,886)	\$ -	\$ -
Public safety	2,676,220	57,764	-	(2,618,456)	-	(2,618,456)	-	-
Health	209,501	388,818	-	179,317	-	179,317	-	-
Transportation	2,675,895	118,624	-	(2,557,271)	-	(2,557,271)	-	-
Economic assistance and opportunity	70,351	-	-	(70,351)	-	(70,351)	-	-
Culture and recreation	798,254	10,208	417	(787,629)	-	(787,629)	-	-
Home and community services	291,343	23,355	-	(267,988)	-	(267,988)	-	-
Interest and fiscal charges	31,809	-	-	(31,809)	-	(31,809)	-	-
Total governmental activities	<u>8,458,790</u>	<u>643,790</u>	<u>2,927</u>	<u>(7,812,073)</u>	<u>-</u>	<u>(7,812,073)</u>	<u>-</u>	<u>-</u>
Business-type activities:								
Water	809,187	882,892	9,728	-	83,433	83,433	-	-
Sewer	1,210,546	1,578,427	-	-	367,881	367,881	-	-
Electric	5,808,296	5,713,490	16,120	-	(78,686)	(78,686)	-	-
Total business-type activities	<u>7,828,029</u>	<u>8,174,809</u>	<u>25,848</u>	<u>-</u>	<u>372,628</u>	<u>372,628</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 16,286,819</u>	<u>\$ 8,818,599</u>	<u>\$ 28,775</u>	<u>(7,812,073)</u>	<u>372,628</u>	<u>(7,439,445)</u>	<u>-</u>	<u>-</u>
Component units:								
Salamanca Industrial Development Agency	\$ 827,005	\$ 312,766	\$ 565,484				51,245	-
Salamanca Housing Authority	<u>770,297</u>	<u>592,651</u>	<u>6,487</u>				<u>-</u>	<u>(171,159)</u>
Total component units	<u>\$ 1,597,302</u>	<u>\$ 905,417</u>	<u>\$ 571,971</u>				<u>51,245</u>	<u>(171,159)</u>
General revenues:								
Real property taxes and tax items				1,900,426	-	1,900,426	-	-
Use of money and property				26,255	1,409	27,664	69	-
Sale of property and compensation for loss				17,234	5,000	22,234	(102,316)	-
State aid—unrestricted				6,230,167	-	6,230,167	-	-
Interest income				5,825	-	5,825	-	542
Miscellaneous				21,259	242,173	263,432	-	26,840
Transfers				4,258	(4,258)	-	-	-
Total general revenues and transfers				<u>8,205,424</u>	<u>244,324</u>	<u>8,449,748</u>	<u>(102,247)</u>	<u>27,382</u>
Change in net position				393,351	616,952	1,010,303	(51,002)	(143,777)
Net position—beginning, as restated				<u>40,797,598</u>	<u>9,630,054</u>	<u>50,427,652</u>	<u>1,726,123</u>	<u>1,158,568</u>
Net position—ending				<u>\$ 41,190,949</u>	<u>\$ 10,247,006</u>	<u>\$ 51,437,955</u>	<u>\$ 1,675,121</u>	<u>\$ 1,014,791</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SALAMANCA, NEW YORK
Balance Sheet—Governmental Funds
March 31, 2016

	<u>Special Revenue</u>			<u>Capital Projects</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Economic Development</u>	<u>Library</u>		
ASSETS					
Cash and cash equivalents	\$ 14,192,653	\$ 5,879,447	\$ 17,800	\$ -	\$ 20,089,900
Restricted cash and cash equivalents	59,170	-	-	6,592	65,762
Receivables (net of allowance):					
Taxes	854,840	-	-	-	854,840
Other	65,039	-	-	-	65,039
Intergovernmental receivables	1,398,452	-	-	-	1,398,452
Due from other funds	131,430	-	-	-	131,430
Total assets	<u>16,701,584</u>	<u>5,879,447</u>	<u>17,800</u>	<u>6,592</u>	<u>22,605,423</u>
LIABILITIES					
Accounts payable	\$ 372,411	\$ 137	\$ 7,159	\$ -	\$ 379,707
Accrued liabilities	22,090	-	-	-	22,090
Intergovernmental payables	288,007	-	-	-	288,007
Due to other funds	-	44,886	-	212	45,098
Total liabilities	<u>682,508</u>	<u>45,023</u>	<u>7,159</u>	<u>212</u>	<u>734,902</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues—property taxes	166,327	-	-	-	166,327
Total deferred inflows of resources	<u>166,327</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>166,327</u>
FUND BALANCES					
Nonspendable	377,977	-	-	-	377,977
Restricted	-	-	-	6,380	6,380
Committed	59,170	-	-	-	59,170
Assigned	19,893	5,834,424	10,641	-	5,864,958
Unassigned	15,395,709	-	-	-	15,395,709
Total fund balances	<u>15,852,749</u>	<u>5,834,424</u>	<u>10,641</u>	<u>6,380</u>	<u>21,704,194</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 16,701,584</u>	<u>\$ 5,879,447</u>	<u>\$ 17,800</u>	<u>\$ 6,592</u>	<u>\$ 22,605,423</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SALAMANCA, NEW YORK
Reconciliation of the Balance Sheet—Governmental Funds
to the Government-wide Statement of Net Position
March 31, 2016

Amounts reported for governmental activities in the statement of net position (page 13) are different because:

Total fund balances—governmental funds (page 15)	\$	21,704,194
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of these assets is \$48,899,478 and the accumulated depreciation is \$28,512,991.		20,386,487
Uncollected property taxes are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the funds.		166,327
A long-term receivable from New York State is not reported as a fund receivable, but rather is recognized when the resources are available. A portion of this receivable is due to other governments. The asset and liability are reported in the statement of net position.		
Long-term intergovernmental receivable	\$ 1,009,735	
Long-term intergovernmental payable	<u>(134,059)</u>	875,676
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows related to employer contributions	\$ 528,053	
Deferred outflows related to experience and investment earnings	163,408	
Deferred inflows of resources related to pensions	<u>(103,000)</u>	588,461
Net accrued interest expense for serial bonds is not reported in the funds.		(2,803)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The effect of these items are:		
Bonds payable	\$ (911,279)	
Other postemployment benefits obligation	(642,082)	
Compensated absences	(638,347)	
Net pension liability	<u>(335,685)</u>	<u>(2,527,393)</u>
Net position of governmental activities	\$	<u><u>41,190,949</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF SALAMANCA, NEW YORK
Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds
Year Ended March 31, 2016

	General	Special Revenue		Capital Projects	Total Governmental Funds
		Economic Development	Library		
REVENUES					
Real property taxes	\$ 1,006,025	\$ -	\$ -	\$ -	\$ 1,006,025
Real property tax items	209,837	-	-	-	209,837
Nonproperty tax items	653,203	-	-	-	653,203
Departmental income	454,926	-	21,272	-	476,198
Intergovernmental charges	98,281	-	-	-	98,281
Use of money and property	21,098	5,155	-	2	26,255
Licenses and permits	23,215	-	-	-	23,215
Fines and forfeitures	52,338	-	-	-	52,338
Sale of property and compensation for loss	17,234	-	-	-	17,234
Miscellaneous	21,238	-	21	-	21,259
State aid	9,520,449	548,801	-	-	10,069,250
Federal aid	2,510	-	-	-	2,510
Total revenues	<u>12,080,354</u>	<u>553,956</u>	<u>21,293</u>	<u>2</u>	<u>12,655,605</u>
EXPENDITURES					
Current:					
General government support	1,150,476	-	7,500	-	1,157,976
Public safety	2,172,637	-	-	-	2,172,637
Health	255,267	-	-	-	255,267
Transportation	2,177,270	-	-	-	2,177,270
Economic assistance and opportunity	4,870	65,481	-	-	70,351
Culture and recreation	410,005	-	242,096	-	652,101
Home and community services	227,728	-	-	-	227,728
Employee benefits	1,042,962	-	45,552	-	1,088,514
Debt service:					
Principal	305,404	-	-	-	305,404
Interest and fiscal charges	40,511	-	-	-	40,511
Total expenditures	<u>7,787,130</u>	<u>65,481</u>	<u>295,148</u>	<u>-</u>	<u>8,147,759</u>
Excess (deficiency) of revenues over expenditures	<u>4,293,224</u>	<u>488,475</u>	<u>(273,855)</u>	<u>2</u>	<u>4,507,846</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	86,258	-	280,000	-	366,258
Transfers out	<u>(362,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(362,000)</u>
Total other financing sources (uses)	<u>(275,742)</u>	<u>-</u>	<u>280,000</u>	<u>-</u>	<u>4,258</u>
Net change in fund balances	4,017,482	488,475	6,145	2	4,512,104
Fund balances—beginning, as restated	<u>11,835,267</u>	<u>5,345,949</u>	<u>4,496</u>	<u>6,378</u>	<u>17,192,090</u>
Fund balances—ending	<u>\$ 15,852,749</u>	<u>\$ 5,834,424</u>	<u>\$ 10,641</u>	<u>\$ 6,380</u>	<u>\$ 21,704,194</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SALAMANCA, NEW YORK
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances—Governmental Funds to the Government-wide Statement of Activities
Year Ended March 31, 2016

Amounts reported for governmental activities in the statement of activities (page 14) are different because:

Net change in fund balances—total governmental funds (page 17)	\$	4,512,104
<p>City governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.</p>		
Capital asset additions	\$	2,357,464
Depreciation expense		(2,544,524)
Loss on disposition of assets		(15,762)
		(202,822)
<p>Certain tax revenues are not recognized in the governmental funds because they are not available soon enough after year end to pay for current period expenditures. On the accrual basis, however, they are recognized regardless of when it is collected.</p>		
		31,361
<p>Certain revenues from New York State are not recognized in the governmental funds because they are not available soon enough after year end to pay for current period expenditures. On the accrual basis, however, they are recognized regardless of when it is collected. Additionally, some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Change in long-term intergovernmental receivable	\$	(3,839,083)
Change in long-term intergovernmental payable		(134,059)
		(3,973,142)
<p>Net differences between pension contributions recognized on the fund financial statements and the government-wide financial statements are as follows:</p>		
Direct pension contributions	\$	528,053
Cost of benefits earned net of employee contributions		(531,024)
		(2,971)
<p>In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid.</p>		
		8,702
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effects of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:</p>		
Repayment of bonds payable	\$	305,404
Change in other postemployment benefits obligation		(226,112)
Change in compensated absences		(59,173)
		20,119
Change in net position of governmental activities	\$	393,351

The notes to the financial statements are an integral part of this statement.

CITY OF SALAMANCA, NEW YORK
Statement of Net Position—
Proprietary Funds
March 31, 2016

	Business-type Activities—Enterprise Funds			
	Water	Sewer	Electric	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 65,009	\$ 210,692	\$ 124,667	\$ 400,368
Restricted cash and cash equivalents	32,385	44,608	144,616	221,609
Receivables (net of allowance)	89,046	172,350	764,218	1,025,614
Due from Fiduciary Fund	-	74	-	74
Prepaid items	-	-	109,534	109,534
Inventories	44,903	6,666	363,222	414,791
Total current assets	<u>231,343</u>	<u>434,390</u>	<u>1,506,257</u>	<u>2,171,990</u>
Noncurrent assets:				
Capital assets not being depreciated:				
Land and land improvements	-	12,700	79,034	91,734
Construction in progress	88,727	15,000	-	103,727
Total capital assets not being depreciated	<u>88,727</u>	<u>27,700</u>	<u>79,034</u>	<u>195,461</u>
Capital assets being depreciated:				
Buildings and lease improvements	4,959,603	6,366,466	9,766,948	21,093,017
Machinery and equipment	284,072	2,743,595	763,208	3,790,875
Accumulated depreciation	(2,283,497)	(5,374,891)	(4,196,625)	(11,855,013)
Total capital assets being depreciated	<u>2,960,178</u>	<u>3,735,170</u>	<u>6,333,531</u>	<u>13,028,879</u>
Total noncurrent assets	<u>3,048,905</u>	<u>3,762,870</u>	<u>6,412,565</u>	<u>13,224,340</u>
Total assets	<u>3,280,248</u>	<u>4,197,260</u>	<u>7,918,822</u>	<u>15,396,330</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows—relating to pensions	75,817	63,622	139,439	278,878
Total deferred outflows of resources	<u>75,817</u>	<u>63,622</u>	<u>139,439</u>	<u>278,878</u>
LIABILITIES				
Current liabilities:				
Accounts payable	10,910	12,651	657,983	681,544
Accrued liabilities	18,492	26,326	44,333	89,151
Customer deposits	32,385	44,608	144,616	221,609
Due to governmental funds	-	86,332	-	86,332
Total current liabilities	<u>61,787</u>	<u>169,917</u>	<u>846,932</u>	<u>1,078,636</u>
Noncurrent liabilities:				
Due within one year:				
Bonds payable	266,539	298,853	57,115	622,507
State revolving funds loan	-	3,750	-	3,750
Compensated absences	2,281	3,846	4,790	10,917
Capital lease	-	26,860	-	26,860
Due in more than one year:				
Bonds payable	1,632,698	1,473,421	188,425	3,294,544
State revolving funds loan	-	3,750	-	3,750
Compensated absences	20,524	34,609	43,116	98,249
Capital lease	-	106,175	-	106,175
Net pension liability	49,700	41,707	91,407	182,814
Total noncurrent liabilities	<u>1,971,742</u>	<u>1,992,971</u>	<u>384,853</u>	<u>4,349,566</u>
Total liabilities	<u>2,033,529</u>	<u>2,162,888</u>	<u>1,231,785</u>	<u>5,428,202</u>
NET POSITION				
Net investment in capital assets	\$ 1,149,668	\$ 1,850,061	\$ 6,167,025	\$ 9,166,754
Unrestricted	172,868	247,933	659,451	1,080,252
Total net position	<u>\$ 1,322,536</u>	<u>\$ 2,097,994</u>	<u>\$ 6,826,476</u>	<u>\$ 10,247,006</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SALAMANCA, NEW YORK
Statement of Revenues, Expenses, and Changes in Net Position—
Proprietary Funds
Year Ended March 31, 2016

	Business-type Activities—Enterprise Funds			
	Water	Sewer	Electric	Total
Operating revenues:				
Charges for services	\$ 882,892	\$ 1,578,427	\$ 5,692,288	\$ 8,153,607
Rent	-	-	21,202	21,202
Total operating revenues	<u>882,892</u>	<u>1,578,427</u>	<u>5,713,490</u>	<u>8,174,809</u>
Operating expenses:				
Personnel services	319,564	492,153	579,124	1,390,841
Taxes and assessments on municipal property	739	4,890	2,820	8,449
Depreciation	117,015	145,813	233,593	496,421
Sanitary sewers	-	56,327	-	56,327
Sewage	-	134,485	-	134,485
Administration	63,852	-	-	63,852
Source of supply, power and pumping	52,997	-	-	52,997
Purification	6,873	-	-	6,873
Transportation and distribution	25,060	-	-	25,060
Electric and power	-	-	4,719,113	4,719,113
Employee benefits	128,788	214,566	205,088	548,442
Total operating expenses	<u>714,888</u>	<u>1,048,234</u>	<u>5,739,738</u>	<u>7,502,860</u>
Operating income (loss)	<u>168,004</u>	<u>530,193</u>	<u>(26,248)</u>	<u>671,949</u>
Nonoperating revenues (expenses):				
Grant revenue	9,728	-	16,120	25,848
Use of money and property	398	883	128	1,409
Sale of property	-	5,000	-	5,000
Payment-in-lieu of taxes	(10,494)	(80,204)	(58,402)	(149,100)
Interest expense	(83,805)	(82,108)	(10,156)	(176,069)
Miscellaneous	28,166	16,617	197,390	242,173
Total nonoperating revenues (expenses)	<u>(56,007)</u>	<u>(139,812)</u>	<u>145,080</u>	<u>(50,739)</u>
Income before transfers	111,997	390,381	118,832	621,210
Transfers in	82,000	-	-	82,000
Transfers out	-	(86,258)	-	(86,258)
Change in net position	193,997	304,123	118,832	616,952
Total net position—beginning, as restated	<u>1,128,539</u>	<u>1,793,871</u>	<u>6,707,644</u>	<u>9,630,054</u>
Total net position—ending	<u>\$ 1,322,536</u>	<u>\$ 2,097,994</u>	<u>\$ 6,826,476</u>	<u>\$ 10,247,006</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SALAMANCA, NEW YORK
Statement of Cash Flows—
Proprietary Funds
Year Ended March 31, 2016

	Business-type Activities—Enterprise Funds			
	Water	Sewer	Electric	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 866,691	\$ 1,580,271	\$ 5,994,277	\$ 8,441,239
Rental income	-	-	21,202	21,202
Payments to suppliers for goods and services	(87,974)	(203,183)	(4,799,130)	(5,090,287)
Payments to employees for services	(517,357)	(715,512)	(791,852)	(2,024,721)
Net cash provided by operating activities	<u>261,360</u>	<u>661,576</u>	<u>424,497</u>	<u>1,347,433</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Payments to primary government	-	(99,859)	(245,000)	(344,859)
Transfers from primary government	82,000	-	-	82,000
Grant income	9,728	-	16,120	25,848
Miscellaneous income	28,166	16,617	197,390	242,173
Payments-in-lieu of taxes	(10,494)	(80,204)	(58,402)	(149,100)
Net cash provided by (used for) noncapital financing activities	<u>109,400</u>	<u>(163,446)</u>	<u>(89,892)</u>	<u>(143,938)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Sale of property	-	5,000	-	5,000
Proceeds of capital lease	-	133,035	-	133,035
Principal payments on debt	(241,540)	(297,352)	(57,115)	(596,007)
Sale (acquisition) of capital assets	3,258	(252,408)	(308,898)	(558,048)
Interest payments	(83,805)	(82,108)	(10,156)	(176,069)
Net cash used for capital and related financing activities	<u>(322,087)</u>	<u>(493,833)</u>	<u>(376,169)</u>	<u>(1,192,089)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income received	398	883	128	1,409
Net cash provided by investing activities	<u>398</u>	<u>883</u>	<u>128</u>	<u>1,409</u>
Net increase (decrease) in cash and cash equivalents	49,071	5,180	(41,436)	12,815
Cash and cash equivalents—beginning	48,323	250,120	310,719	609,162
Cash and cash equivalents—ending	<u>\$ 97,394</u>	<u>\$ 255,300</u>	<u>\$ 269,283</u>	<u>\$ 621,977</u>

(continued)

CITY OF SALAMANCA, NEW YORK
Statement of Cash Flows—
Proprietary Funds
Year Ended March 31, 2016

	Business-type Activities—Enterprise Funds			
	Water	Sewer	Electric	Total
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 168,004	\$ 530,193	\$ (26,248)	\$ 671,949
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	117,015	145,813	233,593	496,421
(Increase) decrease in receivables	(16,846)	1,249	300,951	285,354
(Increase) in prepaid items	-	-	(8,527)	(8,527)
Decrease in inventories	2,078	730	13,640	16,448
Decrease in deferred outflow—relating to pensions	8,131	6,824	14,956	29,911
(Decrease) in payables	(4,383)	(8,211)	(82,310)	(94,904)
Increase (decrease) in accrued liabilities	2,847	(3,424)	5,980	5,403
Increase in customer deposits	645	595	1,038	2,278
Increase in accrued compensated absences	650	1,888	2,287	4,825
(Decrease) in net pension liability	(16,781)	(14,081)	(30,863)	(61,725)
Total adjustments	<u>93,356</u>	<u>131,383</u>	<u>450,745</u>	<u>675,484</u>
Net cash provided by operating activities	<u>\$ 261,360</u>	<u>\$ 661,576</u>	<u>\$ 424,497</u>	<u>\$ 1,347,433</u>

(concluded)

The notes to the financial statements are an integral part of this statement.

CITY OF SALAMANCA, NEW YORK
Statement of Net Position—
Fiduciary Funds
March 31, 2016

	<u>Private Purpose Trust</u>	<u>Agency</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 9,437
Restricted cash and cash equivalents	40,137	-
Investments	138,900	-
Total assets	<u>179,037</u>	<u>\$ 9,437</u>
LIABILITIES		
Accounts payable	903	-
Other agency liabilities	-	9,437
Due to other funds	74	-
Total liabilities	<u>977</u>	<u>\$ 9,437</u>
NET POSITION		
Restricted for investments	<u>\$ 178,060</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF SALAMANCA, NEW YORK
Statement of Changes in Net Position—
Fiduciary Funds
Year Ended March 31, 2016

	Private Purpose Trust
ADDITIONS	
Interest earnings	\$ 213
Contributions	33,010
Total additions	33,223
 DEDUCTIONS	
Culture and recreation	43,613
Total deductions	43,613
Change in net position	(10,390)
Net position—beginning	188,450
Net position—ending	\$ 178,060

The notes to the financial statements are an integral part of this statement.

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CITY OF SALAMANCA, NEW YORK
Notes to the Financial Statements
Year Ended March 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Description of Government-wide 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 nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Reporting Entity

The City was incorporated in 1913. It is governed by the Charter of the City, other general laws of New York, and various local laws and ordinances. The Common Council is the legislative body responsible for the overall operations, and consists of five members elected by Ward to two-year terms. The Mayor serves a two-year term and is the Chief Executive Officer of the City.

The City provides police and fire protection, street maintenance, and snow removal services. It also maintains parks for use by its residents.

The accompanying financial statements present the City (the "primary government") and its component units. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Discretely Presented Component Units—Financial data of the City's component units that are not part of the primary government are reported in the component unit columns within the government-wide financial statements. These component units are reported in a separate column to emphasize that they are legally separate from the City and that they are not simply an extension of the primary government.

- **City of Salamanca Industrial Development Agency ("SIDA")**—The Salamanca Industrial Development Agency was established in 1971 to promote the economic welfare and prosperity of the City's inhabitants and to develop economically sound commerce and industry. The SIDA Board can be made up of three to seven members approved by the governing body of the City. Board members may be removed at will by the City's governing body.

The SIDA has the power to acquire, hold, and dispose of property as it sees fit, and property under its control is exempt from real property taxes. The SIDA may also issue bonds for

legitimate corporate purposes on virtually any terms without limitations as to amount. Unless expressly provided otherwise, such bonds constitute special obligation bonds of the SIDA payable from project revenues.

The entity's principal source of revenues at present are rental income, grant proceeds, and revenues derived from the Agency's lending related activities.

- **Salamanca Housing Authority (“SHA”)**—The Salamanca Housing Authority was established by law in 1957. Its purpose is to provide housing to low-to-moderate income persons and elderly people. It shall constitute a corporate body and consist of seven members. Five members are appointed by the Mayor and two members are elected by the housing tenants.

The housing operations are financed primarily by rental income and New York state subsidy. The City is required to pay an annual subsidy to the Authority in an amount at least equal to the subsidy paid by the State; however, the City's subsidy can be offset in full or in part in the form of exemption of the project from taxes.

Complete financial statements of the individual component units can be obtained from their respective administrative offices as listed below.

Salamanca Industrial Development Agency
225 Wildwood Avenue
Salamanca , New York 14779

Salamanca Housing Authority
69 Iroquois Drive
Salamanca, New York 14779

Related Organizations—The Joint Leasing Commission and Joint Development Corporation are activities undertaken jointly with other governmental units and are excluded from the financial statements.

The City entered into a contract with the Seneca Nation of Indians. The contract contained a technical document, the Joint Leasing Commission Agreement, which required the City to appoint two commissioners to the Joint Leasing Commission. The Commission was formed to verify the City's computation of annual rental payments due for the Indian leases, and to conduct dispute resolution arising under the agreement and under the leases issued by the Seneca Nation of Indians to City residents. An annual budget is subject to approval by the city and Seneca Nation of Indians. The City paid \$5,000 to Joint Leasing Commission as their share of the October 1, 2015- September 30, 2016 budget.

Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements.

As discussed earlier, the City has two discretely presented component units. While neither the City of Salamanca Industrial Development Agency or the Salamanca Housing Authority are considered to be

a major component unit, they are never the less shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. It is the City's policy to record transactions between funds as operating transfers. Interfund services provided and used are not eliminated in the process of consolidation.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

The City reports the following major governmental funds:

- *General Fund*—The General Fund is the primary operating fund of the City and accounts for all financial resources of the general government, except those required to be accounted for in another fund. The majority of current operations are financed by this fund. Transfers to other funds and agencies are made from this fund. Monies from other funds may be received, unless prohibited by the purpose and object of such funds.
- *Economic Development Fund*—The Economic Development Fund is used to account for funds received that are designed for economic development are approved by New York State Empire State Development.
- *Library Fund*—The Library Fund is used to account for the operations of a public library established and supported by taxes pursuant to Education Law, Section 259. The City has elected to report the Library Fund as a major fund.
- *Capital Projects Fund*—The Capital Projects Fund is used to account for financial resources, such as proceeds from the sale of bonds, bond anticipation notes, capital notes, transfers from governmental funds, and federal and state grants, all provided for the specific purpose of constructing, reconstructing, or acquiring permanent or semi-permanent capital improvements. The City has elected to report the Capital Projects Fund as a major fund.

Enterprise Funds—These funds are used to account for operations which provide goods and services to the general public. These ongoing activities are similar to those found in the private sector; therefore, the determination of net income is necessary to sound financial administration. The City maintains the following enterprise funds:

- *Water Fund*—The Water Fund accounts for the City's water treatment and distribution system and is responsible for water delivery to the residents of the City.
- *Sewer Fund*—The Sewer Fund is used to record all activity related to the operation and maintenance of the sewer districts.
- *Electric Fund*—The Electric Fund is used to record the revenues and expenditures relating to electric services of the City.

Additionally, the City reports the following fund type:

Fiduciary Funds—These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Trust funds account for resources received and disbursements made in accordance with trust agreements or applicable legislative enactments for each particular fund. Fiduciary funds include the *Private Purpose Trust Fund* and *Agency Fund*. Activities reported in the fiduciary funds include deposits that are to be returned, and payroll withholdings due to other entities.

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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 revenue 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.

The 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 City 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 and pensions, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, charges for services provided, and state and federal aid associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met and the amount is received during the period of availability (within 60 days of year-end). Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements are met and the amount is received during the period of availability (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary funds and Private Purpose Trust Fund are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The Agency Fund has no measurement focus, but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

The SIDA's and the SHA's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and are maintained on the accrual basis of accounting.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash, Cash Equivalents and Investments—The City's cash, cash equivalents, and investments include cash on hand, demand deposits, time deposits and short-term, highly liquid investments with original maturities of three months or less from the date of acquisition. Permissible investments include obligations of the United States Treasury, United State Agencies, repurchase agreements, obligations of New York State or its localities, certificates of deposit and revenue anticipation notes. Investments are stated at carrying value which approximates cost.

Restricted Cash and Cash Equivalents—Funds to support committed fund balances are reported as restricted cash and cash equivalents within the City's General Fund. The City also reports restricted cash within its proprietary funds which represents customer deposits. The Private Purpose Trust Fund restricted cash represents principal endowments.

Inventories—Inventories of proprietary funds are valued at the lower of cost or market based upon the moving weighted-average method and are comprised of general supplies.

Prepaid Items—Certain payments reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenses/expenditures when consumed rather than purchased.

Capital Assets—Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements, as well as within each individual proprietary fund. Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,000 for general governmental activities and \$1,000 for business-type activities, and an estimated useful life in excess of five years with the exception of the Electric Fund. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at estimated fair value at the date of donation. Electric Fund assets are stated at cost, which includes salaries and benefits, transportation costs, and overhead. When Electric Fund assets are retired, the cost and all costs of removal, less salvage if any, is charged to accumulated depreciation.

Land and construction in progress are not depreciated. The other capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Life (Years)</u>
Buildings and building improvements	20-50
Infrastructure	10-50
Machinery and equipment	5-20

Capital assets of the Water Fund and the Sewer are depreciated over the following estimated useful lives:

	<u>Estimated Useful Life (Years)</u>
Buildings and building improvements	50
Machinery and equipment	20

Depreciation of the Electric Fund assets is computed using group composite straight-line rates in accordance with the New York State Public Service Commission. Straight-line composite rates used to compute 2016 depreciation were as follows:

	<u>Percentage</u>
Structures	1.7-10.0
Poles, towers and fixtures	3.0
Distribution substation	3.0
Transformers	3.0-3.33
Office equipment	4.55-12.5
Equipment	16.0-25.0
Transportation equipment	12.5-17.0

The *capital outlays* character classification is employed only for expenditures reported in the Capital Projects Fund. Routine capital expenditures in the General Fund and other governmental funds are included in the appropriate functional category (for example, the purchase of a new police vehicle included as part of *expenditures—public safety*). At times, amounts reported as *capital outlays* in the Capital Projects Fund will also include non-capitalized, project-related costs (for example, furnishings).

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial 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/expenditure) until then. At March 31, 2016, the City has one item that qualifies for reporting in this category. This item represents the effect of the net change in the City’s proportion of the collective net position asset or liability, the difference during the measurement period between the City’s contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense, and any contributions to the pension systems made subsequent to the measurement date.

In addition to liabilities, the statement of financial 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 that time. At March 31, 2016, the City has two items that qualify for reporting in this category. The first item arises only under the modified accrual basis of accounting. Accordingly, the item, *unavailable revenue*, is reported only in the governmental fund balance sheet. The governmental funds report unavailable revenue from property taxes that remain uncollected 60 days after year-end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item represents the effect of the net change in the City's proportion of the collective net pension liability and the difference during the measurement periods between the City's contribution and its proportionate share of total contributions to the pension systems not included in pension expense and is reported on the government-wide statements.

Net Position Flow Assumption—Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted–net position and unrestricted–net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted–net position to have been depleted before unrestricted–net position is applied.

Fund Balance Flow Assumptions—Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies—Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The Common Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as committed. The Common Council has by resolution authorized the Comptroller to assign fund balance. The Common Council may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of the assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenses/Expenditures

Program Revenues—Amounts reported as *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 segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Proprietary Funds Operating and Nonoperating Revenues and Expenses—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 propriety fund's principal ongoing operations. The principal operating revenues for the proprietary funds include charges for services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Property Taxes—Real property taxes are levied as of April 9 of each year. Taxes must be paid by May 31 to avoid penalties. As of June 1, penalties are assessed at 10% of the total tax bill and increase a half of a percent on the first of each month thereafter.

The City is permitted by the Constitution of the State of New York to levy taxes up to 2% of the five-year average full assessed valuation for general governmental services other than the payment of debt service and capital expenditures. The City utilizes a percent of value system, assessing all properties at 19% of full market value. For the year ended March 31, 2016 the City had a tax levy of \$1,018,245.

Compensated Absences—The City's policy is to pay employees for unused vacation, compensatory time, and sick time based on union agreements when there is separation from service. For governmental activities, the amount is accrued in the government-wide statement of net position as a long-term liability. For business-type activities, the full liability is recognized in both the government-wide statement of net position and the proprietary fund financial statements.

Pensions—The City is mandated by New York State law to participate in the New York State Local Employees' Retirement System ("ERS") and the New York State Police and Fire Retirement System ("PFRS"). For purposes of measuring the net pension (asset)/liability, deferred outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 7.

Other Post-Employment Benefits—In addition to providing pension benefits, the City provides health insurance benefits for retired police and fire employees as required by the union contracts. The police and fire employees become eligible for these benefits if they reach normal retirement age while working for the City. The department heads hired prior to April 1, 2009 are eligible for these benefits. More information regarding OPEB is included in Note 8.

Other

Estimates—The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements—During the year ended March 31, 2016, the City implemented GASB Statements No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*; and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. GASB Statements No. 68 and No. 71 improve accounting and financial reporting by governments for pensions.

Future Impacts of Accounting Pronouncements—The City has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 72, *Fair Value Measurement and Application*; No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; No. 77, *Tax Abatement Disclosures*; No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*; and No. 79, *Certain External Investment Pools and Pool Participants*, effective for the year ending March 31, 2017, No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*; and No. 81, *Irrevocable Split-Interest Agreements*, effective for the year ending March 31, 2018, No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*; and No. 82, *Pension Issues; an amendment of GASB Statements No. 67, No. 68, and No. 73* effective for the year ending March 31, 2019. The City is, therefore, unable to disclose the impact that adopting GASB Statements No. 72, 73, 74, 75, 76, 77, 78, 79, 80, 81 and 82 will have on its financial position and results of operations when such statements are adopted.

Stewardship, Compliance and Accountability

Legal Compliance—Budgets

Budgets and Budgetary Accounting—Through the budget, the Council sets the direction of the City, allocates its resources and established its priorities. The annual budget assures the efficient and effective uses of the City’s economic resources, as well as establishing that the highest priority objectives are accomplished.

The annual budget serves from April 1 to March 31, and is a vehicle that accurately and openly communicates these priorities to the community, businesses, vendors, employees and other public agencies. Additionally, it established the foundation of effective financial planning by providing resource planning, performance measures and controls that permit the evaluation and adjustment of the City’s performance.

The City generally follows these procedures in establishing the budgetary data reflected in the financial statements:

- No later than January 15, the department heads submit budget estimates to the Common Council. By February 15, the Common Council must adopt a tentative budget for the fiscal year

commencing the following April 1. The tentative budget includes proposed expenditures and means of financing for the General Fund and the Library Fund.

- After public hearings are conducted to obtain taxpayer comments, but no later than March 15, the Council adopts the final budget. Toward the end of the fiscal year, the Council customarily makes budgetary transfers.
- Budgetary controls are established for the Capital Projects Fund through resolutions authorized individual projects.
- Budgets are prepared for the Special Revenue – Economic Development Fund and the proprietary funds (Water, Sewer and Electric Funds) for general management purposes as the budgets are not legally required.

2. RESTATEMENT OF NET POSITION AND FUND BALANCE

During the year ended March 31, 2016, the City determined that receivables of \$6,165,172 and a corresponding liability of \$1,316,354, which were reported within the General Fund at March 31, 2015 did not meet the revenue recognition criteria in the General Fund. As a result, the General Fund fund balance at March 31, 2015 has been restated by \$4,848,818.

Additionally, during the year ended March 31, 2016, the City had an inventory of its capital assets performed. As a result of the inventory, net position as of March 31, 2015 has been restated by \$1,072,523.

Finally, for the fiscal year ended March 31, 2016, the City and its component units implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The implementation of GASB Statements No. 68 and No. 71 resulted in the reporting of deferred outflows of resources and a liability related to the entities’ participation in the New York State Employees’ and Police and Fire Retirement Systems.

The effect of the change in estimates to beginning fund balance of the General Fund is summarized as follows:

	General Fund
Beginning fund balance, as previously reported	\$ 16,684,085
Intergovernmental receivables	(6,165,172)
Intergovernmental payable	1,316,354
Beginning fund balance, as restated	<u>\$ 11,835,267</u>

The effect to net position is summarized as follows:

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	SIDA	SHA
Net position—March 31, 2015, as previously stated	\$ 39,469,328	\$ 9,565,804	\$ 49,035,132	\$ 1,735,923	\$ 1,155,215
Capital assets	1,072,523	-	1,072,523	-	-
GASB Statements No. 68 and No. 71:					
Beginning system liability—					
Police and Fire Retirement System	(250,996)	-	(250,996)	-	-
Beginning system liability—					
Employees' Retirement System	(227,035)	(244,539)	(471,574)	(6,549)	(38,919)
Beginning deferred outflow of resources for contributions subsequent to the measurement date:					
Police and Fire Retirement System	421,995	-	421,995	-	-
Employees' Retirement System	311,783	308,789	620,572	2,425	42,272
Beginning deferred inflows of resources	-	-	-	(5,673)	-
Net position—March 31, 2015 as restated	<u>\$ 40,797,598</u>	<u>\$ 9,630,054</u>	<u>\$ 50,427,652</u>	<u>\$ 1,726,126</u>	<u>\$ 1,158,568</u>

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

The City's investment policies are governed by State statutes. In addition, the City has its own written investment policy. The City may use FDIC-insured commercial banks or trust companies located within the State. The City Comptroller 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. Investments with maturities of less than three months are considered to be cash equivalents.

Collateral is required for demand deposits, time deposits and certificates of deposit in an amount equal to or greater than the amount of all deposits not covered by federal deposit insurance. The City has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York.

Cash, cash equivalents and investments at March 31, 2016 are shown below.

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Petty cash (uncollateralized)	\$ 235	\$ 350	\$ -	\$ 585
Deposits	<u>20,155,427</u>	<u>621,627</u>	<u>188,474</u>	<u>20,965,528</u>
Total	<u>\$ 20,155,662</u>	<u>\$ 621,977</u>	<u>\$ 188,474</u>	<u>\$ 20,966,113</u>

Deposits—All deposits are carried at fair value and are classified by custodial risk at March 31, 2016 as shown on the following page.

	Carrying Amount	Bank Balance
FDIC Insured	\$ 779,094	\$ 779,094
Uninsured:		
Collateral held by pledging bank's agent in the City's name	<u>20,186,434</u>	<u>20,218,059</u>
Total	<u>\$ 20,965,528</u>	<u>\$ 20,997,153</u>

Custodial Credit Risk – Deposits—In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. At March 31, 2016, all uninsured bank deposits were fully collateralized with securities held by the pledging financial institution’s trust department or agent in the City’s name.

Credit Risk—Investments—In compliance with the State law, City investments are limited to obligations of the United States of America, obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America, obligations of the State, time deposit accounts and certificates of deposit issued by a bank or trust company located in, and authorized to do business in, the State, and certain joint or cooperative investment programs.

Restricted Cash and Cash Equivalents—The City reports monies to support committed fund balances as restricted cash and cash equivalents within the City’s General Fund of \$59,170. Additionally, the City reports \$6,592 of restricted cash to support capital projects. The City also reports restricted cash within its proprietary funds of \$221,609 which represents customer deposits. The Private Purpose Trust Fund restricted cash of \$40,137 represents principal endowments.

Discretely Presented Component Units

City of Salamanca Industrial Development Agency

The SIDA has its own written investment policy. The SIDA is authorized to use demand accounts and certificates of deposit, as well as other permissible investments, which include obligations of the federal government, the State of New York, and revenue and tax anticipation notes authorized by the State Comptroller.

Cash, cash equivalents and investments at March 31, 2016 are shown below.

	Governmental Activities
Petty cash (uncollateralized)	\$ 50
Deposits	<u>758,679</u>
Total	<u>\$ 758,729</u>

The table presented on the following page is designed to disclose the level of custody credit risk assumed by the Agency based upon how its deposits were insured or secured with collateral at March 31, 2016.

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Insured (FDIC)	\$ 250,000	\$ 250,000
Uninsured:		
Collateral held by bank's agent in the SIDA's name	<u>510,475</u>	<u>508,679</u>
Total	<u>\$ 760,475</u>	<u>\$ 758,679</u>

Restricted cash and cash equivalents comprise funds that are subject to limitations imposed by grantors. As of March 31, 2016, the SIDA reported \$458,821 of restricted cash and cash equivalents.

Salamanca Housing Authority

The SHA considers all highly liquid cash accounts and other temporary investments with an original maturity date of three months or less to be cash equivalents. The SHA is authorized to invest in bank certificates of deposit. Deposits held at financial institutions that are in excess of FDIC limits are required to be collateralized with securities held by the pledging financial institution's trust department or agent. Investments are carried at fair value.

Cash, cash equivalents and investments at March 31, 2016 are shown below.

	<u>Governmental Activities</u>
Petty cash (uncollateralized)	\$ 250
Deposits	<u>596,372</u>
Total	<u>\$ 596,622</u>

The table presented below is designed to disclose the level of custody credit risk assumed by the Agency based upon how its deposits were insured or secured with collateral at March 31, 2016.

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Insured (FDIC)	\$ 503,151	\$ 503,151
Uninsured:		
Collateral held by bank's agent in the SHA's name	<u>93,169</u>	<u>93,221</u>
Total	<u>\$ 596,320</u>	<u>\$ 596,372</u>

Restricted cash and cash equivalents are comprised of security deposits and funds that are subject to limitations imposed by grantors. As of March 31, 2016, the SHA reported \$375,782 of restricted cash and cash equivalents.

4. RECEIVABLES

Major revenues accrued by the City at March 31, 2016 consisted of the following:

Taxes Receivable—Taxes receivable of the City at March 31, 2016 reported in the General Fund consisted of \$854,840 due from property owners.

Other Receivables—Receivables at March 31, 2016, net of related allowances for estimated uncollectible amounts, are as follows:

	General	Enterprise Funds		
		Water	Sewer	Electric
Ambulance receivable	\$ 215,412	\$ -	\$ -	\$ -
Assessment receivable	2,569	-	-	-
Customer accounts receivable	-	93,565	180,686	797,151
Other	-	1,461	3,048	1,574
Allowance for doubtful accounts	(152,942)	(5,980)	(11,384)	(34,507)
Total	<u>\$ 65,039</u>	<u>\$ 89,046</u>	<u>\$ 172,350</u>	<u>\$ 764,218</u>

Intergovernmental Receivables—Represents amounts due from other units of government, such as New York State or other local governments. Intergovernmental receivables at March 31, 2016 consists of Indian lease revenues in the amount of \$69,126 and casino revenues totaling \$2,339,061 of which \$1,398,452 is considered current and has been recorded within the General Fund.

Discretely Presented Component Units

City of Salamanca Industrial Development Agency

Receivables at March 31, 2016, included the following:

	General Fund	Program Income Revolving Loan Fund	Housing Choice Vouchers	Third Generation Urban Development Action Grant Program	Total
Tenants	\$ 900	\$ -	\$ 24,198	\$ -	\$ 25,098
Allowance	-	-	(24,198)	-	(24,198)
Other	200	3,809	90	6,484	10,583
Total	<u>\$ 1,100</u>	<u>\$ 3,809</u>	<u>\$ 90</u>	<u>\$ 6,484</u>	<u>\$ 11,483</u>

As of March 31, 2016, the SIDA had notes receivable with varying interest rates and terms. Notes receivable at March 31, 2016 are shown below:

	Program Income	Urban Development Action Grant Program	Salamanca Area Development Corporation	Total
Notes receivable	\$ 359,427	\$ 5,750	\$ 1,328	\$ 366,505
Less: allowance for doubtful accounts	(1,388)	(5,750)	-	(7,138)
Total notes receivable, net	358,039	-	1,328	359,367
Less: noncurrent notes receivable, net	(286,154)	-	-	(286,154)
Total current portion of notes receivable, net	<u>\$ 71,885</u>	<u>\$ -</u>	<u>\$ 1,328</u>	<u>\$ 73,213</u>

As of March 31, 2016, the SIDA was the lessor for one lease. The future minimum lease payments to be received for the next five years and for the subsequent years through maturity is below.

The lease agreement has an implicit interest rate of 3.52 percent on a building requiring monthly installments of \$450. At any time during the term of the lease, the lessee has the option of acquiring the building by paying the SIDA the present value of the lease. The future value of minimum lease payments is \$37,683.

<u>Year ended March 31,</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 4,301	\$ 1,099
2018	4,455	945
2019	4,614	786
2020	4,779	621
2021	4,951	449
2022-2023	10,322	361
Total	<u>\$ 33,422</u>	<u>\$ 4,261</u>

Salamanca Housing Authority

Major revenues accrued by the SHA at March 31, 2016 consisted of the following:

	State Public Housing	HOME II Program	Total
Tenants	\$ 54,282	\$ 553	\$ 54,835
Allowance for Bad Debts	(30,929)	-	(30,929)
Interest Receivable	132	6	138
Totals	<u>\$ 23,485</u>	<u>\$ 559</u>	<u>\$ 24,044</u>

5. CAPITAL ASSETS

Governmental Activities—Capital asset activity for the primary government's governmental activities, for the fiscal year ended March 31, 2016, was as follows:

	Balance 4/1/2015 (as restated)	Increases	Decreases	Balance 3/31/2016
Capital assets, not being depreciated:				
Land	\$ 3,082,669	\$ 1,730	\$ 12,935	\$ 3,071,464
Construction in progress	972,091	-	-	972,091
Total capital assets, not being depreciated	<u>4,054,760</u>	<u>1,730</u>	<u>12,935</u>	<u>4,043,555</u>
Capital assets, being depreciated:				
Buildings and building improvements	4,421,622	-	41,288	4,380,334
Infrastructure	34,140,506	1,545,164	-	35,685,670
Machinery and equipment	4,001,887	810,570	22,538	4,789,919
Total capital assets, being depreciated	<u>42,564,015</u>	<u>2,355,734</u>	<u>63,826</u>	<u>44,855,923</u>
Less accumulated depreciation for:				
Buildings and building improvements	2,191,088	159,078	38,461	2,311,705
Infrastructure	21,119,780	1,871,487	-	22,991,267
Machinery and equipment	2,718,598	513,959	22,538	3,210,019
Total accumulated depreciation	<u>26,029,466</u>	<u>2,544,524</u>	<u>60,999</u>	<u>28,512,991</u>
Total capital assets, being depreciated, net	<u>16,534,549</u>	<u>(188,790)</u>	<u>2,827</u>	<u>16,342,932</u>
Governmental activities capital assets, net	<u>\$ 20,589,309</u>	<u>\$ (187,060)</u>	<u>\$ 15,762</u>	<u>\$ 20,386,487</u>

Business-type Activities—Capital asset activity for the primary government’s business-type activities for the fiscal year ended March 31, 2016 was as follows:

	Balance 4/1/2015	Increases	Decreases	Balance 3/31/2016
Capital assets, not being depreciated:				
Land	\$ 91,734	\$ -	\$ -	\$ 91,734
Construction in progress	<u>601,307</u>	<u>-</u>	<u>497,580</u>	<u>103,727</u>
Total capital assets, not being depreciated	<u>693,041</u>	<u>-</u>	<u>497,580</u>	<u>195,461</u>
Capital assets, being depreciated:				
Buildings and building improvements	20,297,376	870,699	91,558	21,076,517
Machinery and equipment	<u>3,622,964</u>	<u>184,929</u>	<u>518</u>	<u>3,807,375</u>
Total capital assets, being depreciated	<u>23,920,340</u>	<u>1,055,628</u>	<u>92,076</u>	<u>24,883,892</u>
Less accumulated depreciation for:				
Buildings and building improvements	8,940,793	423,703	91,558	9,272,938
Machinery and equipment	<u>2,509,875</u>	<u>72,718</u>	<u>518</u>	<u>2,582,075</u>
Total accumulated depreciation	<u>11,450,668</u>	<u>496,421</u>	<u>92,076</u>	<u>11,855,013</u>
Total capital assets, being depreciated, net	<u>12,469,672</u>	<u>559,207</u>	<u>-</u>	<u>13,028,879</u>
Business-type activities capital assets, net	<u>\$ 13,162,713</u>	<u>\$ 559,207</u>	<u>\$ 497,580</u>	<u>\$ 13,224,340</u>

Depreciation expense was charged to the functions and programs of the primary government as follows:

Governmental activities:	
General government support	\$ 187,005
Public safety	194,878
Transportation	1,990,223
Health	105,930
Culture and recreation	51,167
Home and community services	<u>15,321</u>
Total governmental activities depreciation expense	<u>\$ 2,544,524</u>
Business-type activities:	
Water	\$ 117,015
Sewer	145,813
Electric	<u>233,593</u>
Total business-type activities depreciation expense	<u>\$ 496,421</u>

Discretely Presented Component Units

Salamanca Industrial Development Agency

Capital asset activity for the SIDA at March 31, 2016 was as follows:

	Balance 4/1/2015	Increases	Decreases	Balance 3/31/2016
Capital assets, not being depreciated:				
Land	\$ 10,500	\$ -	\$ -	\$ 10,500
Total capital assets, not being depreciated	<u>10,500</u>	<u>-</u>	<u>-</u>	<u>10,500</u>
Capital assets, being depreciated:				
Buildings and leasehold improvements	2,730,084	18,861	202,660	2,546,285
Machinery and equipment	<u>32,105</u>	<u>476</u>	<u>900</u>	<u>31,681</u>
Total capital assets, being depreciated	<u>2,762,189</u>	<u>19,337</u>	<u>203,560</u>	<u>2,577,966</u>
Less accumulated depreciation	<u>1,611,209</u>	<u>91,289</u>	<u>48,111</u>	<u>1,654,387</u>
Total capital assets, being depreciated, net	<u>1,150,980</u>	<u>(71,952)</u>	<u>155,449</u>	<u>923,579</u>
Capital assets, net	<u>\$ 1,161,480</u>	<u>\$ (71,952)</u>	<u>\$ 155,449</u>	<u>\$ 934,079</u>

Salamanca Housing Authority

Capital asset activity for the SHA at March 31, 2016 was as follows:

	Balance 4/1/2015	Increases	Decreases	Balance 3/31/2016
Capital assets, not being depreciated:				
Land	\$ 28,000	\$ -	\$ -	\$ 28,000
Total capital assets, not being depreciated	<u>28,000</u>	<u>-</u>	<u>-</u>	<u>28,000</u>
Capital assets, being depreciated:				
Buildings and improvements	5,756,674	-	-	5,756,674
Equipment and furniture	<u>217,123</u>	<u>10,244</u>	<u>1,238</u>	<u>226,129</u>
Total capital assets, being depreciated	<u>5,973,797</u>	<u>10,244</u>	<u>1,238</u>	<u>5,982,803</u>
Less accumulated depreciation	<u>4,554,198</u>	<u>199,791</u>	<u>1,238</u>	<u>4,752,751</u>
Total capital assets, being depreciated, net	<u>1,419,599</u>	<u>(189,547)</u>	<u>-</u>	<u>1,230,052</u>
Capital assets, net	<u>\$ 1,447,599</u>	<u>\$ (189,547)</u>	<u>\$ -</u>	<u>\$ 1,258,052</u>

6. ACCRUED LIABILITIES

Accrued liabilities reported within the governmental and proprietary funds at March 31, 2016, were as follows:

	General	Water	Sewer	Electric
Salary and employee benefits	\$ 22,090	\$ 13,048	\$ 16,545	\$ 26,094
Interest	-	5,444	9,781	18,239
Total accrued liabilities	<u>\$ 22,090</u>	<u>\$ 18,492</u>	<u>\$ 26,326</u>	<u>\$ 44,333</u>

7. PENSION OBLIGATIONS

The City participates in the New York State and Local Police and Fire Retirement System (“PFRS”) and the New York State and Local Employees’ Retirement System (“ERS”), which are collectively referred to as the New York State and Local Retirement System (the “System”). These cost sharing multiple-employer public employee retirement systems compute contribution requirements based on the New York State Retirement and Social Security Law (“NYSRSSL”).

Plan Descriptions and Benefits Provided

Police and Fire Retirement System (“PFRS”) and Employees’ Retirement System (“ERS”)—The City participates in the PFRS and the ERS (the “Systems”). These are cost sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. The net position of the Systems are held in the New York State Common Retirement Fund (the “Fund”), which was established to hold all assets and record changes in fiduciary net position allocated to the Systems. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the Systems. System benefits are established under the provisions of the New York State Retirement and Social Security Law (“NYSRSSL”). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The City also participates in the Public Employees’ Group Life Insurance Plan (“GLIP”), which provides death benefits in the form of life insurance. The Systems are included in the State’s financial report as a pension trust fund. That report, including information with regards to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The Systems are noncontributory, except for employees who joined the ERS after July 27, 1976 who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS), who generally contribute three percent (3%) to three and one half percent (3.5%) of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers’ contributions based on salaries paid during the System’s fiscal year ending March 31.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At March 31, 2016, the City reported the following liabilities for its proportionate share of the net pension liabilities for PFRS and ERS. The net pension liabilities were measured as of March 31, 2015. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of April 1, 2014, with update procedures used to roll forward the total net pension liabilities to the measurement date. The City’s proportion of the net

pension liabilities were based on projections of the City's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the System in reports provided to the City.

	Governmental Activities		Business-type
			Activities
	PFRS	ERS	ERS
Measurement date	March 31, 2015	March 31, 2015	March 31, 2015
Net pension liability	\$ 165,956	\$ 169,729	\$ 182,814
City's portion of the Plan's total net pension liability	0.0602906%	0.0050241%	0.0054115%

For the year ended March 31, 2016, the City recognized pension expenses of \$364,225, \$157,024, \$9,774, and \$174,251, respectively, for PFRS, ERS – City, ERS – Library, and ERS – business-type activities. At March 31, 2016, the City reported deferred outflows of resources related to pensions from the sources shown on the following page.

	Deferred Outflows of Resources			Deferred
			Business-type	Inflows
	Governmental activities		activities	of Resources
	PFRS	ERS	ERS	PFRS
Differences between expected and actual experiences	\$ 20,013	\$ 5,434	\$ 5,852	\$ -
Net difference between projected and actual earnings on pension plan investments	55,717	29,479	31,753	-
Changes in proportion and differences between the City's contributions and proportionate share of contributions	-	52,765	35,209	103,000
City contributions subsequent to the measurement date	<u>337,270</u>	<u>190,783</u>	<u>206,064</u>	<u>-</u>
Total	<u>\$ 413,000</u>	<u>\$ 278,461</u>	<u>\$ 278,878</u>	<u>\$ 103,000</u>

The City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended March 31 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending March 31,	Governmental activities		Business-type
			activities
	PFRS	ERS	ERS
2016	\$ (2,668)	\$ 21,920	\$ 18,203
2017	(2,668)	21,920	18,203
2018	(2,668)	21,920	18,203
2019	(2,668)	21,918	18,205
2020	(16,598)	-	-

Actuarial Assumptions—The total pension liabilities as of the measurement date were determined by using actuarial valuations as noted in the table below, with update procedures used to roll forward the total pension liabilities to the measurement date. The actuarial valuations used the actuarial assumptions below:

	<u>PFRS</u>	<u>ERS</u>
Measurement date	March 31, 2015	March 31, 2015
Actuarial valuation date	April 1, 2014	April 1, 2014
Interest rate	7.50%	7.50%
Salary scale	6.00%	4.90%
Decrement tables	April 1, 2005- March 31, 2010	April 1, 2005- March 31, 2010
Inflation rate	2.7%	2.7%

Annuitant mortality rates are based on April 1, 2005 – March 31, 2010 System’s experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014.

The actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 – March 3, 2010.

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

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
	<u>PFRS and ERS</u>	
	<u>March 31, 2015</u>	
Measurement date		
Asset class:		
Domestic equities	38.0 %	7.3 %
International equities	13.0	8.6
Private equity	10.0	11.0
Real estate	8.0	8.3
Absolute return strategies	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	2.0	4.0
Total	<u>100.0</u> %	

Discount Rate—The discount rate used to calculate the total pension liabilities was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based 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 periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The chart on the following page presents the City’s proportionate share of the net pension liabilities calculated using the discount rate of 7.5%, as well as what the City’s proportionate share of the net pension liabilities would be if they were calculated using a discount rate that is one percentage-point lower (6.5%) or one percentage-point higher (8.5%) than the current assumption.

	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Governmental activities:			
Employer's proportionate share of the net pension liability/(asset)—PFRS	\$ 2,209,614	\$ 165,956	\$ (1,546,753)
Employer's proportionate share of the net pension liability/(asset)—ERS	1,131,319	169,729	(642,090)
Business-type activities			
Employer's proportionate share of the net pension liability/(asset)—ERS	1,218,535	182,814	(691,591)

Pension Plan Fiduciary Net Position—The components of the current-year net pension liabilities of the employers as of the valuation dates, were as follows:

	(Dollars in Thousands)		
	PFRS	ERS	Total
Valuation date	April 1, 2015	April 1, 2015	
Employers' total pension liability	\$ 28,474,417	\$ 164,591,504	\$ 193,065,921
Plan fiduciary net position	28,199,157	161,213,259	189,412,416
Employers' net pension liability	<u>\$ 275,260</u>	<u>\$ 3,378,245</u>	<u>\$ 3,653,505</u>
System fiduciary net position as a percentage of total pension liability	99.0%	97.9%	98.1%

Discretely Presented Component Units

Salamanca Industrial Development Agency

The SIDA participates in the ERS.

Plan Description and Benefits Provided

Employees’ Retirement System—The plan description is the same as disclosed previously within this footnote.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At March 31, 2016 the SIDA reported the liability presented on the following page for its proportionate share of the net pension liability for ERS. The net pension

liability was measured as of March 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The SIDA's proportion of the net pension liability was based on a projection of the SIDA's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by ERS in reports provided to the SIDA.

	<u>ERS</u>
Measurement date	March 31, 2015
Net pension liability	\$ 4,896
SIDA's portion of the Plan's total net pension liability	0.0001449%

For the year ended March 31, 2016, the SIDA recognized pension expense of \$12,507 for ERS. At March 31, 2016, the SIDA reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
	<u>ERS</u>	
Differences between expected and actual experiences	\$ 157	\$ -
Net difference between projected and actual earnings on pension investments	850	-
Changes in proportion and differences between employer contributions and proportionate share of contributors	-	5,673
Total	<u>\$ 1,007</u>	<u>\$ 5,673</u>

SIDA contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended March 31, 2017. Other amounts reported as deferred inflows of resources and deferred outflows of resources related to pensions will be recognized in pension expense are shown below:

<u>Year Ending March 31,</u>	<u>ERS</u>
2016	\$ (1,166)
2017	(1,166)
2018	(1,166)
2019	(1,168)
2020	-
Thereafter	-

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The chart below presents the SIDA’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the SIDA’s proportionate share of the net pension liability would be if they were calculated using a discount rate that is one percentage-point lower (6.5 percent).

ERS	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Employer's proportionate share of the net pension liability	\$ 32,634	\$ 4,896	\$ (18,522)

Salamanca Housing Authority

The SHA participates in the ERS.

Plan Description and Benefits Provided

Employees’ Retirement System—The plan description is the same as disclosed previously within this footnote.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At March 31, 2016 the SHA reported the liability presented on the following page for its proportionate share of the net pension liability for ERS. The net pension liability was measured as of March 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The SHA’s proportion of the net pension liability was based on a projection of the SHA’s long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by ERS in reports provided to the SHA.

	ERS
Measurement date	March 31, 2015
Net pension liability	\$ 29,095
SHA's portion of the Plan's total net pension liability	0.0008613%

For the year ended March 31, 2016, the SHA recognized pension expense of \$26,358 for ERS. At March 31, 2016, the SHA reported deferred outflows of resources related to pensions from the sources shown on the following page.

	Deferred Outflows of Resources
	<u>ERS</u>
Differences between expected and actual experiences	\$ 931
Net difference between projected and actual earnings on pension investments	5,053
Changes in proportion and differences between employer contributions and proportionate share of contributions	106
SHA's contributions made subsequent to the measurement date	<u>35,642</u>
Total	<u>\$ 41,732</u>

SHA contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended March 31, 2017. Other amounts reported as deferred inflows of resources and deferred outflows of resources related to pensions will be recognized in pension expense are shown below:

<u>Year Ending March 31,</u>	<u>ERS</u>
2016	\$ 1,523
2017	1,523
2018	1,523
2019	1,521
Thereafter	-

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The chart below presents the SHA's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the SHA's proportionate share of the net pension liability would be if they were calculated using a discount rate that is one percentage-point lower (6.5 percent).

<u>ERS</u>	<u>1% Decrease (6.5%)</u>	<u>Current Assumption (7.5%)</u>	<u>1% Increase (8.5%)</u>
Employer's proportionate share of the net pension liability	\$ 193,932	\$ 29,095	\$ (110,068)

8. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”) OBLIGATION

Plan Description—The City of Salamanca administers the City of Salamanca Retiree Medical Plan (the “Plan”) as a single-employer defined benefit other post-employment benefit plan. The plan provides for continuation of medical insurance benefits for certain retirees at the cost of the retirees. The plan can be amended by action of the City subject to an applicable collective bargaining and employment agreements. The plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying the benefits under the plan.

Funding Policy—The City recognizes the cost of providing these benefits by expensing the annual insurance premiums when invoiced by the health insurance provider. City governmental activities contributed \$84,130 for the fiscal year ended March 31, 2016.

The City’s annual other post-employment benefit (“OPEB”) cost is calculated based on the annual required contribution (“ARC”) of the employer, an amount actuarially determined in accordance with the parameters of GASB. The City elected to determine its OPEB liability using the Alternative Measurement Method permitted by GASB. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

	2016	2015
Annual required contribution	\$ 318,300	\$ 303,917
Interest on net OPEB obligation	14,559	6,782
Adjustment to annual required contribution	<u>(22,617)</u>	<u>(10,535)</u>
Annual estimated OPEB costs (expense)	310,242	300,164
Contributions made	<u>(84,130)</u>	<u>(77,956)</u>
Increase in net OPEB obligation	226,112	222,208
Net OPEB obligation - beginning of year	<u>415,970</u>	<u>193,762</u>
Net OPEB obligation - end of year	<u>\$ 642,082</u>	<u>\$ 415,970</u>

Funding Status and Funding Progress—As of March 31, 2016, calculations were based on plan data as of April 1, 2014 and financial data as of March 31, 2015. Since there were no assets, the unfunded actuarial accrued liability for benefits for governmental activities was \$3,032,350. The covered payroll (annual payroll of active employees covered by the plan) was \$3,316,652.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care 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 City’s schedule of contributions for the most recent three years is shown below:

Year Ended March 31,	Annual OPEB Cost	Contributions Made	Percentage Contribution
2016	\$ 310,242	\$ 84,130	27.1%
2015	300,164	77,956	26.0%
2014	135,609	37,523	27.7%

The schedule of funding progress, presented as required supplementary information following the note to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the accrued actuarial liability for benefits.

Actuarial Methods and Assumptions—Calculations are based on the types of benefits provided under the terms of the substantive plan, the plan as understood by the employer and the plan members, at the time of the valuation and on the pattern of cost sharing between the employee and plan members. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

The City used the alternative measurement method to perform an analysis of the other post-employment benefits (“OPEB”) obligation. The valuation involves estimates of the value or reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend.

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of the valuation and on the pattern of sharing costs between the employer and the plan members to that point. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of the assets.

In the April 1, 2014 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a valuation date and measurement date of April 1, 2014. The expected discount rate was 3.50%. The RP-2014 Mortality Table projected to fiscal year beginning using scale MP-2014, with no collar adjustments were used for mortality rates.

9. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The City purchases commercial insurance to cover such potential risks. The liability insurance limits are as follows: commercial property coverage with a blanket limit of \$25,251,883, general liability coverage with a per occurrence limit of \$1,000,000 and general aggregate limit of \$3,000,000, commercial automobile coverage with a liability limit of \$1,000,000 per occurrence, public officials and police professional liability limits of \$1,000,000 per occurrence and an annual aggregate limit of \$2,000,000, commercial excess liability with an occurrence limit of \$6,000,000 and general annual aggregate limit of \$12,000,000 (aggregate annual limit for “personal and advertising liability, products and completed operations liability, law enforcement liability and public officials liability of \$6,000,000). There have not been any significant changes in any type of insurance coverage from the prior year, nor have there been any settlements which have exceeded insurance coverage in the past five fiscal years.

10. LEASE OBLIGATIONS

Capital Leases—The City has entered into lease agreements as a lessee for financing the acquisition of a tractor within its business-type activities. Lease principal payments for governmental activities are recorded as expenditures in the appropriate fund and as reduction in capital lease liability within business-type activities. In the government-wide financial statements, no principal payments are reflected as expenditures.

The City's future minimum lease payments under capital leases as of March 31, 2016, are as follows:

Fiscal Year Ending March 31,	Business-type activities
2017	\$ 30,732
2018	30,732
2019	30,732
2020	30,732
2021	<u>20,488</u>
Total minimum lease payments	143,416
Less: amount representing imputed interest costs	<u>(10,381)</u>
Present value of minimum lease payment	<u>\$ 133,035</u>

The assets acquired through capital leases are as follows:

	Business-type Activities
Assets:	
Tractor	<u>\$ 147,178</u>
Total assets	147,178
Less: accumulated depreciation	<u>(3,216)</u>
Total assets, net	<u>\$ 143,962</u>

Operating Leases—Operating lease obligations are primarily for rental equipment. Lease expenditures/ expenses for the year were approximately \$25,782. The future minimum rental payments required by the primary government for noncancelable operating leases are as follows:

Fiscal Year Ending March 31,	
2017	\$ 25,781
2018	20,415
2019	<u>11,467</u>
Total	<u>\$ 57,663</u>

11. LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

The City's outstanding long-term liabilities include bonds payable, other post-employment benefits ("OPEB") obligation, state revolving fund loans, compensated absences, capital leases and net pension liability.

A summary of changes in the City's long-term debt at March 31, 2016 follows:

	Balance 4/1/2015 (as restated)	Additions	Reductions	Balance 3/31/2016	Due Within One Year
Governmental activities:					
Bonds payable	\$ 1,216,683	\$ -	\$ 305,404	\$ 911,279	\$ 171,284
OPEB obligation	415,970	310,242	84,130	642,082	-
Compensated absences	579,174	74,917	15,744	638,347	63,835
Net pension liability*	478,031	-	142,346	335,685	-
Total governmental activities	<u>\$ 2,689,858</u>	<u>\$ 385,159</u>	<u>\$ 547,624</u>	<u>\$ 2,527,393</u>	<u>\$ 235,119</u>
Business-type activities:					
Bonds payable	\$ 4,505,558	\$ -	\$ 588,507	3,917,051	\$ 622,507
State revolving funds loan	15,000	-	7,500	7,500	3,750
Compensated absences	104,341	4,825	-	109,166	10,917
Capital lease	-	133,035	-	133,035	26,860
Net pension liability*	244,539	-	61,725	182,814	-
Total business-type activities	<u>\$ 4,869,438</u>	<u>\$ 137,860</u>	<u>\$ 657,732</u>	<u>\$ 4,349,566</u>	<u>\$ 664,034</u>

(*reductions to the net pension liability are shown net of additions)

Serial Bonds—The City issues general obligation bonds and statutory installment bonds to provide funds for the acquisition, construction and renovation of major capital facilities. General obligation bonds have been issued for governmental activities and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

A summary of additions and payments of serial bonds and statutory installment bonds for the year ended March 31, 2016 is shown below:

Year of Issuance	Original Issue	Interest Rate (%)	Year of Maturity	Balance 4/1/2015	Additions	Payments	Balance 3/31/2016	Due Within One Year
Governmental activities:								
Serial bonds:								
2010	\$ 897,700	2.0-3.5	2022	\$ 640,000	\$ -	\$ 70,000	\$ 570,000	\$ 70,000
Statutory installment bonds:								
2003	320,000	4.3	2015	26,667	-	26,667	-	-
2006	695,593	4.5	2016	69,559	-	69,559	-	-
2008	145,617	3.2	2015	20,805	-	20,805	-	-
2012	113,122	2.5	2017	67,873	-	22,624	45,249	22,624
2012	337,901	3.4	2019	241,358	-	48,272	193,086	48,272
2012	82,448	2.5	2019	58,891	-	11,778	47,113	11,778
2013	34,178	2.0	2015	17,089	-	17,089	-	-
2013	93,051	2.8	2018	74,441	-	18,610	55,831	18,610
Total governmental funds				<u>\$ 1,216,683</u>	<u>\$ -</u>	<u>\$ 305,404</u>	<u>\$ 911,279</u>	<u>\$ 171,284</u>
Business-type activities:								
Serial bonds:								
2007	\$ 2,900,000	4.3	2022	\$ 1,550,000	\$ -	\$ 200,000	\$ 1,350,000	\$ 225,000
2013	3,461,500	3.8-4.1	2018	2,025,000	-	225,000	1,800,000	250,000
Statutory installment bonds:								
2008	323,829	4.6	2018	129,531	-	32,383	97,148	32,383
2010	468,335	3.3	2015	16,000	-	16,000	-	-
2014	288,900	3.2	2021	468,335	-	66,905	401,430	66,905
2014	27,792	3.3	2021	288,900	-	41,271	247,629	41,271
2014	80,000	2.5	2018	27,792	-	6,948	20,844	6,948
Total proprietary funds				<u>\$ 4,505,558</u>	<u>\$ -</u>	<u>\$ 588,507</u>	<u>\$ 3,917,051</u>	<u>\$ 622,507</u>

The City's debt service requirements for its bonds are as follows:

Governmental Activities

Fiscal Year Ending March 31,	Principal	Interest	Total
2017	\$ 171,284	\$ 25,934	\$ 197,218
2018	176,285	21,891	198,176
2019	158,661	16,737	175,398
2020	140,049	12,020	152,069
2021	85,000	7,618	92,618
2022	180,000	6,300	186,300
Total	<u>\$ 911,279</u>	<u>\$ 90,500</u>	<u>\$ 1,001,779</u>

Business-type Activities

Fiscal Year Ending March 31,	Principal	Interest	Total
2017	\$ 622,507	\$ 156,187	\$ 778,694
2018	622,507	131,384	753,891
2019	622,507	106,580	729,087
2020	583,176	81,777	664,953
2021	583,176	58,632	641,808
2022	883,178	46,831	930,009
Total	<u>\$ 3,917,051</u>	<u>\$ 581,391</u>	<u>\$ 4,498,442</u>

OPEB Obligation—As explained in Note 8, the City provides health insurance coverage for certain retirees. The City’s annual other post-employment benefit (“OPEB”) cost is calculated based on the annual required contributions of the employer, an amount actuarially determined in accordance with the parameters of GASB. Typically, the General Fund has been used to liquidate this liability within the governmental funds. The long-term OPEB liability is estimated to be \$642,082 at March 31, 2016.

State Revolving Funds Loan—The City has received direct loans from the New York State Environmental Facilities Corporation under the New York State Clean Water Revolving Fund Program (“SRF”). These long-term debt proceeds were utilized by the Sewer Fund to upgrade the waste water treatment facility and the sewer separation project.

Compensated Absences—As described in Note 1, the liability for compensated absences, which totals \$638,347 for governmental activities and \$109,166 for business-type activities, represents amounts relating to sick and personal leave for employees. Payments of these liabilities are dependent upon many factors (including retirement, termination, or employees leaving service) and, therefore, timing of future payments of such are not readily determinable. The City has estimated that \$63,835 and \$10,917 for governmental activities and business-type activities, respectively, will be paid in the next fiscal year.

Capital Leases—During the year ended March 31, 2016, the City entered into a five year capital lease for the purchase of a tractor. The outstanding balance at March 31, 2016 was \$133,035. Refer to Note 10 for additional information on the City’s lease obligations.

Net Pension Liability—The City reports a liability for its proportionate share of the net pension liability for the Employee Retirement System and Police and Fire Retirement System. The net pension liability is estimated to be \$335,685 and \$182,814 in the governmental activities and business-type activities, respectively. Refer to Note 7 for additional information related to the City’s net pension liability.

Discretely Presented Component Units

Salamanca Industrial Development Agency

The changes in the SIDA's long-term indebtedness during the year ended March 31, 2016, are summarized below:

	Balance 4/1/2015 (as restated)	Additions	Reductions	Balance 3/31/2016	Due Within One Year
Notes payable	\$ 122,750	\$ -	\$ 37,484	\$ 85,266	\$ 38,003
Mortgage payable	127,690	-	13,343	114,347	13,857
Net pension liability*	6,549	-	1,653	4,896	-
Total	<u>\$ 256,989</u>	<u>\$ -</u>	<u>\$ 52,480</u>	<u>\$ 204,509</u>	<u>\$ 51,860</u>

(*reductions to the net pension liability are shown net of additions.)

A summary of the estimated notes payable and mortgage payable requirements is presented below:

For the year ending March 31,	Principal	Interest
2017	\$ 51,860	\$ 5,051
2018	52,232	4,098
2019	95,521	606
Total	<u>\$ 199,613</u>	<u>\$ 9,755</u>

Salamanca Housing Authority

The changes in the SHA's long-term indebtedness during the year ended March 31, 2016, are summarized below:

	Balance 4/1/2015 (as restated)	Additions	Reductions	Balance 3/31/2016	Due Within One Year
Bonds payable	\$ 268,400	\$ -	\$ 26,840	\$ 241,560	\$ 26,840
Mortgage payable	556,451	-	-	556,451	-
Compensated absences	42,318	4,123	-	46,441	7,196
Net pension liability*	38,919	-	9,824	29,095	-
Total	<u>\$ 906,088</u>	<u>\$ 4,123</u>	<u>\$ 36,664</u>	<u>\$ 873,547</u>	<u>\$ 34,036</u>

(*reductions to the net pension liability are shown net of additions.)

Serial bonds—A summary of the estimated serial bonds payable requirements is presented below:

For the year ending March 31,	Principal	Interest
2017	\$ 26,840	\$ 5,805
2018	26,840	5,122
2019	26,840	4,439
2020	26,840	3,756
2021	26,840	3,073
2022-2025	107,360	5,462
Total	<u>\$ 241,560</u>	<u>\$ 27,657</u>

Mortgage payable—In July 1995, the Salamanca Housing Authority signed a Grant Conditions Compliance Enforcement Mortgage with the New York State Division of Housing and Community Renewal for HOME funds received in connection with the construction of 11 low-income housing units. Repayment of such funds is only required as a result of an event of default at any time within the 20-year term of the agreement. Accordingly, this indebtedness will be forgiven when the Authority meets the twenty-year term of compliance.

Compensated Absences—As of March 31, 2016, the Salamanca Housing Authority had a liability for employee compensated absences totaling \$46,441. Of this amount, \$7,196 is considered to be due and payable within one year.

Net Pension Liability—The SHA reports a liability for its proportionate share of the net pension liability for the Employee Retirement System. The net pension liability is estimated to be \$29,095 as of March 31, 2016. Refer to Note 7 for additional information related to the City’s net pension liability.

12. NET POSITION AND FUND BALANCE

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- **Net Investment in Capital Assets**—This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category. A reconciliation of the City’s governmental and business-type activities net investment in capital assets are shown below:

Governmental activities:		
Capital assets, net of accumulated depreciation		\$ 20,386,487
Related debt:		
Bonds issued for capital assets	\$ (911,279)	
Unspent debt proceeds	<u>6,592</u>	
Bonds payable issued for capital assets		<u>(904,687)</u>
Net investment in capital assets—governmental activities		<u>\$ 19,481,800</u>

Business-type activities:	
Capital assets, net of accumulated depreciation	\$ 13,224,340
Related debt:	
Bonds payable issued for capital assets	(3,917,051)
State revolving loan issued for capital assets	(7,500)
Capital lease	<u>(133,035)</u>
Net investment in capital assets–business-type activities	<u>\$ 9,166,754</u>

- **Restricted Net Position**—This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position**—This category represents net position of the City not restricted for any project or other purpose.

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balances maintained by the City at March 31, 2016 includes \$377,977 of delinquent taxes receivable and taxes receivable related to other property held by the City for resale in the General Fund.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation. Restricted fund balances of the City at March 31, 2016 consists of \$6,380 restricted for capital projects in the Capital Projects Fund. This represents funds that have been reserved to fund future capital projects and the purchase of capital assets. This amount includes commitments for the expenditures of monies within the Capital Projects Fund.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the City’s highest level of decision-making authority. The City’s policy requires commitments to be adopted through formal action (adoption of an ordinance) of the Common Council. As of March 31, 2015, the City reported the commitment described below:

- **Committed for Ambulance**—This reserve was created by the Common Council to restrict a portion of the City’s ambulance revenues for the future purchase of ambulances and necessary equipment. At March 31, 2016, the City reported \$59,170 within the General Fund.

In the fund financial statements, assignments are not legally required segregations but are segregated for a specific purpose by the City. For example, the amount appropriated to reduce the tax levy as determined through the budget process and finalized when the tax rates are established would be considered assigned fund balance. The Common Council authorizes the Comptroller to make a determination of the assigned amounts of fund balance.

At March 31, 2016 assigned fund balance includes:

	General Fund	Economic Development Fund	Library Fund	Total
Subsequent year's expenditures	\$ 19,893	\$ -	\$ -	\$ 19,893
Specific use	-	5,834,424	10,641	5,845,065
Total	<u>\$ 19,893</u>	<u>\$ 5,834,424</u>	<u>\$ 10,641</u>	<u>\$ 5,864,958</u>

- **Assigned to Subsequent Year's Expenditures**—Represents available fund balance being appropriated to meet expenditure requirements in the 2016-2017 fiscal year.
- **Assigned to Specific Use**—Represents fund balance within the special revenue funds that is assigned for a specific purpose. The assignment's purpose relates to each fund's operations and represents amounts within funds that are not restricted or committed.

If the City must use funds for emergency expenditures, the Common Council shall authorize the Comptroller to expend funds first from funds classified under GASB as nonspendable (if funds become available) then restricted funds. The use of committed and assigned funds, as classified by GASB, will occur after the exhaustion of available restricted funds. Finally, if no other fund balances are available the City will use unassigned fund balance.

13. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are generally short-term in nature and exist because of temporary advances or payments made on behalf of other funds. The composition of interfund balances as of March 31, 2016 is as follows:

Fund	Interfund	
	Receivable	Payable
Governmental funds:		
General Fund	\$ 131,430	\$ -
Economic Development Fund	-	44,886
Capital Fund	-	212
Total governmental funds	<u>131,430</u>	<u>45,098</u>
Proprietary funds:		
Sewer Fund	74	86,332
Total proprietary funds	<u>74</u>	<u>86,332</u>
Fiduciary funds:		
Private Purpose Trust	-	74
Total fiduciary funds	<u>-</u>	<u>74</u>
Total	<u>\$ 131,504</u>	<u>\$ 131,504</u>

Interfund balances are the result of transfers made to the proprietary funds to cover operating costs. Other balances result from payments made on behalf of other funds or temporary advances. All of these balances are expected to be collected/paid within the subsequent year.

The City made the following transfers during the year ended March 31, 2016:

Transfers out:	Transfers in:			Total
	General Fund	Library Fund	Water Fund	
General Fund	\$ -	\$ 280,000	\$ 82,000	\$ 362,000
Sewer Fund	86,258	-	-	86,258
Total	<u>\$ 86,258</u>	<u>\$ 280,000</u>	<u>\$ 82,000</u>	<u>\$ 448,258</u>

Transfers are used primary to support the functions of various funds.

14. AGENCY FUND

An agency fund exists for employee withholding and temporary deposit funds. The following is a summary of the Agency Fund for the year ended March 31, 2016:

	Balance 4/1/2015	Additions	Deletions	Balance 3/31/2016
ASSETS				
Cash and cash equivalents	\$ 21,550	\$ 5,290,827	\$ 5,302,940	\$ 9,437
Total assets	<u>\$ 21,550</u>	<u>\$ 5,290,827</u>	<u>\$ 5,302,940</u>	<u>\$ 9,437</u>
LIABILITIES				
Other liabilities	\$ 21,550	\$ 5,290,827	\$ 5,302,940	\$ 9,437
Total liabilities	<u>\$ 21,550</u>	<u>\$ 5,290,827</u>	<u>\$ 5,302,940</u>	<u>\$ 9,437</u>

15. LABOR RELATIONS

City employees are represented by four bargaining units with the balance governed by City Council rules and regulations. The CSEA Local 1000 had a contract settled through March 31, 2015 and is currently in negotiations. The Professional Fire Fighters, DPW Employees' Union and Board of Public Utilities have contracts settled through March 31, 2016, 2017 and 2018, respectively.

16. RELATED PARTY TRANSACTIONS

Discretely Presented Component Units

Salamanca Industrial Development Corporation

Amounts paid to the City—Expenses of \$7,518 were incurred by the SIDA during the year ended March 31, 2016 in connection with the City's services to the SIDA relating to comptroller services, use of a copy machine, and monthly rental of office space.

The SIDA made payments in the amount of \$58,846 to the SHA, a related organization. These payments were for rental housing assistance under the SIDA's Section 8 Housing Choice Voucher program.

Amounts received from the City—Reimbursements totaling \$32,400 were received from the City during the year ended March 31, 2016. The reimbursements in the UDAG Fund amounted to \$31,222 for costs associated with the 18-20 Main Street property and the General Fund received \$1,178.

Salamanca Housing Authority

The SHA has contracts whereby the City provides various support services. These transactions are consummated on terms equivalent to those that prevail in arm's-length transactions. During the year ended March 31, 2016, the Authority incurred the following:

Real Estate Tax	\$	3,505
Seneca Nation Lease		6,309
DPW		706
Utilities		96,058
Total	\$	<u>106,578</u>

At March 31, 2016, accounts payable to the City totaled \$8,383.

During the year ended March 31, 2016, the SHA received a total of \$58,846 in rental receipts from the SIDA. These receipts were paid to the SHA by the Agency's Federal Housing Choice Voucher program, which provides eligible tenants with housing assistance payments.

17. NEW YORK STATE CASINO REVENUES

The City of Salamanca is located almost entirely upon the Seneca Nation of Indians Reservation in Cattaraugus County. In 2004, the Seneca Nation completed the construction of a casino which engages in Class III Gaming pursuant to authority contained in the Seneca Nation/ New York State Gaming Compact (the "Compact") which was made effective on April 12, 2002.

The Compact provides the Seneca Nation with the exclusive right to engage in Class III Gaming throughout all of Western New York in exchange for the Seneca Nation paying an exclusivity fee to New York State. Pursuant to the provisions of Section 99-h of the State Finance Law, a portion of that exclusivity fee is paid by New York State to those municipalities in which the Seneca gaming facilities are located in order to offset the impact of the casino on those hosting municipalities. This is referred to as the "local share".

In the case of the City of Salamanca, the local share is divided among the City, the County of Cattaraugus (the "County"), and the City of Salamanca School District (the "School").

The City and the County have entered into an agreement which sets forth how local share is to be apportioned which briefly provides as follows:

- The City, the County and the School are first reimbursed for tax loss as a result of Native American tax immunity (each time an enrolled member of the Seneca Nation of Indians or the Seneca Nation itself buys property located on the Reservation, that person and property are immune from taxation).
- The City and the County are reimbursed for direct impact costs (expenses incurred directly related to the casino being located within the municipality).
- Any remaining local share funds are divided 75 percent to the City and 25 percent to the County for economic development.

The agreement further provides that significant expenditures for equipment or capital improvements would be financed by bonding in order to increase the amount of local share funds available. The City and the County each develop a spending plan which must be submitted and approved by New York State Economic Development before Section 99-h local share funds are remitted to the municipalities.

Over the years the City has responded to the increase in services required and has expended the funds required to meet these demands, including bonding in order to finance required equipment and upgrades to the sewer and water facilities, with the understanding that the expenditures would be reimbursed via the local share of Section 99-h funds.

During the year ended March 31, 2016, the City received Casino funds totaling \$9,081,078, which was recorded in the General Fund and Economic Development funds. Subsequent to the fiscal year ended March 31, 2016, the City completed the required funding quarterly requests from New York State pursuant to agreement and \$3,839,083 is recorded on the statement of net position as it will not be received until after the availability period for the recognition of revenues. At March 31, 2016, the related liability and expenditure is reported on the statement of net position for amounts due to the School of \$134,059.

18. CONTINGENCIES

Litigation—The City is involved in litigation in the ordinary course of its operations. Various legal actions are pending against the City. The outcome of these matters is not presently determinable but, in the opinion of management, the ultimate liability will not have a material adverse effect on the City's financial condition or results of operation.

Grants—In the normal course of operations, the City receives grant funds from various Federal and State agencies. These 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 disallowed expenditures resulting from such audits could become a liability of the governmental funds. While the amount of expenditures, if any, which may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

Other—The City is also involved in litigation arising in the ordinary course of its operations. The City believes that its ultimate liability, if any, in connection with these matters will not have a material effect on the City's financial condition or results of operations.

19. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 1, 2016, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

* * * * *

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SALAMANCA, NEW YORK
Schedule of Funding Progress—Other Post-Employment Benefits Plan
Year Ended March 31, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll ((b-a)/c)
April 1, 2014	\$ -	\$ 3,032,350	\$ 3,032,350	0.0%	\$ 3,316,652	91.4%
April 1, 2011	-	1,278,048	1,278,048	0.0%	n/a	n/a
April 1, 2008	-	1,197,224	1,197,224	0.0%	4,559,157	26.3%

CITY OF SALAMANCA, NEW YORK
Schedule of the City's Proportionate Share of the
Net Pension Liability—Police and Fire Retirement System
Last Two Fiscal Years*

	Year Ended March 31,	
	2016	2015
City of Salamanca (the "City"):		
Measurement date	March 31, 2015	March 31, 2014
City's proportion of the net pension liability	0.0602906%	0.0602906%
City's proportionate share of the net pension liability	<u>\$ 165,956</u>	<u>\$ 250,996</u>
City's covered-employee payroll	\$ 1,488,575	\$ 1,327,214
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	11.15%	18.91%
Plan fiduciary net position as a percentage of the total pension liability	99.0%	98.5%

*Information prior to the year ended March 31, 2015 is not available.

CITY OF SALAMANCA, NEW YORK
Schedule of the City's Contributions—
Police and Fire Retirement System
Last Two Fiscal Years*

	Year Ended March 31,	
	2016	2015
City of Salamanca ("City"):		
Contractually required contribution	\$ 421,995	\$ 382,596
Contributions in relation to the contractually required contribution	(421,995)	(382,596)
Contribution deficiency (excess)	\$ -	\$ -
City's covered-employee payroll	1,488,575	1,327,214
Contributions as a percentage of covered-employee payroll	28.3%	28.8%

*Information prior to the year ended March 31, 2015 is not available.

CITY OF SALAMANCA, NEW YORK
Schedule of the City's Proportionate Share of the
Net Pension Liability—Employees' Retirement System
Last Two Fiscal Years*

	Year Ended March 31,	
	2016	2015
Measurement date	March 31, 2015	March 31, 2014
Plan fiduciary net position as a percentage of the total pension liability	97.9%	97.2%
Governmental Activities:		
City of Salamanca (the "City"):		
City's proportion of the net pension liability	0.0050241%	0.0050241%
City's proportionate share of the net pension liability	\$ 169,729	\$ 227,035
City's covered-employee payroll	\$ 1,277,925	\$ 1,560,117
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	13.28%	14.55%
Business-type Activities:		
City of Salamanca (the "City"):		
City's proportion of the net pension liability	0.0054115%	0.0054115%
City's proportionate share of the net pension liability	\$ 182,824	\$ 244,549
City's covered-employee payroll	\$ 1,280,981	\$ 1,608,300
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	14.27%	15.21%
Discretely Presented Component Units:		
City of Salamanca Industrial Development Agency ("SIDA"):		
SIDA's proportion of the net pension liability	0.0001449%	0.0001449%
SIDA's proportionate share of the net pension liability	\$ 4,896	\$ 6,549
SIDA's covered-employee payroll	\$ 92,831	N/A
SIDA's proportionate share of the net pension liability as a percentage of its covered-employee payroll	5.27%	N/A
Salamanca Housing Authority ("SHA"):		
SHA's proportion of the net pension liability	0.0008613%	0.0008613%
SHA's proportionate share of the net pension liability	\$ 29,095	\$ 38,919
SHA's covered-employee payroll	\$ 187,349	N/A
SHA's proportionate share of the net pension liability as a percentage of its covered-employee payroll	15.53%	N/A

*Information prior to the year ended March 31, 2015 is not available.

CITY OF SALAMANCA, NEW YORK
Schedule of the City's Contributions—
Employees' Retirement System
Last Two Fiscal Years*

	Year Ended March 31,	
	2016	2015
Governmental Activities:		
City of Salamanca (the "City"):		
Contractually required contribution	\$ 219,214	\$ 244,627
Contributions in relation to the contractually required contribution	(219,214)	(244,627)
Contribution deficiency (excess)	\$ -	\$ -
City's covered-employee payroll	1,277,925	1,560,117
Contributions as a percentage of covered-employee payroll	17.2%	15.7%
Business-type Activities:		
City of Salamanca (the "City"):		
Contractually required contribution	\$ 206,064	\$ 243,274
Contributions in relation to the contractually required contribution	(206,064)	(243,274)
Contribution deficiency (excess)	\$ -	\$ -
City's covered-employee payroll	1,280,981	1,608,300
Contributions as a percentage of covered-employee payroll	16.1%	15.1%
Discretely Presented Component Units:		
City of Salamanca Industrial Development Agency ("SIDA"):		
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-
Contribution deficiency (excess)	\$ -	\$ -
SIDA's covered-employee payroll	92,831	N/A
Contributions as a percentage of covered-employee payroll	0.0%	N/A
Salamanca Housing Authority ("SHA"):		
Contractually required contribution	\$ 35,642	\$ 42,272
Contributions in relation to the contractually required contribution	(35,642)	(42,272)
Contribution deficiency (excess)	\$ -	\$ -
SHA's covered-employee payroll	187,349	N/A
Contributions as a percentage of covered-employee payroll	19.0%	N/A

*Information prior to the year ended March 31, 2015 is not available.

CITY OF SALAMANCA, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund
Balances—Budget and Actual—General Fund
Year Ended March 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES				
Real property taxes	\$ 1,018,245	\$ 1,018,245	\$ 1,006,025	\$ (12,220)
Real property tax items	188,950	188,950	209,837	20,887
Nonproperty tax items	662,000	662,000	653,203	(8,797)
Departmental income	429,550	429,550	454,926	25,376
Intergovernmental charges	98,281	98,281	98,281	-
Use of money and property	25,448	25,448	21,098	(4,350)
Licenses and permits	19,000	19,000	23,215	4,215
Fines and forfeitures	87,000	87,000	52,338	(34,662)
Sale of property and compensation for loss	3,000	3,000	17,234	14,234
Miscellaneous	-	-	21,238	21,238
State aid	5,494,293	5,828,972	9,520,449	3,691,477
Federal aid	13,000	13,000	2,510	(10,490)
Total revenues	<u>8,038,767</u>	<u>8,373,446</u>	<u>12,080,354</u>	<u>3,706,908</u>
EXPENDITURES				
Current:				
General government support	1,036,500	1,228,196	1,150,476	77,720
Public safety	2,261,125	2,335,735	2,172,637	163,098
Health	155,620	255,267	255,267	-
Transportation	2,374,500	2,203,450	2,177,270	26,180
Economic assistance and opportunity	5,000	5,000	4,870	130
Culture and recreation	377,386	421,794	410,005	11,789
Home and community services	114,600	272,435	227,728	44,707
Employee benefits	1,258,800	1,219,523	1,042,962	176,561
Debt service:				
Principal	305,441	305,430	305,404	26
Interest and fiscal charges	40,500	40,511	40,511	-
Total expenditures	<u>7,929,472</u>	<u>8,287,341</u>	<u>7,787,130</u>	<u>500,211</u>
Excess (deficiency) of revenues over expenditures	<u>109,295</u>	<u>86,105</u>	<u>4,293,224</u>	<u>4,207,119</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	76,760	76,760	86,258	9,498
Transfers out	(386,055)	(362,475)	(362,000)	475
Total other financing sources (uses)	<u>(309,295)</u>	<u>(285,715)</u>	<u>(275,742)</u>	<u>9,973</u>
Net change in fund balances *	(200,000)	(199,610)	4,017,482	4,217,092
Fund balances—beginning, as restated (see Note 2)	<u>11,835,267</u>	<u>11,835,267</u>	<u>11,835,267</u>	<u>-</u>
Fund balances—ending	<u>\$ 11,635,267</u>	<u>\$ 11,635,657</u>	<u>\$ 15,852,749</u>	<u>\$ 4,217,092</u>

* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance.

The note to the required supplementary information is an integral part of this schedule.

CITY OF SALAMANCA, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund
Balances—Budget and Actual—Library Fund
Year Ended March 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Departmental income	\$ 3,500	\$ 3,500	\$ 21,272	\$ 17,772
State aid	2,550	2,550	-	(2,550)
Miscellaneous	3,915	3,915	21	(3,894)
Total revenues	<u>9,965</u>	<u>9,965</u>	<u>21,293</u>	<u>11,328</u>
EXPENDITURES				
Current:				
General government support	7,500	7,500	7,500	-
Culture and recreation	304,245	295,245	242,096	53,149
Employee benefits	84,275	84,275	45,552	38,723
Total expenditures	<u>396,020</u>	<u>387,020</u>	<u>295,148</u>	<u>91,872</u>
Excess (deficiency) of revenues over expenditures	<u>(386,055)</u>	<u>(377,055)</u>	<u>(273,855)</u>	<u>103,200</u>
OTHER FINANCING SOURCES				
Transfers in	<u>386,055</u>	<u>386,005</u>	<u>280,000</u>	<u>(106,005)</u>
Total other financing sources	<u>386,055</u>	<u>386,005</u>	<u>280,000</u>	<u>(106,005)</u>
Net change in fund balances	-	8,950	6,145	(2,805)
Fund balances—beginning	<u>4,496</u>	<u>4,496</u>	<u>4,496</u>	<u>-</u>
Fund balances—ending	<u>\$ 4,496</u>	<u>\$ 13,446</u>	<u>\$ 10,641</u>	<u>\$ (2,805)</u>

The note to the required supplementary information is an integral part of this schedule.

CITY OF SALAMANCA, NEW YORK
Note to the Required Supplementary Information
Year Ended March 31, 2016

1. BUDGETARY INFORMATION

Budgetary Basis of Accounting—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and Library Fund. The Capital Projects Fund is appropriated on a project-length basis. The Economic Development Fund does not have an appropriated budget since other means control the use of these resources (e.g., grant awards) and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared by fund, function, and department. Budget transfers and amendments must be approved by the Common Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriation and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executor contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations. There were no outstanding encumbrances at March 31, 2016.

Certified Public Accountants

**INDEPENDENT AUDITORS' 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**

Honorable Mayor and Members of the Common Council
City of Salamanca, New York:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Salamanca, New York (the "City") as of and for the year ended March 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 1, 2016. Our report includes a reference to other auditors who audited the financial statements of the City of Salamanca Industrial Development Agency and the Salamanca Housing Authority, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in black ink that reads "Duescher & Malecki LLP". The signature is written in a cursive, flowing style.

November 1, 2016

CITY OF SALAMANCA, NEW YORK
Schedule of Findings
Year Ended March 31, 2016

No findings were noted.

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