NEW/RENEWAL ISSUE **BOND ANTICIPATION NOTES**

In the opinion of Bond, Schoeneck & King, PLLC, Utica, New York, Bond Counsel, assuming continuing compliance by the City with its covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Notes is not includable in the gross income of the owners thereof for Federal income tax purposes under existing statutes and court decisions. Moreover, interest on the Notes is not an "item of tax preference" for purposes of the individual and corporate alternative minimum taxes imposed by the Code provided, however, that with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining "adjusted current earnings" for purposes of calculating the federal alternative minimum tax imposed on such corporations. Interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision therein (including The City of New York). See "TAX MATTERS" herein for discussion of certain Federal taxes applicable to corporate owners of the Notes.

The Notes will NOT be designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

CITY OF UTICA

ONEIDA COUNTY, NEW YORK

$8,522,500 Bond Anticipation Notes, 2016B

(the "Notes")

Dated: May 5, 2016 **Due: May 5, 2017**

The Notes are general obligations of the City of Utica, New York (the "City") all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, without limitation as to rate or amount, subject to certain statutory limitations imposed by Chapter 97 of the Laws of 2011 (the "Tax Cap Law"). See "TAX INFORMATION – Tax Cap Law" herein.

At the option of the successful bidder(s), the Notes will be issued registered in the name of the purchaser, or as stated below, in the denominations of $5,000 or integral multiples thereof, except for a necessary odd denomination, as determined by the successful bidder(s), without the option of prior redemption.

Alternatively, at the option of the purchaser(s), the Notes will be issued as registered notes, and, when issued, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as the securities depository for the Notes. Registered noteholders will not receive certificates representing their ownership interest in the Notes purchased. Under this option, payment of the principal of and interest on the Notes to the Beneficial Owner of the Notes will be made by DTC Participants and Indirect Participants in accordance with standing instructions and customary practices. Payment will be the responsibility of DTC, subject to any statutory and regulatory requirements as may be in effect from time to time. See "BOOK-ENTRY-ONLY SYSTEM" herein.

The Notes are offered when, as and if issued and received by the Purchaser(s) and subject to the receipt of the unqualified legal opinion as to the validity of the Notes of Bond, Schoeneck & King, PLLC, Bond Counsel, Utica, New York. It is anticipated that the Notes will be available for delivery in Jersey City, New Jersey or at such place as may be agreed upon with the Purchaser(s) on or about May 5, 2016.

April 18, 2016

ELECTRONIC BIDS for the Notes may be submitted via iPreo's Parity Electronic Bid Submission System ("Parity") on April 27, 2016 until 10:30 A.M., Eastern Time, pursuant to the Notice of Sale. No other form of electronic bidding services will be accepted. No bid will be received after the time for receiving bids specified above. Bids may also be submitted by telephone for the Notes at (315) 752-0051 x 1 and by facsimile at (315) 752-0057. Once the bids are communicated electronically via Parity, telephone or facsimile to the City, each bid will constitute an irrevocable offer to purchase the Notes pursuant to the terms provided in the Notice of Sale.

THE CITY DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF UNITED STATES SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"), EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH THE RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE OBLIGATIONS HEREIN DESCRIBED. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER(S), AS MORE FULLY DESCRIBED IN THE NOTICE OF SALE WITH RESPECT TO THE OBLIGATIONS HEREIN DESCRIBED. THE CITY WILL COVENANT IN AN UNDERTAKING TO PROVIDE NOTICE OF CERTAIN MATERIAL EVENTS AS DEFINED IN THE RULE. SEE "MATERIAL EVENT NOTICES" HEREIN.

CITY of UTICA
ONEIDA COUNTY, NEW YORK

CITY OFFICIALS

ROBERT M. PALMIERI
Mayor

WILLIAM C. MOREHOUSE
Comptroller

COMMON COUNCIL

MICHAEL P. GALIME
President

Maria McNiel
Joseph A. Marino
Mark Williamson
David Testa
John Jacon
Jack LoMedico
Bill Philips
Samantha Colosimo-Testa
Edward T. Bucciero

WILLIAM M. BORRILL, ESQ.
Corporation Counsel

PATRICIA A. LINDSEY
City Clerk

MUNICIPAL ADVISOR

Fiscal Advisors & Marketing, Inc.
120 Walton Street, Suite 600
Syracuse, New York 13202
(315) 752-0051

BOND COUNSEL

Bond, Schoeneck & King, PLLC
501 Main Street
Utica, New York 13501
(315) 738-1223

No person has been authorized by City of Utica to give any information or to make any representations not contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Notes in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information, estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of City of Utica.

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PREPARED WITH THE ASSISTANCE OF

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OFFICIAL STATEMENT

of the

CITY OF UTICA

ONEIDA COUNTY, NEW YORK

Relating To

$8,522,500 Bond Anticipation Notes, 2016B

This Official Statement, which includes the cover page and appendices, has been prepared by the City of Utica, Oneida County, New York (the "City," "County," and "State," respectively), in connection with the sale by the City of the $8,522,500 principal amount of Bond Anticipation Notes, 2016B (referred to herein as the "Notes").

The factors affecting the City's financial condition and the Notes are described throughout this Official Statement. Inasmuch as many of these factors, including economic and demographic factors, are complex and may influence the City tax base, revenues, and expenditures, this Official Statement should be read in its entirety, and no one factor should be considered more or less important than any other by reason of its relative position in this Official Statement.

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the City contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all references to the Notes and the proceedings of the City relating thereto are qualified in their entirety by reference to the definitive forms of the Notes and such proceedings.

DESCRIPTION OF THE NOTES

The Notes are general obligations of the City, and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Notes as required by the Constitution and laws of the State (State Constitution, Art. VIII, Section 2; Local Finance Law, Section 100.00). All the taxable real property within the City is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, subject to statutory limits. See "TAX INFORMATION – Tax Cap Law" herein.

The Notes are dated May 5, 2016 and mature on May 5, 2017.

The Notes will be issued in either (i) registered in the name of the purchaser, in denominations of $5,000 each or multiples thereof, except for a necessary odd denomination, or (ii) registered in the name of Cede & Co. as nominee of DTC, which will act as the securities depository for the Notes. See "BOOK-ENTRY-ONLY SYSTEM" herein.

No Optional Redemption

The Notes are <u>not</u> subject to redemption prior to maturity.

BOOK-ENTRY-ONLY SYSTEM

If requested by the purchaser, The Depository Trust Company, New York, New York, ("DTC") will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for each Note bearing the same rate of interest and CUSIP number, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the U.S. Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser(s) of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, note certificates are required to be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

THE CITY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST OF NOTES; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS OF NOTES; (IV) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS NOTES OWNER.

THE CITY CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO PARTICIPANTS OR THAT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE NOTES (I) PAYMENTS OF THE PRINCIPAL OF, OR INTEREST OR PREMIUM, IF ANY, THEREON; (II) CONFIRMATION OF THEIR OWNERSHIP INTEREST THEREIN; OR (III) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., AS NOMINEE, AS REGISTERED OWNER OF THE NOTES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SO SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

Source: The Depository Trust Company.

Certificated Notes

DTC may discontinue providing its services with respect to the Notes at any time by giving notice to the City and discharging its responsibilities with respect thereto under applicable law. In the event that such book-entry-only system is utilized by a purchaser(s) of the Notes upon issuance and later discontinued, the following provisions will apply:

The Notes will be issued in registered form registered in the name of the Purchaser in denominations of $5,000 or integral multiples thereof, except for a necessary odd denomination. Principal of and interest on the Notes will be payable at the City. The Notes will remain not subject to redemption prior to their stated final maturity date.

Purposes of Issue - Notes

The Notes are being issued pursuant to the Constitution and statutes of the State of New York, including among others, the City Law, the Local Finance Law and bond ordinances authorizing the following purposes:

$5,882,353 Authorization		
Reconstruction and improvement of City sewer system.		$ 4,897,500
$1,500,000 Authorization		
Reconstructing and Improving Utica Harbor		$ 1,500,000
$225,000 Authorization		
Updates to City Zoning Ordinance		$ 225,000
$1,500,000 Authorization		
Utica Harbor Project		$ 1,500,000
$5,156,320 Authorization		
Sewer Project (CSO A9.2)		$ 400,000
	Total	$ 8,522,500

The Notes, along with $60,000 available funds of the City, will renew $6,682,500 bond anticipation notes maturing on May 6, 2015 and will provide $1,900,000 new monies for the above mentioned purposes.

THE CITY

General Information

The City is located in the central part of New York State, with a population estimate of 61,332 by the 2014 United States Census Bureau. The City has a land area of 17 square miles.

The City's principal economic sectors based on the U.S. Census Bureau's 2002 Economic Census are health care and manufacturing. Significant employers within the City also include data processing and service industries including APAC and ACS. Locally owned firms are supplemented by divisions of such nationally known corporations as Utica Converters, Utica National Insurance Company and West End Brewery, maker of Utica Club and Saranac beer.

Major highways serving the City are New York State Routes #5, #8, #12 and #49 as well as the New York State Thruway. Interstate Routes #81 and #87 provide limited access north-south with connections via Syracuse and Albany, short distances away. The City is also served by the Conrail system with switching facilities. Passenger rail service is provided by Amtrak. In addition, US Airways and other airlines provide direct scheduled flights throughout the northeast from the Hancock International Airport in nearby Syracuse.

Form of City Government

The governing body ("Common Council") of the City is composed of an elected President and nine council persons, six representing a district within the City and three at-large, as prescribed by the City Charter. The Mayor, the City Comptroller and the President of the Common Council are elected to a four-year term and members of the Common Council are elected to two-year terms, with elections held in November of the odd numbered years. The position of the City Clerk is appointed to a two-year term. All elected officers may succeed themselves. There are two-term limits for the Mayor, the Comptroller and the President of the Common Council and four-term limits for the member of the Common Council. The Corporation Counsel is appointed and serves at the discretion of the Mayor.

The current holders of Citywide elected positions are:

Position	Name	Years of Consecutive Service	Term Expires
Mayor	Robert M. Palmieri	4.25	December 31, 2019
Comptroller	William C. Morehouse	2.25	December 31, 2017
President of the Common Council	Michael P. Galime	.25	December 31, 2019

Financial Organization

The City Comptroller, who is elected at large within the City to a four-year term, is the chief fiscal officer of the City. It is the Comptroller's responsibility to receive, disburse and account for all financial transactions of the City.

Investment Policy

Pursuant to the statutes of the State of New York, the City is permitted to invest only in the following investments: (1) special time deposits or certificates of deposits in a bank or trust company located and authorized to do business in the State of New York; (2) obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America; (4) obligations of the State of New York; (5) with the approval of the New York State Comptroller, tax anticipation notes and revenue anticipation notes issued by any New York municipality or district corporation, other than the City; (6) obligations of a New York public corporation which are made lawful investments by the City pursuant to another provision of law; (7) certain certificates of participation issued on behalf of political subdivisions of the State of New York; and (8) in the case of City moneys held in certain reserve funds established pursuant to law, obligations issued by the City. These statutes further require that all bank deposits, in excess of the amount insured under the Federal Deposit Insurance Act, be secured by either a pledge of eligible securities, an eligible surety bond or an eligible letter of credit, as those terms are defined in the law.

Consistent with the above statutory limitations, it is the City's current policy to invest in: (1) certificates of deposit or time deposit accounts that are fully secured as required by statute, (2) obligations of the United States of America or (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America. In the case of obligations of the United States government, the City may purchase such obligations pursuant to a written repurchase agreement that requires the purchased securities to be delivered to a bank or trust company located and authorized to do business in the State of New York as a third party custodian with collateral and regular valuation required. The City does not invest in reverse repurchase agreements or derivative type investments.

Employees

The City provides services through approximately 51 part-time and 461 full-time employees (as of March 21, 2016), 432 of which are represented by four labor organizations. Membership of each is as follows:

Bargaining Unit	Approximate Number of Employees	Contract Expiration Date
**Firefighters Association	118	March 31, 2017
**Police Benevolent Association	154	March 31, 2016
Teamsters Association	50	March 31, 2018
C.S.E.A.	103	March 31, 2018

** Fire Chief, Police Chief, and Police Deputy Chiefs have separate contracts and are not part of the Fire Fighter's or PBA contracts respectively.

Source: City officials.

Status and Financing of Employee Pension Benefits

All employees of the City eligible for pension or retirement benefits under the Retirement and Social Security Law of the State of New York are members of either the New York State and Local Employees' Retirement System ("ERS") or the Policemen's and Firemen's Retirement System ("PFRS"; together with ERS, the "Retirement Systems").

The City's actual contributions to the ERS and the PFRS for the fiscal year ending March 31, 2009 were $669,660 and $6,097,278 (includes $3.45 million representing the City's firefighter's entry into the 384-e State pension plan) respectively. The City's actual contributions to the ERS and the PFRS for the fiscal year ending March 31, 2010 are $741,525 and $5,290,753 (includes $1.98 million representing the City's police entry into the 384-e State pension plan) respectively. The City's actual contributions to the ERS and the PFRS for the fiscal year ending March 31, 2011 were $1,073,265 and $4,060,990, respectively. The City made a payment to the ERS and the PFRS for the fiscal year ending March 31, 2012 of $1,214,927 and $4,360,977, respectively on the due date of December 15, 2011. The payment included amortization amounts of $71,216 and $408,678 respectively. The city opted to amortize an additional amount of $428,447 and $588,443, respectively, going forward.

The City had budgeted $852,862 and $4,075,863 to ERS and the PFRS, respectively for the fiscal year ending March 31, 2013. The City's actual total contributions to the ERS and the PFRS for the fiscal year ending March 31, 2013 were $1,261,254 and $4,712,228 to ERS and the PFRS, respectively for the December 15, 2012 payment. The payment included amortization amounts of $122,952 and $477,845, respectively. The City opted to amortize an additional $578,402 and $1,074,756, respectively, going forward.

The City budgeted $1,138,803 and $5,007,229 to ERS and the PFRS, respectively for the fiscal year ending March 31, 2014. These include amortizations amounts of $191,431 and $606,652 to ERS and PFRS, respectively. The City's actual total obligation to the ERS and the PFRS for the fiscal year ending March 31, 2014 was $1,875,520 and $5,570,787, respectively. For the December 15, 2013 payment, $1,350,178 for ERS and $4,591,924 for PFRS were made. The payment included amortization amounts of $190,757 and $603,839, respectively. The City opted to amortize an additional amount of $525,342 and $978,863 to the ERS and the PFRS, respectively.

The City budgeted $1,601,500 and $5,586,680 for ERS and PFRS, respectively for the fiscal year ending March 31, 2015. These include amortization amounts of $255,395 and $725,829 respectively from previous years. In December of 2014, the City made payments of $1,674,055 and $5,507,491 respectively, which included amortized amounts of $254,467 for ERS and $722,549 for PFRS from previous years. Also, the City contributed an additional $739,721 to be applied against previously amortized amounts to help reduce the City's overall retirement obligation. The City originally planned to amortize $514,735 for ERS and $1,135,422 for PFRS going forward for the fiscal year ending March 31, 2015, however, the City opted to also include in its December 2014 payment, a portion of the 2015 amortization amount, thereby reducing that obligation for the City to $200,000 ERS and $400,000 PFRS respectively.

The City budgeted $1,351,355 and $4,710,720 for ERS and PFRS, respectively for the fiscal year ending March 31, 2016 which includes all funds. The City also included an additional $569,810 in transfer to Debt Service in the General Fund to help cover Retirement Amortization amounts from previous years. In December of 2015, the City made payments of $1,690,526 and $4,801,187 for ERS and PFRS respectively. Also, the City contributed an additional $550,142 to paydown the 2015 Retirement payment that we had originally intended to amortize. This additional payment once again, helps reduce the City's overall retirement obligation.

The Retirement Systems are non-contributory with respect to members working ten or more years. All members of the Employees' Retirement System working less than ten years must contribute 3% of gross annual salary toward the cost of retirement programs.

On December 10, 2009, the Governor signed a new Tier V into law. The law is effective for new ERS hires beginning on January 1, 2010. Tier V ERS employees contribute 3 percent of their salaries. There is no provision for these contributions to cease after a certain period of service. Overtime pay in excess of $15,000 will not be subject to ERS either in contribution from the City or the employee.

On March 16, 2012, the Governor signed into law the new Tier VI pension program, effective for new ERS employees hired after April 1, 2012. The Tier VI legislation provides for increased employee contribution rates of between 3% and 6%, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for final average salary calculation from 3 years to 5 years. Tier VI employees will vest in the system after ten years of employment and will continue to make employee contributions throughout employment.

Historically there has been a State mandate requiring full (100%) funding of the annual actuarially required local governmental contribution out of current budgetary appropriations. With the strong performance of the Retirement System in the 1990s, the locally required annual contribution declined to zero. However, with the subsequent decline in the equity markets, the pension system became underfunded. As a result, required contributions increased substantially to 15% to 20% of payroll for the employees' and the police and fire retirement systems, respectively. Wide swings in the contribution rate resulted in budgetary planning problems for many participating local governments.

Chapter 49 of the Laws of 2003 amended the Retirement and Social Security Law and the Local Finance Law. The amendments empowered the State Comptroller to implement a comprehensive structural reform program for the ERS and PFRS. The reform program established a minimum contribution for any local governmental employer equal to 4.5% of pensionable salaries for bills which were due December 15, 2003 and for all fiscal years thereafter, as a minimum annual contribution where the actual rate would otherwise be 4.5% or less due to the investment performance of the fund. In addition, the reform program instituted a billing system to match the budget cycle of municipalities and school districts that will advise such employers over one year in advance concerning the actual pension contribution rates for the next annual billing cycle. Under the previous method, the requisite ERS and PFRS contributions for a fiscal year could not be determined until after the local budget adoption process was complete. Under the new system, a contribution for a given fiscal year will be based on the valuation of the pension fund on the prior June 15 of the calendar year preceding the contribution due date instead of the following June 15 in the year of contribution so that the exact amount may now be included in a budget.

Chapter 57 of the Laws of 2010 (Part TT) amended the Retirement and Social Security Law to authorize participating local government employers, if they so elect, to amortize an eligible portion of their annual required contributions to both ERS and PFRS, when employer contribution rates rise above certain levels. The option to amortize the eligible portion began with the annual contribution due February 1, 2011. The amortizable portion of an annual required contribution is based on a "graded" rate by the State Comptroller in accordance with formulas provided in Chapter 57. Amortized contributions are to be paid in equal annual installments over a ten-year period, but may be prepaid at any time. Interest is to be charged on the unpaid amortized portion at a rate to be determined by State Comptroller, which approximates a market rate of return on taxable fixed rate securities of a comparable duration issued by comparable issuers. The interest rate is established annually for that year's amortized amount and then applies to the entire ten years of the amortization cycle of that amount. When in any fiscal year, the participating employer's graded payment eliminates all balances owed on prior amortized amounts, any remaining graded payments are to be paid into an employer contribution reserve fund established by the State Comptroller for the employer, to the extent that amortizing employer has no currently unpaid prior amortized amounts, for future such use.

<u>Stable Rate Pension Contribution Option</u>: The 2013-14 State Budget included a provision that provides local governments, including the City, with the option to "lock-in" long-term, stable rate pension contributions for a period of years determined by the State Comptroller and ERS and PFRS. For 2014 and 2015 the rate is 12.0% for ERS and 20% for PFRS; the rates applicable to 2016 and thereafter are subject to adjustment. The pension contribution rates under this program would reduce near-term payments for employers, but will require higher than normal contributions in later years.

A chart of average ERS and PFRS rates as a percent of payroll (2010 to 2017) is shown below:

Year	ERS	PFRS
2010	7.4%	15.1%
2011	11.9	18.2
2012	16.3	21.6
2013	18.9	25.8
2014	20.9	28.9
2015	20.1	27.6
2016	18.2	24.7
2017	15.5	24.3

The investment of monies, and assumptions underlying same, of the Retirement Systems covering the City's employees is not subject to the direction of the City. Thus, it is not possible to predict, control or prepare for future unfunded accrued actuarial liabilities of the Retirement Systems ("UAALs"). The UAAL is the difference between total actuarially accrued liabilities and actuarially calculated assets available for the payment of such benefits. The UAAL is based on assumptions as to retirement age, mortality, projected salary increases attributed to inflation, across-the-board raises and merit raises, increases in retirement benefits, cost-of-living adjustments, valuation of current assets, investment return and other matters. Such UAALs could be substantial in the future, requiring significantly increased contributions from the City which could affect other budgetary matters. Concerned investors should contact the Retirement Systems administrative staff for further information on the latest actuarial valuations of the Retirement Systems.

Other Post-Employment Benefits

It should also be noted that the City provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. There is now an accounting rule that requires governmental entities, such as the City, to account for post-retirement healthcare benefits as it accounts for vested pension benefits. GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB"), described below, requires such accounting. GASB 45 implementation is now required for all municipalities.

GASB 45 and OPEB. OPEB refers to "other post-employment benefits," meaning other than pension benefits, disability benefits and consists primarily of health care benefits, and may include other benefits such as disability benefits and life insurance. These benefits had generally been administered on a pay-as-you-go basis and had not been reported as a liability on governmental financial statements.

GASB 45 requires municipalities and school districts to account for OPEB liabilities similar to pension liabilities, generally adopting the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside the necessary funds against this liability. Unlike GASB 27, which covers accounting for pensions, GASB 45 does not require municipalities or school districts to report a net OPEB obligation at the start.

Under GASB 45, based on actuarial valuation, an annual required contribution ("ARC") is determined for each municipality or school district. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality or school district contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 45 does not require that the unfunded liability actually be amortized nor that it be advance funded, only that the municipality or school district account for its unfunded accrued liability and compliance in meeting its ARC.

Actuarial Valuation will be required every 2 years for OPEB plans with more than 200 members, every 3 years if there are less than 200 members.

The City has contracted with Armory Associates LLC to calculate its OPEB liability in accordance with GASB 45. The following tables show the components of the City’s annual OPEB cost, the amount actuarially contributed to the plan, changes in the District's net OPEB obligation and funding status for the fiscal years ending March 31, 2015 and March 31, 2016:

Annual OPEB Cost and Net OPEB Obligation:	***2015***	***2016***
Annual required contribution (ARC)	$ 6,104,718	$ 6,396,813
Interest on net OPEB obligation	688,319	795,089
Adjustment to ARC	(1,085,208)	(1,286,458)
Annual OPEB cost (expense)	5,707,829	5,905,444
Contributions made	(3,038,589)	(3,475,470)
Increase in net OPEB obligation	2,669,240	2,429,974
Net OPEB obligation - beginning of year	17,207,975	19,877,215
Net OPEB obligation - end of year	$ 19,877,215	$ 22,307,189
Percentage of annual OPEB cost contributed	53.24%	58.90%

Funding Status:

Actuarial Accrued Liability (AAL)	$ 60,404,892	$ 61,925,451
Actuarial Value of Assets	0	0
Unfunded Actuarial Accrued Liability (UAAL)	$ 60,404,892	$ 61,925,451
Funded Ratio (Assets as a Percentage of AAL)	0.0%	0.0%

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	$ 5,905,444	58.9%	$ 22,307,189
2015	5,707,829	53.2%	19,877,215
2014	5,259,285	68.6%	17,207,975
2013	5,121,010	70.6%	15,556,939

Source: City actuarial report and audited financial statements. The above tables are not audited.

There is no authority in current State law to establish a trust account or reserve fund for this liability. The City has reserved $0 towards its OPEB liability. The City meets this liability on a pay-as-you-go basis.

The aforementioned liability and ARC are recognized and disclosed in accordance with GASB 45 standards in the City's financial statements.

The City's unfunded actuarial accrued OPEB liability could have a material adverse impact upon the City's finances and could force the City to reduce services, raise taxes or both.

In April 2015, the State Comptroller announced legislation to create an optional investment pool to help the State and local governments fund retiree health insurance and other post-employment benefits. The proposed legislation would allow the following:

- Authorize the creation of irrevocable OPEB trusts, not part of the New York State Common Retirement Fund, so that New York state and its local governments can, at their option, help fund their OPEB liabilities;
- Establish an OPEB investment fund in the sole custody of the State Comptroller for the investment of OPEB assets of the state and participating eligible local governments;
- Designate the president of the Civil Service Commission as the trustee of the state's OPEB trust and the governing boards as trustee for local governments; and
- Allow school districts to transfer certain excess reserve balances to an OPEB trust once it is established.

Under the State Comptroller's proposal, there are no restrictions on the amount a government can deposit into the trust. It is not possible to predict whether the Comptroller's proposed legislation will be reintroduced and enacted into law.

Budgetary Procedures

The department and agency heads present their budget requirements to the Mayor on or before January 20 each year for the following fiscal year commencing April 1. The Mayor prepares a proposed budget for the forthcoming year and submits it to the City Board of Estimate. The City Board of Estimate reviews, modifies and recommends the annual budget together with a budget message to the Common Council on or before the 20th day of February. The Common Council establishes a date, time and place for a public hearing with public notice of such hearing duly advertised. The Common Council, at regular or special meeting held after the public hearing, but not later than the 20th day of March, by resolution adopts, or amends and adopts the budget, which budget, when adopted thereupon, becomes the annual budget of the City for the ensuing fiscal year, unless vetoed by the Mayor. If the budget is vetoed by the Mayor, the Common Council has the authority to override such veto with a two thirds majority vote. The 2012-2013 Budget was adopted on March 20, 2012. The 2013-2014 Budget was adopted on March 20, 2013. The 2014-2015 Budget was adopted on March 20, 2014. The 2015-2016 Budget was adopted on March 18, 2015. The 2016-2017 Budget was adopted on March 16, 2016.

Independent Audit

The City retains independent certified public accountants. The financial affairs of the City are also subject to periodic audits by the State Comptroller. The most recent independent audit available is as of March 31, 2015 and is appended hereto as APPENDIX - C.

Basis of Accounting

The financial statements of the City are prepared in conformity with the accounting principles outlined in the Uniform System of Accounts for Cities, prepared by the Department of Audit and Control of the State of New York, which differ from generally accepted accounting principles which require that:

a) Enterprise Fund retirement benefit expense should be recognized on the basis of current, actuarially computed data.

b) Fixed assets acquired by the Enterprise Funds should be capitalized in these funds at cost (including interest on construction period borrowings) or estimated cost.

c) Fixed assets acquired or constructed from Governmental Funds which are recorded as expenditures in the fund making the expenditure should be capitalized at cost or estimated in the General Fixed Asset Account Group.

d) All transactions related to special assessment projects should be included in the Special Assessment Fund (i.e. debt issuance, construction costs, assessment levy, cash collection, and debt service.)

Changes in the Uniform System of Accounts as prescribed for the City have been announced by the State Comptroller in order to conform the Uniform System of Accounts to certain of these principles. These changes require the City to maintain a record of fixed assets, such fixed assets to be recorded at cost or at estimated historical cost.

The General Fund is the general operating fund which is used to account for all financial resources except those required to be accounted for in another fund.

Beginning with the fiscal year ending March 31, 2004 the City was required to issue its financial statements in accordance with GASB Statement No. 34. This statement includes reporting of all assets including infrastructure and depreciation in the Government Wide Statement of Activities, as well as the Management's Discussion and Analysis. The City is in compliance with GASB Statement No. 34.

FINANCIAL HISTORY OF THE CITY

Previous Fiscal Years

The audited financial statements for the City's fiscal year ended March 31, 2010 indicate that General Fund expenditures and other uses exceeded revenues and other sources resulting in a deficit of $971,297 determined in accordance with generally accepted accounting principles. Due to an accumulated fund balance from previous years in the General Fund of $4,831,172 the City's undesignated General Fund surplus on March 31, 2010 was $3,859,875.

The audited financial statements for the City's fiscal year ended March 31, 2011 indicate that General Fund expenditures and other uses exceeded revenues and other sources resulting in a deficit of $1,448,710 determined in accordance with generally accepted accounting principles. Due to an accumulated fund balance from previous years in the General Fund of $3,859,875 the City's undesignated General Fund surplus on March 31, 2011 was $2,411,165.

The sewer liability noted in the audited report for the fiscal year ending March 31, 2011 was incorrectly stated as $3,714,505 in the "Statement of Net Assets-Business Type Activities." The correct amount was noted in the "Notes to the Basic Financial Statements" as $6,573,405. This correction was reflected as a prior period adjustment in the City's 2012 audited report.

The audited financial statements for the City's fiscal year ended March 31, 2012 indicate that General Fund expenditures and other uses exceeded revenues and other sources resulting in a deficit of $1,693,145 determined in accordance with generally accepted accounting principles. Due to an accumulated fund balance from previous years in the General Fund of $2,411,167 the City's undesignated General Fund surplus on March 31, 2012 was $718,022.

The audited financial statements for the City's fiscal year ended March 31, 2013 indicate General Fund revenues exceeded expenses by $931,335 determined in accordance with generally accepted accounting principles. Due to an accumulated fund balance from previous years in the General Fund of $718,022 the City's undesignated General Fund balance on March 31, 2013 was $1,649,357. It is important to note that fiscal year ended 2013 did not rely on any fund balance dollars, but was a direct result of cost cutting (50 jobs were eliminated with the bulk being in Public Safety), and revenues such as Sales Tax and Real Estate taxes out performing.

Cost cutting efforts as well as economic development allowed the fiscal year ended March 31, 2014 to continue with an improving financial position. The audited financial statements for the City's fiscal year ended March 31, 2014 indicate General Fund revenues exceeded expenses by $1,588,921 resulting in a General Fund balance of $3,238,278 at March 31, 2014.

For the fiscal year ending March 31, 2015, the City's operating surplus was $480,792. The Audited Financial Statements show that the City finished the year with a $1,811,908 surplus in the General Fund. A major factor that contributed to that increase were auditor's adjusting entries of $1.2M to Deferred Revenue and Tax Uncollectible accounts that had a positive impact on the General Fund's Real Property Tax account. These prior year adjustments are considered one-time adjusting items. The City's General Fund balance was $5,050,186 at March 31, 2015.

Budget Review 2012-2013

The NYS Comptroller's Office completed a Budget Review of the City for the 2012-2013 Fiscal Year. A formal report was issued on March 16, 2012.

The report provided the following recommendations:

1) The Common Council should budget additional funds for contingency appropriations;
2) The Common Council should carefully evaluate the possibility of losing grant money, if they don't meet certain criteria.
   (If they lose grant money, they would need to pay additional funds for salary appropriations);
3) The Common Council should consider revising its City Charter to establish a fund balance policy; and
4) The City should examine how best to preserve the resources that remain in the Water Trust.

The Common Council submitted a written response to the NYS Comptroller's Office in June, 2012. They addressed all of OSC's recommendations. They also pointed out that a new Administration took office in January 2012 and that they agree, at least in principle, with the issues uncovered in the review.

CITY ECONOMIC AND SOCIAL FACTORS

Major Employers

Some of the major employers located within or in close proximity to the City are as follows:

Name of Employer	Type of Business	Number of Employees
Oneida Indian Nation	Resort Casino	4,500
Mohawk Valley Network	Medical facilities	4,029
Resource Center for Independent Living Inc	Human Services	1,935
Utica School District	Education	1,232
Metropolitan Life Insurance Co.	Finance/Insurance	1,200
Air Force Research Lab / Rome (Govt Employees/Contractors)	Govt/Research & Dev	1,166
United Cerebral Palsy	Social Services	1,145
Wal-Mart Distribution Center	Warehousing/Transportaion	950
Defense Finance and Accounting Service	Insurance/Finance	950
Birnie Bus Service	Transportation	923
ConMed Corporation	Manufacturing	900
The Masonic Care Community of NY	Healthcare	900
Rome City School District	Education	879
BNY Mellon	Finance/Insurance	835
Rome Memorial Hospital	Healthcare	791
Utica National Insurance Group	Finance/Insurance	748
The ARC, Oneida-Lewis Chapter	Insurance/Finance	715
The Hartford Insurance Group	Insurance/Finance	700
Hamilton College	Education	670
Charles T. Sitrin Health Care Center	Healthcare	525

Source: Mohawk Valley Economic Development Growth Enterprises Corporation (EDGE) (January 2016).

Population Trends

Year	City of Utica	Oneida County	New York State
1960	100,410	264,401	16,782,304
1970	91,611	273,070	18,236,882
1980	75,632	253,466	17,558,072
1990	68,637	250,836	17,990,455
2000	60,651	235,469	18,976,457
2014 (estimates)	61,332	232,871	19,746,227

Source: U.S. Census Bureau.

Wealth and Income Indicators

Per Capita Income and Median Family Income statistics are available for the City, County and State.

	Per Capita Income			Median Family Income		
	1990	2000	2010-2014	1990	2000	2010-2014
City of: Utica	$ 10,726	$ 15,248	$ 17,897	$ 26,757	$ 33,818	$ 38,514
County of: Oneida	12,227	18,516	25,633	32,557	45,341	63,114
State of: New York	16,501	23,389	32,829	39,741	51,691	71,419

Note: 2011-2015 5-Year American Community Survey estimates are not available as of the date of this Official Statement.

Source: U.S. Census Bureau, 1990, 2000, and 2010-2014 5-Year American Community Survey.

Unemployment Rate Statistics

Unemployment statistics are available for the City, the Utica Rome Metropolitan Statistical Area ("MSA") and State as follows:

	Annual Average						
	2009	2010	2011	2012	2013	2014	2015
Utica City	8.4%	8.9%	9.1%	9.7%	8.7%	7.5%	6.4%
Utica Rome MSA	7.5%	8.1%	8.3%	8.5%	7.8%	6.2%	5.6%
New York State	8.3%	8.6%	8.3%	8.5%	7.7%	6.3%	5.3%

2016 Monthly Figures

	Jan	Feb	Mar
Utica City	6.2%	5.6%	N/A
Utica Rome MSA	5.9%	5.6%	N/A
New York State	5.5%	5.4%	5.2%

Note: March 2016 data is not available for Utica City and Utica Rome MSA as of the date of this Official Statement.

Source: Department of Labor, State of New York. (Note: Figures not seasonally adjusted).

ECONOMIC DEVELOPMENT EFFORTS

Northeast UAS Airspace Integration Research Alliance

In December 2014, Northeast UAS Airspace Integration Research Alliance (NUAIR Alliance) and Griffiss International Airport announced they were awarded $4 million in grant funding through the fourth round of Governor Cuomo's competitive Regional Economic Development Council (REDC) process. The grant will support the installation of state-of-the-art instrumentation for tracking of unmanned aircraft systems (UAS) operations at Griffiss International Airport and at approved locations in Central and Northern New York, and the Mohawk Valley.

This investment will allow NUAIR and its alliance partners to deploy state-of-the-art range instrumentation which can track UAS in the air and provide safety-enhancing sense and avoid capabilities. This testing capability is the first of its kind at any UAS test site in the country, making Griffiss International Airport a strategic location for the emerging UAS industry.

Turning Stone Resort Casino

On November 19, 2014, Turning Stone Resort Casino announced plans for a large $100 million luxury retail outlet and entertainment venue. The shopping center is expected to create 600 construction jobs and 500 full- and part-time jobs Turning Stone casino officials said at a news conference the enclosed shopping center will feature approximately 60 luxury stores, no "big box" outlets. The 250,000-square-foot center will include a six-screen movie theater and a luxury bowling alley.

In November of 2015, a spokesperson for the Oneida Indian Nation announced that the plans have changed to include an additional 50,000 square feet. This was in direct response to "better than anticipated leasing activity". Groundbreaking is expected in the spring 2016.

Lockheed Martin and ConMed

In July of 1996, Lockheed Martin shut down its French Road facility, which resulted in a loss of approximately 900 jobs. Lockheed Martin's other site, a business park facility, employs 90 persons primarily consisting of high-level engineers and scientific personnel, and has continued to operate at this level.

After the Lockheed Martin closure, a local Utica company, ConMed expanded from its Broad Street facility into the former Lockheed-Martin French Road building. ConMed is a leading orthopedic products company that distributes products to hospitals, surgical centers and physician's offices. The business is headquartered in Utica, with facilities nationwide, and is certified to sell products in European markets. ConMed employs 700 people in Central New York and has annual revenues in excess of $300 million.

Griffiss Business & Technology Park

Griffiss Business and Technology Park ("Griffiss Park") is a 3,500-acre multi-use business, technology and industrial park on the grounds of the former Griffiss Air Force Base in nearby Rome. There are approximately 75 employers at Griffiss Park, and total employment surpassed 6,200 in 2012. Major employers include the Air Force Research Laboratory, Defense Finance and Accounting Service, Eastern Air Defense Sector, Goodrich Corporation, BAE Systems, Cathedral Corporation, ITT Technology, Premier Aviation, MGS Manufacturing, Birnie Bus Services and the Rome City School District.

More than $487 million in public and private funding has been invested in the development of Griffiss Park over the last 16 years. These capital projects included demolition of more than 2.5 million square feet of obsolete former military buildings and housing to make way for new development; construction of a new parkway and other roads to improve the transportation system; construction of a new public high school; a project to consolidate and improve space occupied by the Air Force Research Lab; construction of a new distribution center for Family Dollar, a research and development facility for Mascoma, a cellulosic fuel manufacturer and new manufacturing plants for Goodrich Corporation, MGS Manufacturing and Sovena USA; construction of new office buildings for various private sector uses; capital improvements to numerous facilities for industrial use; and infrastructure improvements to make various parcels shovel ready for development.

<u>In 2011-2012:</u>

- In 2012, over $29.7 million was invested in private and public capital projects at Griffiss Park, including building construction, transportation improvements, and infrastructure development.
- Griffiss Park employees commute from 28 different counties including Oneida County.
- The Griffiss Institute ("GI") facilitates the co-operation of private industry, academia and government in developing solutions to critical cyber security problems. Their services included: 300 students using the Prometric test center

for IT testing services, tenants include BAE Systems, CUBRC, EVERIS, Quanterion,Cyber-Defense Institute & GI Malware Lab. STEM outreach trained 50 teachers, 20 schools and 4,800 students participated. Hosted 35 summer interns. Created 12 new jobs in the Business Incubator. The GI facilitated 70 Technology Exchange meetings, 5 STEM competitions for students and hosted 2 summer camps.

- Griffiss International Airport completed the rehabilitation of Nose Dock 784 and designs for Nose Docks 785 and 786. They completed a construction project for new tail doors for an Aviation Hangar, Building 100.

Additional Information

- Twenty-one pieces of public art have been leased or purchased to create Griffiss International Sculpture Garden. These sculptures are located along walking paths and heavily developed sections of Griffiss Park.
- Griffiss Land Development Corporation (GLDC) demolished the Shop on March Street and AFRL demolished building 102 and 104.
- Griffiss Utilities Services Corporation (GUSC) is under construction on an $18 million project for a 15 megawatt BioMass Combined Heat Power Plant.
- Groundbreaking on a new Eye Surgery Center

It is important to note that a large number of workers at the Griffiss Business and Technology Park travel from Utica to work in Rome.

RECENT URBAN & ECONOMIC DEVELOPMENT EFFORTS

One of the more significant efforts of the Department of Urban & Economic Development (The “Department”) in recent years has been the completion of the City’s first comprehensive Master Plan (the “Master Plan”) since 1950. The Master Plan, adopted by the Common Council in late 2011, is neighborhood-based and focuses on five critical components that together form a vibrant and sustainable community, including: housing & neighborhood development; downtown development; business & technology development; infrastructure and waterfront development; and parks & recreation, arts & culture and historic preservation.

Even before adoption of the plan by the Common Council, the Department was moving ahead with implementation of parts of the plan. The Department was recently successful in securing over $110,000 from the State of New York for the development of the first phase of a Brownfield Opportunity Area (BOA). The Department chose to focus its brownfield efforts through the BOA and the City’s Central Industrial Corridor which includes the Harbor Point area, Leland and Wurz Avenues, the Bagg’s Square neighborhood and the corridors of both Broad Street and Oriskany Boulevard. These areas represent some of the City’s first industrial properties due to the location of the Erie Canal, before it was relocated to the north in its current location.

The Department has completed a waterfront access plan with funding, in part, provided through a $50,000 grant from the State of New York Department of State. The plan, now completed, considers access issues to the City’s extensive system of Mohawk River banks and Erie Canal lands.

In January 2013, the City completed construction of a $6.3 million multi-modal transportation center to serve the downtown businesses and employees. The center serves as a center for operations for transit operation, currently administered by the Central New York Regional Transit Authority (CENTRO) and includes a covered area where all CENTRO bus routes will converge several times each hour, allowing passengers greater ease and comfort when transferring between bus routes. The center also includes a climate-controlled waiting area for transit riders during operating hours, CENTRO offices and ticket window, bus driver break rooms and public restrooms.

The Department is continuing its efforts to support private sector revitalization of the downtown through two similar efforts. The City of Utica, through the Department, was successful in securing a little over $2.1 million from the State of New York through Empire State Development Corporation’s RESTORE-NY program. Through this program, the City is acting solely as a pass-through for these State dollars to three downtown locations which will utilize the funding to improve both the interior and exterior of their properties for either loft-style residential housing or the expansion of existing businesses. Black River Systems, one of the three private property owners that were recipients of this grant, completed their project in late 2012 which provided for their expansion into a neighboring building. Construction has also now been completed on the second project, the expansion of Pizza Classic by its owner, Tom Torchia. Construction will be underway in the next few months on the third project which involves a multi-million dollar rehabilitation of 228-230 Genesee Street. This building, recently purchased by a downstate developer, will house retail and office on the ground floor with apartments on the upper floors.

Under Mayor Palmieri, the economic development side of the Department continues to aggressively market various properties throughout the City. In 2012, the former Harza Building was sold to local developer H. Thomas Clark who owns the adjacent Adirondack Bank Building. The sale ended a period of time nearly a decade in length in which the City’s

Industrial Development Agency was saddled with the operation and maintenance of the building. As the City's premier Class A office space downtown, private ownership will ensure that the appropriate amount of care and concern is given to the building. Since the transfer of ownership, Utica College announced that they will be locating their distance learning center in the building. In 2015, Governor Cuomo announced more than $500,000 in State funding through Empire State Development to grow the College's business and economic programs, resulting in 400 students coming downtown on a regular basis.

In 2013, Mayor Palmieri announced the sale of the HSBC building in downtown Utica to a local developer. This project will resulted in a $9M transformation of this former downtown anchor to include loft apartments, office space, and a rooftop bar/restaurant. The building had been left to deteriorate by its former owner, representing a potentially significant liability to the City. The renovation project was completed in 2015 and is now home to 27 upscale loft apartments, numerous offices and *Ocean Blue*, a seafood restaurant on the roof of the building.

Among the other exciting announcements over the past several years has been the decision by national retailer Bass Pro Shop to locate only their second facility in all of New York State right here in Utica at Riverside Center. Additionally, Moe's Southwest Grill and hoopla! Frozen Yogurt opened new outlets on the heavily traveled North Genesee Street; ribbons were cut for both of these in late 2013.

The NHL's Vancouver Canucks are in the third year of a six-year lease agreement with Mohawk Valley Gardens, a group that will be bring AHL professional hockey to the Utica Memorial Auditorium in downtown Utica. This has helped build upon the amazing success generated by the Utica College hockey team (Pioneers) playing their home games at the Utica Memorial Auditorium, leading to Utica College having one of the highest attendance for an NCAA Division III hockey program. Last year, in only their second year of existence, the Utica Comets hosted the AHL All-Stars game at the Utica Memorial Auditorium which was telecast nationally and throughout Europe. The Comets finished the season with a strong run through the AHL playoffs, losing in the Calder Cup finals.

United Auto Supply has completed its construction of a 36,000 square foot building at the former Bossert's property in West Utica. The site was a long vacant, former brownfield which the City, State and federal government invested millions of dollars to remediate. The new building houses retail and warehouse space for United Auto Supply along with several smaller retail tenant spaces. Additional outparcels are included in the development plan.

Additionally, the City sold the former Cosmopolitan Center building and grounds. Vacant for nearly six years, the property was purchased by the Christiano family, who own and operate a chain of restaurants locally. The facility, across from the City's Utica Memorial Auditorium, now houses a sports bar/restaurant.

Several years ago, the City completed improvements in and around the Gateway Urban Industrial Park which is the City's largest development parcel at nearly 13 acres. Work to the Park was funded by nearly $4 million in combined Federal, State and local funds. The site of a former low-income housing project, the funding was utilized to demolish the vacant and abandoned housing units, consolidate all underground utilities that criss-crossed the site in a single utility right-of-way, repave all four surrounding roads, construct new curbing and storm sewers and provide improved lighting. The site has been heavily marketed and portions have been subdivided and sold for private development.

New York State and Economic Development Growth Enterprises Corporation (EDGE) have invested nearly $5 million with an additional $20 million secured in pre-permitting, engineering and marketing of Nano Utica, a 300-acre greenfield on the State University of New York Institute of Technology campus being marketing to the nanoelectronics industry. The investment of the $20 million will be in various infrastructure improvements, site grading, wetlands mitigation and road improvements to make this site more attractive to semiconductor and nanoelectronics companies.

In August 2015, Governor Cuomo announced that ams, a global leader in advanced sensor technologies, had selected the Nano Utica site in Marcy as the home of its next global wafer fabrication facility, with plans to invest over $2 billion to construct the 360,000 square foot facility. The facility is expected to employ more than 1,000. In the same announcement, the Governor announced that GE Global Research is expanding to the Nano Utica site, serving as the anchor tenant of the Computer Chip Commercialization Center (Quad C), generating 500 new jobs in the next five years and another 350 in the subsequent five years.

In conjunction with BOCES, EDGE has completed a $6.0 million two phase skills training program for over 30 manufacturing companies. The effort allowed 30 manufacturing companies receive training for incumbent workers in the areas of lean manufacturing and lean office, computerized networking for manufacturing, as well as all other areas required by the companies to sustain and grow. The tested resulted of this program has been increased profits and productivity. The region benefits from a strong School and Business Alliance (SABA) that reaches out to high school students teaching them the skills sets necessary to meet the demand occupations.

The F.X. Matt Brewery, one of the City's oldest and largest employers, recently completed a $4 million expansion. Part of the expansion included the construction of an anaerobic digester which will be used to create energy for the brewery from the waste that it naturally produces. This green infrastructure project helps the brewery by creating more of the energy that it uses from its own by-products and helps the City by significantly reducing the amount of waste water put into the sewer system.

Plans for Harbor Point have progressed rapidly with the creation of a local development corporation who will be directly responsible for oversight of development. With seed funding of $250,000 from the State of New York, the LDC hired a consultant team responsible for creating a master plan for the entire Harbor area, transforming the land into the City's premier development area with a mix of residential, recreational and retail uses. The plan is based on a market study and incorporates considerable public input. With further funding from the State, the consultant team is in the process of finalizing a Generic Environmental Impact Statement for the project. Additional improvements to the area are currently in design and engineering with construction expected in the Summer of 2016. On the private development side, Marriott's Fairfield Inn & Suites Hotels recently held the grand opening of their newest hotel in the Harbor Point area.

Regionally, economic developers heralded a recent agreement that had been reached between the Mohawk Valley Water Authority and the State Canal Corporation. The agreement resulted from legal battles between the two entities that had dragged on for years and threatened future economic development by placing limits on the amount of water that the Authority could draw from the Hinckley Reservoir. The agreement allows for a greater draw than the Authority has been permitted in recent years, thereby clearing the way for additional regional development.

Bassett Healthcare has signed a deal to lease 50,000 square feet in the annex portion of the M&T Bank building that was recently purchased by a Syracuse developer. Bassett will build out the space to house their operational support center. A total of 40 full-time jobs are expected within two years and upwards of 125 over five years.

Regionalization and Consolidation of Services

The City has been at the forefront of regionalization of facilities and consolidation of services in the State. These regionalization initiatives were facilitated by a Memorandum of Understanding which was signed on September 27, 1993 by the City, the County of Oneida and representatives of the towns and villages serviced by the City of Utica Board of Water Supply water distribution system. The Memorandum of Understanding memorialized an agreement reached between those parties for the regionalization of certain facilities previously constructed and provided by the City for the benefit of the County and the area surrounding the City serviced by the water distribution system. Among other things, the Memorandum of Understanding called for the creation of a Regional Water Authority and transfer of all assets and liabilities of the City of Utica Board of Water Supply to the Board in exchange for specified payments to be made to the City and the regionalization of other assets, such as the Utica Zoo and the Utica Memorial Auditorium. The Memorandum of Understanding also called for the City to transfer to a public authority the City's Memorial Auditorium, which public authority would thereafter be responsible for the maintenance and operation of the Auditorium. (See "Upper Mohawk Valley Regional Water Finance Authority" and "Upper Mohawk Valley Auditorium Authority" herein.)

In 1994 the Upper Mohawk Valley Regional Finance Authority and Upper Mohawk Valley Regional Water Board were created to acquire and operate the water supply and distribution system previously owned by the City. A portion of the proceeds from the sale of this asset was deposited in a Trust Fund, whose proceeds will be used to fund capital programs and pay debt service on obligations issued for capital projects. For further discussion of the Trust Fund see "Upper Mohawk Valley Regional Water Finance Authority" herein. In addition, the Utica Memorial Auditorium was transferred to the Upper Mohawk Valley Auditorium Authority in 1996. As a result, the City is no longer required to appropriate monies to finance the cost of these facilities.

In 1997, the responsibility for collection and disposal of solid waste generated within the City was transferred by contract to the Oneida-Herkimer Solid Waste Authority. In 1998, responsibility for the 911 emergency telephone service was transferred to the County of Oneida. An Inter-municipal Agreement with the County of Oneida Department of Social Services provides financing for the majority of the City's Department of Codes Enforcement. In April 2000, the City's Youth and Recreation Programs were consolidated with those of the County of Oneida, at an estimated savings to the City of $250,000 a year. Future opportunities for savings that can be realized through regionalization and consolidation of services continue to be explored.

Upper Mohawk Valley Regional Water Finance Authority

On August 2, 1994, Article 5, Title 10 of the Public Authorities Law was enacted creating the Upper Mohawk Valley Regional Water Finance Authority (the "Authority") and Article 5, Title 10-A of said Law was enacted creating the Upper Mohawk Valley Regional Water Board (the "Board"). The Authority is a public benefit corporation and the Board is a corporate municipal instrumentality. On December 19, 1996 the Authority issued $25,525,000 of bonds, proceeds of which were paid to the City as the purchase price of the City's water supply, filtration and distribution system. The purchase price paid by the Board to the City was in such amount necessary (i) to redeem the City's then outstanding $11,445,000 bond anticipation notes issued for the purpose of paying the cost of the construction of the City's water filtration plant, (ii) to defease the City's then outstanding Series 1993 A Bonds sold by the City to the New York State Environmental Facilities Corporation on June 23, 1993 in the principal amount of $3,004,825, and (iii) to provide to the City $9,000,000 for deposit by the City in a City of Utica Capital Improvement Trust Fund (the "Trust Fund"), and further included delivery of a $7,000,000 promissory note of the Authority to be amortized by the payment of $150,000 in the second year; $200,000 in the third year; $250,000 in the fourth year; $300,000 in the fifth year; $448,036 in the sixth year and $480,715 in each of the years seven through forty. The promissory note is subordinate to the bonds issued by the Authority.

Not more than ninety per centum of the interest earned or capital gain realized by the City in the immediately preceding fiscal year of the City from any investment of moneys in the Trust Fund may be authorized to be and thereafter expended in the next fiscal year by a majority vote of the City Council for any capital improvement or to pay principal of or interest on obligations of the City issued for any capital improvement after August 2, 1994, provided: (i) the Mayor shall have theretofore submitted to the City Council and the City Council shall have approved a five year capital plan for the City, (ii) the capital improvement or improvements for which such moneys will be expended is described and approved in such capital plan, (iii) no such expenditure of interest or capital gain shall be made unless the principal corpus then in the Trust Fund shall be, on the date on which such expenditure is made, at least ten million dollars, and (iv) the principal corpus remaining in the Trust Fund after such expenditure has been made shall be at least ten million dollars. Any amount of interest earned or capital gain realized from any such investment and not so expended in any fiscal year of the City will be, on the first day of the next succeeding fiscal year of the City, added to and will become a part of the principal corpus of the Trust Fund. Not more than ten per centum of the principal corpus then in the Trust Fund may be authorized to be and thereafter expended in any single fiscal year of the City by a vote of not less than two-thirds of the entire voting strength of the City Council for any capital improvement or to pay principal of or interest on obligations of the City issued for any such capital improvement after August 2, 1994, provided: (i) no such expenditure from the principal corpus of the Trust Fund shall be made unless the principal corpus then in the Trust Fund shall be, on the date on which such expenditure is made, at least ten million dollars, and (ii) the principal corpus then remaining in the Trust Fund after such expenditure has been made shall be at least ten million dollars.

Because of the sale of the City's water supply, filtration and distribution system to the Board, the City has had no further responsibility to provide potable water to its residents and other areas outside the City. In recent years, the Authority has issued additional debt in connection with its operations; the City has no responsibilities or financial obligations in connection therewith.

Other Information

No principal or interest upon any obligation of the City is past due.

The fiscal year of the City ends March 31.

This Official Statement does not include the financial data of any political subdivision having power to levy taxes within the City.

TAX INFORMATION

Taxable Valuations

Fiscal Year Ending March 31:	2013	2014	2015	2016	2017
Assessed Valuation	$ 1,069,829,260	$ 1,072,912,575	$ 1,068,893,073	$ 1,077,890,514	$ 1,077,351,546
New York State Equalization Rate	71.00%	74.00%	75.00%	76.00%	70.00%
Total Taxable Full Valuation	$ 1,506,801,775	$ 1,449,881,858	$ 1,425,190,764	$ 1,418,276,992	$ 1,539,073,637

Tax Rate Per $1,000 (Assessed)

Fiscal Year Ending March 31:	2013	2014	2015	2016	2017
	$ 22.76	$ 23.22	$ 25.24	$ 25.03	$ 25.37

Tax Collection Record

Fiscal Year Ending December 31:	2012	2013	2014	2015	2016
Total Tax Levy	$ 22,331,563	$ 24,351,156	$ 24,909,718	$ 26,984,862	$ 26,980,201
Amount Uncollected (1)	1,330,596	1,529,851	1,296,377	1,487,577 (1)	1,521,583 (2)
% Uncollected	5.96%	6.28%	5.20%	5.51%	5.64% (2)

(1) Amount uncollected as of May 31, 2015. Fiscal year End taxes are collected through April and May 2015.
(2) 2016 City tax collected through March 21, 2016. April and May 2016 are yet to be collected.

Note: The total tax levy for the fiscal year ending March 31, 2017 is $27,332,869.

Tax Collection Procedure

The City is responsible for the collection of its own taxes, both current and delinquent. Although the City is responsible for the collection of Oneida County taxes in the City, the City is no longer responsible for guaranteeing the County's tax levy within the City. The City is also responsible for the collection and guarantee of delinquent Utica City School District taxes. City tax payments are due in the amount of 50% during the month of April, 25% during the month of July and 25% during the month of January.

Ten Largest Taxpayers Fiscal Year 2015-2016

Name	Type	Estimated Taxable Assessed Valuation
National Grid	Utility	$ 44,828,716
Riverside Enterprises, LLC	Shopping Mall	27,149,889
Verizon	Utility	6,964,704
AMA Properties, LLC	Shopping Center	4,499,001
Eton Centers Co.	Shopping Center	3,950,000
Utica MZL, LLC	Shopping Center	3,802,496
BG Warehouse, LLC	Warehouse	3,741,000
Hotel Utica	Hotel	3,600,000
Center Green Corp.	Professional Building	3,245,930
Long Ball Utica LLP	Manufacturing	3,150,000

The ten largest taxpayers listed above have an estimated total taxable assessed valuation of $104,931,736 which represents approximately 9.7% of the tax base of the City.

As of the date of this Official Statement, the City currently does not have any pending or outstanding tax certioraris that are known to have a material impact on the City.

Note: 125 Business Park Drive Co., LLC, was a previous larger taxpayer assessed at $3,750,000. As of the 2015-2016 fiscal year the company entered into a PILOT agreement that will expire on June 30, 2020. The company will pay 50% of taxes years 1-2; 75% of taxes years 3-5, and 100% of taxes after year 5.

Source: City Tax Rolls.

Housing Stock Improvement

Over the past several years the City has experienced an influx of Bosnian immigrants whom have been purchasing residential properties within the City and repairing them either for their personal use or for rental/resale purposes. The Hispanic population has also increased over the past several years. Many Hispanic/Americans have been relocating from New York City to Utica. The residential property sales to these groups are estimated to be 200 per year. Although there are no direct figures attributed to these new citizens relocating to the City, the local housing market has recognized an overall increase in home sales and property values, which reflects an increase in the tax base of the City.

Constitutional Tax Margin

Computation of Constitutional Tax Margin for fiscal year ending December 31, 2011 through 2016

Fiscal Year Ending December 31:	2016	2015	2014
Five Year Average Full Valuation………………..	$ 1,447,813,301	$ 1,466,321,823	$ 1,449,881,858
Tax Limit - (2%)…………………………………….	28,956,266	29,326,436	28,997,637
Add: Exclusions from Tax Limit…………..……..	5,143,668	6,324,360	6,033,817
Tax Levy Subject to Tax Limit……………………	$ 34,099,934	$ 35,650,796	$ 35,031,454
Less Total Levy…………………………………..	26,984,862	26,984,862	24,909,718
Constitutional Tax Margin…………………………	$ 7,115,072	$ 8,665,934	$ 10,121,736

Fiscal Year Ending December 31:	2013	2012	2011
Five Year Average Full Valuation………………..	$ 1,431,712,105	$ 1,362,742,175	$ 1,302,058,401
Tax Limit - (2%)…………………………………….	28,634,242	27,254,844	26,041,168
Add: Exclusions from Tax Limit…………..……..	6,028,092	6,493,494	5,661,702
Tax Levy Subject to Tax Limit……………………	$ 34,662,334	$ 33,748,338	$ 31,702,870
Less Total Levy…………………………………..	24,351,156	22,331,563	21,515,926
Constitutional Tax Margin…………………………	$ 10,311,178	$ 11,416,775	$ 10,186,944

Sales Tax

The sales tax in the City is 8.75%. This tax is split between the State and the various municipalities as follows:

State Sales Tax	4.00%
County Sales Tax	3.25%
City Sales Tax	1.50%
Total Sales Tax	8.75%

The City receives the 1.5% sales tax payments from the State on a bi-monthly basis. The City does however also receive a one-half share from the County of the County's collection of 1% of the 2.50% County sales tax which became effective when the total sales tax for the area went from 7% to 8%. Pursuant to State statute and Section 6 of Resolution Number 250 of 1995 of The Oneida County Board of Legislators, all sales generated within the City with regards to the additional 1% sales tax increase is to be split between the City and the County. These payments are submitted to the City from the County on a quarterly basis. This effectively makes the sales tax split for all sales generated in the City as follows:

State Sales Tax	4.00%
County Sales Tax	2.75%
City Sales Tax	2.00%
Total Sales Tax	8.75%

The authority of the County to impose the additional 1% of sales tax that was due to expire on November 30, 2015, was extended by the State Legislature and the Oneida County Board of Legislature in August 2015, extending through November 30, 2017.

The sales and compensating use tax collections as recorded by the City for each of the last ten fiscal years and budgeted for the current fiscal year are as follows:

Fiscal Year	Amount	Fiscal Year	Amount	
2005	$ 11,097,033	2012	12,156,245	
2006	11,197,755	2013	12,441,269	
2007	11,782,080	2014	12,775,309	
2008	11,720,382	2015	12,980,270	
2009	11,633,214	2016	13,391,225	(Budgeted)
2010	11,863,557	2017	13,391,225	(Budgeted)
2011	11,779,135			

The above referenced chart is on a cash rather than accrual basis. There is a pledge of certain sales tax proceeds to certain outstanding obligations of the City. The pledge of the sales tax proceeds is on a cash rather than accrual basis.

Pursuant to various ordinances, the holders of certain general obligation bonds of the City previously received a pledge and assignment of sales tax proceeds (the "Prior Pledge Bonds"). As of the date of this Official Statement, no Prior Pledge Bonds remain outstanding.

Tax Cap Law

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor ("Chapter 97" or the "Tax Cap Law"). The Tax Cap Law applies to all local governments, including school districts (with the exception of New York City, and the counties comprising New York City and school districts in New York City, Buffalo, Rochester, Syracuse, and Yonkers, the latter four of which are indirectly affected by applicability to their respective City.)

The Tax Cap Law restricts, among other things, the amount of real property taxes (including assessments of certain special improvement districts) that may be levied by or on behalf of a municipality in a particular year, beginning with fiscal years commencing on or after January 1, 2012. It expires on June 15, 2020, unless other legislation is extended. Pursuant to the Tax Cap Law, the tax levy of a municipality cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the consumer price index ("CPI"), over the amount of the prior year's tax levy. Certain adjustments would be permitted for taxable real property full valuation increases due to changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A municipality may exceed the tax levy limitation for the coming fiscal year only if the governing body of such municipality first enacts, by at least a sixty percent vote of the total voting strength of the board, a local law (resolution in the case of fire districts and certain special districts) to override such limitation for such coming fiscal year only. There are exceptions to the tax levy limitation provided in the Tax Cap Law, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees' Retirement System, the Police and Fire Retirement System, and the Teachers' Retirement System. Municipalities are also permitted to carry forward a certain portion of their unused levy limitation from a prior year. Each municipality prior to adoption of each fiscal year budget must submit for review to the State Comptroller any information that is necessary in the calculation of its tax levy for such fiscal year.

The Tax Cap Law does not contain an exception from the levy limitation for the payment of debt service on either outstanding general obligation debt of municipalities or such debt incurred after the effective date of the Tax Cap Law (June 24, 2011).

Article 8 Section 2 of the State Constitution requires every issuer of general obligation notes and bonds in the State to pledge its faith and credit for the payment of the principal thereof and the interest thereon. This has been interpreted by the Court of Appeals, the State's highest court, in *Flushing National Bank v. Municipal Assistance Corporation for the City of New York,* 40 N.Y.2d 731 (1976), as follows:

> "A pledge of the city's faith and credit is both a commitment to pay and a commitment of the city's revenue generating powers to produce the funds to pay. Hence, an obligation containing a pledge of the City's "faith and credit" is secured by a promise both to pay and to use in good faith the city's general revenue powers to produce sufficient funds to pay the principal and interest of the obligation as it becomes due. That is why both words, "faith" and "credit", are used and they are not tautological. That is what the words say and that is what the courts have held them to mean."

Article 8 Section 12 of the State Constitution specifically provides as follows:

> "It shall be the duty of the legislature, subject to the provision of this constitution, to restrict the power of taxation, assessment, borrowing money, contracting indebtedness, and loaning the credit of counties, cities, towns and villages, so as to prevent abuses in taxation and assessments and in contracting of indebtedness by them. Nothing in this article shall be construed to prevent the legislature from further restricting the powers herein specified of any county, city, town village or school district to contract indebtedness or to levy taxes on real estate. The legislature shall not, however, restrict the power to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted."

On the relationship of the Article 8 Section 2 requirements to pledge the faith and credit and the Article 8 Section 12 protection of the levy of real property taxes to pay debt service on bonds subject to the general obligation pledge, the Court of Appeals in the *Flushing National Bank* case stated:

> "So, too, although the Legislature is given the duty to restrict municipalities in order to prevent abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the city's power to levy taxes on real estate for the payment of interest on or principal of indebtedness previously contracted….While phrased in permissive language, these provisions, when read together with the requirement of the pledge of faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded".

In addition, the Court of Appeals in the *Flushing National Bank* case has held that the payment of debt service on outstanding general obligation bonds and notes takes precedence over fiscal emergencies and the police power of municipalities.

Therefore, while the Tax Cap Law may constrict an issuer's power to levy real property taxes for the payment of debt service on debt contracted after the effective date of said Tax Cap Law, it is clear that no statue is able (1) to limit an issuer's pledge of its faith and credit to the payment of any of its general obligation indebtedness or (2) to limit an issuer's levy of real property taxes to pay debt service on general obligation debt contracted prior to the effective date of the Tax Cap Law. Whether the Constitution grants a municipality authority to treat debt service payments as a constitutional exception to such statutory tax levy limitation outside of any statutorily determined tax levy amount is not clear.

It is likely that the Tax Cap Law will be subject to judicial review to resolve the constitutional issues raised by its adoption. Although Courts in New York State have historically been protective of the rights of holders of general obligation debt of political subdivisions, the outcome of any such challenge cannot be predicted.

Real Property Tax Rebate

Chapter 59 of the Laws of 2014 ("Chapter 59"), includes provisions which provide a refundable personal income tax credit to real property taxpayers in school districts and certain municipal units of government. The eligibility of real property taxpayers for the tax credit in each year depends on such jurisdiction's compliance with the provisions of the Tax Cap Law. The affected jurisdictions include counties, cities (other than any city with a population of one million or more and its counties), towns, villages, school districts (other than the dependent school districts of New York City, Buffalo, Rochester, Syracuse and Yonkers, the latter four of which are indirectly affected by applicability to their respective city) and independent special districts.

Certain additional restrictions on the amount of the personal income tax credit are set forth in Chapter 59 in order for the tax cap to qualify as one which will provide the tax credit benefit to such real property taxpayers. The refundable personal income tax credit amount is increased in the second year if compliance occurs in both taxable years.

For the second taxable year of the program, the refundable personal income tax credit for real property taxpayers is additionally contingent upon adoption by the school district or municipal unit of a state approved "government efficiency plan" which demonstrates "three year savings and efficiencies of at least one per cent per year from shared services, cooperation agreements and/or mergers or efficiencies".

Municipalities, school districts and independent special districts must provide certification of compliance with the requirements of the new provisions to certain state officials in order to render their real property taxpayers eligible for the personal income tax credit.

While the provisions of Chapter 59 do not directly further restrict the taxing power of the affected municipalities, school districts and special districts, they do provide an incentive for such tax levies to remain within the tax cap limits established by the Tax Cap Law. The implications of this for future tax levies and for operations and services of the City are uncertain at this time.

CITY INDEBTEDNESS

Constitutional Requirements

The State Constitution limits the power of the City (and other municipalities and certain school districts of the State) to issue obligations and to otherwise contract indebtedness. Such constitutional limitations in summary form, and as generally applicable to the City and the Notes include the following:

Purpose and Pledge. Subject to certain enumerated exceptions, the City shall not give or loan any money or property to or in aid of any individual or private corporation or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The City may contract indebtedness only for a City purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose or, in the alternative (in the use of level debt service described below), the weighted average period of probable usefulness of the several purposes, for which it is contracted and in no event may this period exceed forty years. No installment may be more than fifty per centum in excess of the smallest prior installment unless the City authorizes and determines to issue debt amortizing on the basis of substantially level or declining annual debt service. The City is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and such required annual installments on its bonds and bond anticipation notes.

Debt Limit. The City has the power to contract indebtedness for any City purpose so long as the principal amount thereof, subject to certain limited exceptions, shall not exceed seven per centum of the average full valuation of taxable real estate of the City and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional method for determining full valuation is by taking the assessed valuation of taxable real estate as shown upon the latest completed assessment roll and dividing the same by the equalization rate as determined by the Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined. Average full valuation is determined by taking the sum of the full valuation of the last completed assessment roll and the four preceding assessment rolls and dividing such sum by five.

Additional Security for Certain Prior Bonds

Pursuant to Chapter 410 of the Laws of the State of New York of 1996 (the “Act”), the City, acting through its Common Council and Board of Estimate and Apportionment, was authorized to, and did, pledge and assign certain sales tax proceeds (the “Sales Tax Proceeds”), in consideration of the purchase and acceptance of certain general obligation bonds of the City (the “Prior Pledge Bonds”), to the holders of the Prior Pledge Bonds, as additional security for the due and punctual payment of the principal and interest on certain bonds, consisting of the Prior Pledge Bonds. The Sales Tax Proceeds pledged and assigned to secure the Prior Pledge Bonds consisted of all of the right title and interest of the City then owned or of hereafter acquired to the City’s share of the “net collections” as such term is defined in Section 1262 of the New York State Tax Law to be received by the City from sales and compensating use taxes imposed by the City or by the County authorized by Section 1210 of the New York State Tax Law, subject to the limitations that the aggregate amount of the Sales Tax Proceeds so pledged and so assigned for the Prior Pledge Bonds in any fiscal year shall not exceed the amount of principal of and interest on the Prior Pledge Bonds payable or due during such fiscal year. Such pledge and assignment became effective on the date of issuance of the Prior Pledge Bonds. As of the date of this Official Statement, no Prior Pledge Bonds remain outstanding.

The City's authority pursuant to the Act to pledge the Sales Tax Proceeds as security for payment of any new bonds and notes expired on June 30, 2001. The City may hereafter seek new State legislation extending its authority to pledge the Sales Tax Proceeds, and the City may pledge the Sales Tax Proceeds to secure obligations issued in the future if such legislation is enacted; however, the City does not foresee any reason to do so in the reasonably anticipated future. There is no pledge of the Sales Tax Proceeds to secure the Notes, and no future legislation authorizing or extending the City's authority to pledge the Sales Tax Proceeds will result in a pledge of the Sales Tax Proceeds to secure the Notes.

Statutory Procedure

In general, the State Legislature has authorized the power and procedure for the City to borrow and incur indebtedness by the enactment of the Local Finance Laws subject, to the provisions set forth above. The power to spend money, however, generally derives from other law, including specifically the City Charter, the General City Law and the General Municipal Law.

Pursuant to the Local Finance Law and the City Charter, the City authorizes the issuance of bonds by the adoption of a bond ordinance approved by at least two-thirds of the members of the Common Council, the finance board of the City. Customarily, the Common Council has delegated to the City Comptroller, as chief fiscal officer of the City, the power to authorize and sell bond anticipation notes in anticipation of authorized bonds.

The Local Finance Law also provides that where a bond ordinance is published with a statutory form of notice, the validity of the bonds authorized thereby, including bond anticipation notes issued in anticipation of the sale thereof, may be contested only if:

(1) Such obligations are authorized for a purpose for which the City is not authorized to expend money, or

(2) There has not been substantial compliance with the provisions of law which should have been complied with in the authorization of such obligations and an action contesting such validity, is commenced within twenty days after the date of such publication, or,

(3) Such obligations are authorized in violation of the provisions of the State Constitution.

Except on rare occasions the City complies with this estoppel procedure. It is a procedure that is recommended by Bond Counsel, but it is not an absolute legal requirement.

Each bond ordinance usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal (State Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto. The City has authorized bonds for a variety of City objects or purposes.

Statutory law in New York permits bond anticipation notes to be issued or renewed from time to time provided annual principal installments are made in reduction of the total amount of such bond anticipation notes outstanding, commencing no later than two years from the date of the first of such notes and provided that such notes or renewals do not exceed five years beyond the original date of borrowing. See "Payment and Maturity" under "Constitutional Requirements" herein.

In general, the Local Finance Law contains provisions providing the City with power to issue certain other short-term general obligation indebtedness including revenue and tax anticipation notes and budget and capital notes.

Debt Outstanding End of Fiscal Year

Fiscal Years Ending March 31:	2012	2013	2014	2015	2016
Bonds	$ 51,077,755	$ 48,151,575	$ 43,200,000	$ 40,719,000	$ 49,229,635
Bond Anticipation Notes	2,910,000	5,584,100	15,374,100	12,572,100	10,632,500
Totals	$ 53,987,755	$ 53,735,675	$ 58,574,100	$ 53,291,100	$ 54,833,257

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the City evidenced by bonds and notes as of April 18, 2016:

Type of Indebtedness	Maturity	Amount
Bonds	2016-2045	$ 47,018,735
Bond Anticipation Notes		
Various Projects	May 6, 2016	$ 6,682,500 [1]
Various Projects	February 23, 2017	3,950,000 [2]
	Total Indebtedness	$ 57,651,235

[1] To be redeemed at maturity with the proceeds of the Notes along with available funds of the City.
[2] To be redeemed at maturity with the proceeds of serial bonds and/or bond anticipation notes along with available funds of the City.

Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin evidenced by bonds and notes as of April 18, 2016:

Five-Year Average Full Valuation of Taxable Real Property			$ 1,467,845,005
Debt Limit - 7% thereof			102,749,150
Inclusions:			
Bonds	$ 47,018,735		
Bond Anticipation Notes	10,632,500		
Total Inclusions		$ 57,651,235	
Exclusions:			
Sewer Indebtedness [1]	$ 4,776,396		
Appropriations	2,052,858		
Total Exclusions		$ 6,829,254	
Total Net Indebtedness Subject to Debt Limit			$ 50,821,981
Net Debt-Contracting Margin			$ 51,971,809
Percent of Debt Contracting Power Exhausted			49.44%

[1] Sewer Debt is excluded pursuant to Section 124.10 of the Local Finance Law. The City has been granted a sewer exclusion by the New York State Office of the State Comptroller.

Capital Lease

The City issued a capital lease in the amount of $458,218 in July of 2007. The current principal amount outstanding is $255,786 with the last expected payment to be made on July 17, 2017.

The City issued a capital lease in the amount of $2,760,957 in October 2008. The current principal amount outstanding is $2,111,268 with the last expected payment to be made on April 15, 2023.

In May, 2011 the City issued a capital lease for two fire apparatus in the amount of $516,624 and $873,428 respectively, for a total of $1,343,837. The current principal amount outstanding is $1,229,994.

In July 2013, the City negotiated a capital lease in the amount of $1,165,000 for various City vehicles and equipment. That capital lease was later amended in September 2013 from $1,165,000 to $1,294,769 which included additional I.T. equipment. In January 2014, the capital lease was amended to $1,404,189 for the addition of a new ambulance. The capital lease is for five years, with yearly payments starting on April 1, 2014 and maturing on April 1, 2018.

On July 16, 2014, the City authorized a five year lease purchase agreement in the amount of $201,067 to finance 8 police vehicles and equipment. The first of five annual payments was made on December 19, 2014.

On May 22, 2015, issued a capital lease in the amount of $3,164,547 for Vehicles/Equipment/Computers/Software and related items for various City departments. The terms of the Lease Purchase Agreement will be either 5 or 10 years depending on the period of probable usefulness as measured under Local Finance Law of each project.

On August 9, 2015, the City authorized a three year lease purchase agreement in the amount of $41,591 to purchase various Information Technology items. Annual payments are made a year in advance, with the first payment due December 1, 2015, the second payment due October 1, 2016, and the final payment due October 1, 2017.

Estimate of Obligations To Be Issued

The City does consider its capital needs on an annual basis.

On March 27, 2012, the Common Council adopted a bond ordinance authorizing the issuance of not to exceed $5,882,353 serial bonds to finance improvements to the City's sewer system (Project A-8). On January 23, 2014, this bond ordinance was supplemented to authorize an additional $5,740,000 in serial bonds, increasing the total amount of indebtedness authorized for this sewer project to $11,622,353. On May 8, 2013, the City borrowed $5,880,000 of the total authorization for this project, as part of a combined financing of several projects. On February 25, 2014, the City issued an additional $1,600,000 against said authorization. On October 30, 2014, the City issued to the New York State Environmental Facilities Corporation (EFC) the City's $4,134,353 maximum principal amount bond anticipation note against said authorization. This note is a draw-down loan and proceeds will be advanced by EFC to the City when project costs are incurred and the City requests loan advances. To date, no funds have been drawn on this note so the entire $4,134,353 principal amount remains to be advanced by EFC.

On March 16, 2016, the Common Council adopted a bond ordinance authorizing the issuance of not to exceed $5,156,320 serial bonds to finance the cost of reconstruction and improvement of the City sewer system. The City is in the process of applying for grant funds to cover up to 25% of project costs with the balance expected to be financed through EFC. $400,000 of the proceeds of the Notes represents the first borrowing against said authorization.

The financing and repayment of the debt incurred to finance sewer system improvements will be done through the City's Sewer (Enterprise) Fund.

Revenue and Tax Anticipation Notes

The following is a history of revenue and tax anticipation note borrowings issued for operating cash flow purposes since fiscal year ending March 31, 1986.

Fiscal Year	Amount	Type	Issue Date	Due Date
1985-86	$ 5,000,000	TAN	4/4/1985	4/4/1986
1986-87	3,000,000	TAN	4/2/1986	4/2/1987
1988-89	13,000,000	TAN	9/22/1988	9/22/1989
1996-97	7,500,000	TAN	8/8/1996	5/8/1997
1997-98	6,500,000	TAN	6/4/1997	6/4/1998
1998-99	4,500,000	TAN	11/10/1998	6/24/1999
1999-00	3,500,000	TAN	11/19/1999	6/30/2000
2011-12	8,000,000	RAN	2/23/2012	3/31/2012
2012-13	2,000,000	RAN	7/13/2012	9/24/2012
2012-13	2,000,000	RAN	7/18/2012	9/26/2012
2012-13	10,450,000	RAN	11/29/2012	4/30/2013
2013-14	6,900,000	RAN	12/10/2013	4/30/2014
2014-15	4,900,000	RAN	12/12/2014	4/30/2015
2015-16	3,990,000	RAN	12/3/2015	4/29/2016

Bonded Debt Service

A schedule of Bonded Debt Service may be found attached hereto as APPENDIX - B of this Official Statement.

Estimated Overlapping Indebtedness

In addition to the City, the following political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the City. Bonded indebtedness, including bond anticipation notes, is estimated as of the close of the 2014 fiscal year of the respective municipalities, not adjusted to include subsequent bond issues, if any.

Unit	Outstanding Indebtedness	Exclusions [1]	Net Indebtedness	Approx. % Applicable	Approx. Net Overlapping Indebtedness
County of Oneida	$ 163,886,588	$ 34,765,468 [2]	$129,121,120	14.8%	$ 19,109,926
City School District of the City of Utica	165,352,787	162,045,731 [3]	3,307,056	100.0%	3,307,056
					$ 22,416,982

[1] Pursuant to applicable constitutional and statutory provisions, this indebtedness is deductible from gross indebtedness for debt limit purposes.
[2] Water and sewer debt and appropriations. Pursuant to the Local Finance Law, this indebtedness is excluded from the constitutional debt limit.
[3] Estimated State Building aid.

Note: The 2015 Comptroller's Special Report is currently unavailable as of the date of this Official Statement.

Source: Comptroller's Special Report on Municipal Affairs for Local Finance Years Ended in 2014.

Debt Ratios

The following table sets forth certain ratios relating to the City's indebtedness as of April 18, 2016.

	Amount	Per Capita [a]	Percentage of Full Value [b]
Net Indebtedness [c] ....$	50,821,981	$ 828.64	3.46%
Net Indebtedness Plus Net Overlapping Indebtedness [d]	73,238,963	1,194.14	4.99

[a] The current estimated population of the City is 61,332 (2014 U.S. Census estimate).
[b] The City's five-year average full value of taxable real estate is $1,468,482,720. See "TAX INFORMATION – Taxable Valuations" herein.
(c) See "Debt Statement Summary" herein.
(d) Estimated net overlapping indebtedness is $22,416,982. See "Estimated Overlapping Indebtedness."

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the City upon any judgment or accrued claim against it shall not exceed nine per centum per annum. This provision might be construed to have application to the holders of the Notes in the event of a default in the payment of the principal of or interest on the Notes.

In accordance with the general rule with respect to municipalities, judgments against the City may not be enforced by levy and execution against property owned by the City.

The Federal Bankruptcy Code allows public bodies recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness.

At the Extraordinary Session of the State Legislature held in November, 1975, legislation was enacted which purported to suspend the right to commence or continue an action in any court to collect or enforce certain short-term obligations of the City of New York. The effect of such act was to create a three-year moratorium on actions to enforce the payment of such obligations. On November 19, 1976, the Court of Appeals, the State's highest court, declared such act to be invalid on the ground that it violates the provisions of the State Constitution requiring a pledge by such City of its faith and credit for the payment of such obligations.

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State legislature authorizing any city, county, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the City.

There is in the State Constitution, Article VIII, Section 2, the following provision relating to the annual appropriation of monies for the payment of due principal of and interest on indebtedness of every county, city, town, village and school district in the State: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness."

This provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

MATERIAL EVENT NOTICES

In accordance with the provisions of Rule 15c2-12, as the same may be amended or officially interpreted from time to time (the "Rule"), promulgated by the U.S. Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934, as amended, the City has agreed to provide or cause to be provided, in a timely manner not in excess of ten (10) business days after the occurrence of the event, during the period in which the Notes are outstanding, to the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, notice of the occurrence of any of the following events with respect to the Notes:

(a) principal and interest payment delinquencies;

(b) non-payment related defaults, if material;

(c) unscheduled draws on debt service reserves reflecting financial difficulties;

(d) in the case of credit enhancement, if any, provided in connection with the issuance of the Note, unscheduled draws on credit enhancements reflecting financial difficulties;

(e) substitution of credit or liquidity providers, or their failure to perform;

(f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Note, or other material events affecting the tax status of the Notes;

(g) modifications to rights of Noteholders, if material;

(h) note calls, if material and tender offers;

(i) defeasances;

(j) release, substitution, or sale of property securing repayment of the Notes;

(k) rating changes;

(l) bankruptcy, insolvency, receivership or similar event of the City;

(m) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Event (c) is included pursuant to a letter from the Commission staff to the National Association of Bond Lawyers dated September 19, 1995. However, event (c) is not applicable, since no "debt service reserves" will be established for the Note.

With respect to event (d), the City does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Notes.

The City may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if the City determines that any such other event is material with respect to the Note; but the City does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

The City reserves the right to terminate its obligation to provide the aforedescribed notices of material events, as set forth above, if and when the City no longer remains an obligated person with respect to the Notes within the meaning of the Rule. The Issuer acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the holders of the Notes (including holders of beneficial interests in the Notes). The right of holders of the Notes to enforce the provisions of the undertaking will be limited to a right to obtain specific enforcement of the City's obligations under its material event notices undertaking and any failure by the City to comply with the provisions of the undertaking will neither be a default with respect to the Notes nor entitle any holder of the Note to recover monetary damages.

The City reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the City; provided that the City agrees that any such modification will be done in a manner consistent with the Rule.

An "Undertaking to Provide Notice of Material Events" to this effect shall be provided to the purchaser(s) at closing.

Historical Continuing Disclosure Compliance

The City is, in all material respects, in material compliance with all prior undertakings pursuant to the Rule for the past five years; provided, however, the City did not file its audited financial reports for the fiscal years ending March 31, 2010, March 31, 2012 and March 31, 2013 in compliance with its existing continuing disclosure agreements because such audited financial statements were not available within the timeline specified within said agreements. The 2010 audited financial report was filed with EMMA on February 7, 2012. The 2012 audited financial report was filed with EMMA on June 10, 2013. The 2013 audited report was filed with EMMA on May 19, 2014.

On April 22, 2014, the City filed a 'Notice of Failure to Provide Event Filing Information as Required' with EMMA. The City expects that subsequent audits will be released consistently with the City's continuing disclosure reporting requirement.

The City failed to file a material event notice relating to a rating downgrade by Moody's Investors Service on May 17, 2012 as required by a previous continuing disclosure undertaking. On February 6, 2013, the City issued refunding bonds and filed the escrow agreement on EMMA. The City did not file a separate event notice on EMMA with respect to the 2013 refunding.

STATE AID

The City receives financial assistance from the State. The State is not constitutionally obligated to maintain or continue State aid to the City including supplemental small cities aid and Aid Incentives to Municipalities. No assurance can be given that present State aid levels, including, in particular the supplemental small cities aid and Aid Incentives for Municipalities, will be maintained in the future. State budgetary restrictions which eliminate or substantially reduce State aid could have a material adverse effect upon the City, requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures. Furthermore, if a significant default or other financial crisis should occur in the affairs of New York State or any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the City to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

There can be no assurance that the State appropriation for State aid to cities will be continued in future years, either pursuant to existing formulas or any form whatsoever. State aid appropriated and apportioned to the City can be paid only if the State has such monies available therefor. The availability of such monies and the timeliness of such payment could be affected by a delay in the adoption of the State budget or their elimination therefrom.

MARKET AND RISK FACTORS

The financial and economic condition of the City as well as the market for the Notes could be affected by a variety of factors, some of which are beyond the City's control. There can be no assurance that adverse events in the State and in other jurisdictions in the United States, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Notes. If a significant default or other financial crisis should occur in the affairs of the State or another jurisdiction or any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the City to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

The City is dependent in part on financial assistance from the State. However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes and revenues in order to pay State aid to municipalities and school districts in the State, including the City, in any year, the City may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the City. In several recent years, the City has received delayed payments of State aid which resulted from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts, and consequent delay in State borrowing to finance such appropriations. (See also "STATE AID").

TAX MATTERS

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remain excludable from gross income for federal income tax purposes. These requirements include provisions, which prescribe yield and other limits relative to the investment and expenditures of the proceeds of the Notes and other amounts and require that certain earnings be rebated to the federal government. The City will agree to comply with certain provisions and procedures, pursuant to which such requirements can be satisfied. Non-compliance with such requirements may cause interest on the Notes to become included in gross income for federal income tax purposes retroactive to the date of issuance thereof, irrespective of the date on which non-compliance is ascertained.

The Code imposes a 30% branch profits tax on the earnings and profits of a United States branch of certain foreign corporations attributable to its income effectively connected (or treated as effectively connected) with a United States trade or business. Included in the earnings and profits of the United States branch of a foreign corporation is income that would be effectively connected with the United States trade or business if such income were taxable, such as the interest on the Notes. Existing United States income tax treaties may modify, reduce, or eliminate the branch profits tax, except in cases of treaty shopping.

The Code further provides that interest on the Notes is included in the calculation of modified adjusted gross income in determining whether a portion of Social Security or railroad retirement benefits is to be included in taxable income of individuals. In addition, certain S Corporations may have a tax imposed on passive income, including tax-exempt interest, such as interest on the Notes.

Prospective purchasers should consult their tax advisors with respect to the calculations of the alternative minimum tax or foreign branch profits tax liability, and the tax on passive income of S Corporations or the inclusion of Social Security or other retirement payments in taxable income.

In the opinion of Bond Counsel, assuming compliance with certain requirements of the Code, under existing laws, interest on the Notes is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, that with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining "adjusted current earnings" for purposes of calculating the federal alternative minimum tax imposed on such corporations. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Notes.

The opinion of Bond Counsel described herein with respect to the federal income tax treatment of interest paid on the Notes is based upon the current provisions of the Code. There can be no assurance that the Code will not be amended in the future so as to reduce or eliminate such favorable federal income tax treatment on the Notes. Any such future legislation would have an adverse effect on the market value of the Notes.

In addition, in the opinion of Bond Counsel, under existing laws, interest on the Notes is exempt from personal income taxes imposed by the State or any political subdivision thereof, including The City of New York.

LEGAL MATTERS

The legality of the authorization and issuance of the Notes will be covered by the unqualified legal opinion of Bond, Schoeneck & King, PLLC, Bond Counsel, Utica, New York. Such legal opinion will state that in the opinion of Bond Counsel (i) the Notes have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the City, all the taxable property within which is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, without limitation as to rate or amount, subject to the statutory limitations imposed by the Tax Cap Law, (ii) interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof, including the City of New York; and (iii) interest on the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, that with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining "adjusted current earnings" for purposes of calculating the federal alternative minimum tax imposed on such corporations. The opinions of Bond Counsel set forth in (iii) above are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Notes in gross income for federal income tax purposes to be retroactive to the date of issuance of the Notes. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Notes. It is to be understood that the rights of the holders of the Notes and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may be also subject to exercise of judicial discretion in appropriate cases. See "TAX INFORMATION- Tax Cap Law" herein.

Bond Counsel has not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement (except to the extent, if any, stated in the Official Statement) or any other offering material relating to the Notes, and Bond Counsel expresses no opinion relating thereto (excepting only matters set forth as Bond Counsel's opinion in the Official Statement).

LITIGATION

The City is subject to a number of lawsuits in the ordinary conduct of its affairs. The City does not believe, however, that such suits, individually or in the aggregate, are likely to have a material adverse effect on the financial condition of the City.

There is no action, suit, proceedings or investigation, at law or in equity, before or by any court, public board or body pending or, to the best knowledge of the City threatened against or affecting the City to restrain or enjoin the issuance, sale or delivery of the Notes or the levy and collection of taxes or assessments to pay same, or in any way contesting or affecting the validity of the Notes or any proceedings or authority of the City taken with respect to the authorization, issuance or sale of the Notes or contesting the corporate existence or boundaries of the City.

BOND RATING

The Notes are not rated.

Standard & Poor’s Credit Market Services has assigned their underlying bond rating of “BBB+/Positive” to the City’s outstanding serial bonds. Moody’s Investors Service has assigned their underlying bond rating of “Baa2” to the City’s outstanding serial bonds. Fitch Ratings, Inc. has assigned their underlying bond rating of “BBB/Stable” to the City’s outstanding serial bonds.

A rating reflects only the view of the rating agency assigning such rating and an explanation of the significance of such rating may be obtained from such rating agency. Any desired explanation of the significance of such ratings should be obtained from Standard & Poor’s Credit Market Services, Public Finance Ratings, 55 Water Street, 38th Floor, New York, New York 10041, Phone: (877) 772-5436, Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, Phone: (212) 553-1653 and Fitch Ratings, Inc., 33 Whitehall Street, New York, New York 10004, Phone (212) 908-0800.

Generally, rating agencies base their ratings on the information and materials furnished to it and on investigations, studies and assumptions by the respective rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of the rating of the serial bonds may have an adverse effect on the market price of the Notes.

MUNICPAL ADVISOR

Fiscal Advisors & Marketing, Inc. (the "Municipal Advisor") is a municipal advisor registered with the Commission and the MSRB. The Municipal Advisor serves as independent financial advisor to the City on matters relating to debt management. The Municipal Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Notes and has reviewed and commented on certain legal documents, including this Official Statement. The advice on the plan of financing and the structuring of the Notes was based on materials provided by the City and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the City or the information set forth in this Official Statement or any other information available to the City with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion or estimates whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the holders of the Notes.

Statements in this official statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, which are based on the City management’s beliefs as well as assumptions made by, and information currently available to, the City’s management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the City’s files with the repositories. When used in City documents or oral presentation, the words “anticipate”, “estimate”, “expect”, “objective”, “projection”, “forecast”, “goal”, or similar words are intended to identify forward-looking statements.

Bond, Schoeneck & King, PLLC, Utica, New York, Bond Counsel to the City, expresses no opinions as to the accuracy or completeness of information in any documents prepared by or on behalf of the City for use in connection with the offer and sale of the Notes, including, but not limited to, this Official Statement.

References herein to the Constitution of the State and various State and federal laws are only brief outlines of certain provisions thereof and do not purport to summarize or describe all of such provisions.

Concurrently with the delivery of the Notes, the City will furnish a certificate to the effect that as of the date of the Official Statement, the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, subject to limitation as to information in the Official Statement obtained from sources other than the City, as to which no representation can be made.

The Official Statement is submitted only in connection with the sale of the Notes by the City and may not be reproduced or used in whole or in part for any other purpose.

The Municipal Advisor may place a copy of this Official Statement on its website at www.fiscaladvisors.com. Unless this Official Statement specifically indicates otherwise, no statement on its website is included by specific reference or constitutes a part of this Official Statement. The Municipal Advisor has prepared its website information for your convenience, but you should not make any decision in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and the Municipal Advisor assumes no liability or responsibility for errors or omissions on its website. Further, the Municipal Advisor disclaims any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on its website. The Municipal Advisor also assumes no liability or responsibility for any errors or omissions or for any updates to dated website information.

The City contact information is as follows: Mr. William C. Morehouse, City Comptroller, City Hall, 1 Kennedy Plaza, Utica, New York 13502, Phone: (315) 792-0133, Fax: (315) 792-0074, Email: wmorehouse@cityofutica.com.

This Official Statement has been duly executed and delivered by the City Comptroller of the City of Utica.

CITY OF UTICA

Dated: April 18, 2016

WILLIAM C. MOREHOUSE
City Comptroller

GENERAL FUND

Balance Sheets

Fiscal Years Ending March 31:	2011	2012	2013	2014	2015
ASSETS					
Cash	$ 2,115,379	$ 324,441	$ 9,507,918	$ 9,670,958	$ 10,475,167
Receivables:					
Taxes - net	3,687,737	4,358,178	4,832,887	3,106,304	3,320,808
Other	3,951,672	1,217,701	622,799	545,517	676,212
Due from Other Funds	1,099,962	233,667	2,536,982	2,841,922	1,294,056
Due from State and Federal Governments	827,168	3,010,192	3,143,686	3,123,318	2,849,297
Due from Other Governments	6,321,875	6,213,171	6,098,071	5,976,197	5,847,152
Prepaid Expenses	-	631,578	70,195	39,299	38,560
Inventory of Materials and Supplies	-	39,572	31,549	30,581	25,307
Other Assets	251,965	-	-	-	
TOTAL ASSETS	$ 18,255,758	$ 16,028,500	$ 26,844,087	$ 25,334,096	$ 24,526,559
LIABILITIES AND FUND EQUITY					
Accounts Payable	$ 8,185,264	$ 1,141,043	$ 11,496,431	$ 1,491,635	$ 989,962
Accrued Expenses	739,748	742,729	668,588	2,163,713	2,815,547
Notes Payable	-	-	4,757,531	6,900,000	4,900,000
Due to Other Funds	50,639	15,224	1,981,540	967,816	295,743
Due to Other Governments	-	7,006,496	-	4,451,949	4,510,015
Overpayments and Collections in Advance	18,346	-	-	-	-
Deferred Revenue	6,850,596	6,404,986	6,290,640	6,120,705	5,965,106
TOTAL LIABILITIES	$ 15,844,593	$ 15,310,478	$ 25,194,730	$ 22,095,818	$ 19,476,373
FUND EQUITY					
Nonspendable	$ 251,965	$ 671,150	$ 101,744	$ 69,880	$ 63,867
Restricted	14,405	-	-	-	-
Assigned	59,330	62,714	-	-	-
Unassigned	2,085,465	(15,842)	1,547,613	3,168,398	4,986,319
TOTAL FUND EQUITY	$ 2,411,165	$ 718,022	$ 1,649,357	$ 3,238,278	$ 5,050,186
TOTAL LIABILITIES and FUND EQUITY	$ 18,255,758	$ 16,028,500	$ 26,844,087	$ 25,334,096	$ 24,526,559

Source: Audited financial reports. This Appendix is not itself audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending March 31:	2010	2011	2012	2013	2014
REVENUES					
Real Property Taxes	$ 19,657,161	$ 21,617,428	$ 22,308,680	$ 23,533,372	$ 24,007,488
Real Property Tax Items	1,611,444	2,757,806	2,017,438	2,233,928	2,237,331
Non-Property Tax Items	13,291,248	13,397,268	13,759,689	13,914,646	14,298,053
Departmental Income	2,670,070	2,763,698	2,820,814	2,800,399	2,885,512
Intergovernmental Charges	142,454	140,730	171,991	171,996	149,179
Use of Money & Property	371,846	375,285	382,615	362,594	395,884
Licenses and Permits	399,851	395,058	347,310	336,023	348,449
Fines and Forfeitures	535,790	660,451	621,528	724,238	680,477
Sale of Property and Compensation for Loss	131,436	50,467	51,636	346,126	593,528
Miscellaneous	2,031,001	647,179	601,074	279,040	679,770
Interfund Revenues	750,817	287,527	312,661	337,661	337,661
State and Federal Aid	20,288,747	20,086,494	19,370,579	18,260,217	17,892,533
Total Revenues	$ 61,881,865	$ 63,179,391	$ 62,766,015	$ 63,300,240	$ 64,505,865
EXPENDITURES					
General Government Support	$ 6,253,588	$ 6,492,555	$ 5,508,642	$ 6,693,673	$ 7,062,227
Public Safety	28,646,034	28,916,981	26,598,629	25,172,085	25,715,201
Health	-	-	-	-	-
Transportation	3,558,978	3,920,043	3,909,853	2,494,322	2,604,536
Economic Assistance and Opportunity	-	-	-	-	-
Culture and Recreation	3,492,752	3,508,651	2,783,569	2,330,354	2,355,976
Home and Community Services	3,165,900	2,957,964	2,816,223	2,206,101	2,013,047
Employee Benefits	15,590,503	15,077,703	18,111,652	18,742,850	18,028,076
Capital Outlay	-	183,603	-	-	-
Debt Service	140,785	141,413	14,756	229,505	320,421
Total Expenditures	$ 60,848,540	$ 61,198,913	$ 59,743,324	$ 57,868,890	$ 58,099,484
Excess of Revenues Over (Under) Expenditures	$ 1,033,325	$ 1,980,478	$ 3,022,691	$ 5,431,350	$ 6,406,381
Other Financing Sources (Uses):					
Proceeds from issuance of capital lease	-	-	-	1,343,837	1,414,980
Operating Transfers In	2,850,346	2,030,510	1,352,793	687,464	664,159
Operating Transfers Out	(4,854,968)	(5,459,698)	(6,068,629)	(6,531,316)	(6,896,599)
Total Other Financing	$ (2,004,622)	$ (3,429,188)	$ (4,715,836)	$ (4,500,015)	$ (4,817,460)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ (971,297)	$ (1,448,710)	$ (1,693,145)	$ 931,335	$ 1,588,921
FUND BALANCE					
Fund Balance - Beginning of Year	4,831,172	3,859,875	2,411,165	718,022	1,649,357
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	$ 3,859,875	$ 2,411,165	$ 718,022	$ 1,649,357	$ 3,238,278

Source: Audited financial reports of the City. This Appendix is not itself audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Fiscal Years Ending March 31:	2015 Adopted Budget	2015 Final Budget	2015 Audited Actual
REVENUES			
Real Property Taxes	$ 25,977,930	$ 25,977,930	$ 26,596,917
Real Property Tax Items	2,133,845	2,133,845	2,415,412
Non-Property Tax Items	14,548,360	14,548,360	14,485,292
Departmental Income	2,880,315	2,880,315	2,898,778
Intergovernmental Charges	118,669	118,669	155,095
Use of Money & Property	369,020	369,020	406,755
Licenses and Permits	324,850	324,850	403,367
Fines and Forfeitures	765,000	765,000	698,844
Sale of Property and Compensation for Loss	367,500	393,236	513,398
Miscellaneous	76,000	83,802	549,098
Proceeds of Obligations	-		
Interfund Revenues	572,661	572,661	489,778
State and Federal Aid	17,573,849	18,754,028	17,581,429
Total Revenues	$ 65,707,999	$ 66,921,716	$ 67,194,163
EXPENDITURES			
General Government Support	$ 6,316,437	$ 5,945,290	$ 5,703,392
Public Safety	25,607,140	27,249,304	28,432,952
Transportation	2,730,817	2,683,871	2,576,274
Economic Assistance and Opportunity	-	-	-
Culture and Recreation	2,792,752	2,638,445	2,385,476
Home and Community Services	2,097,589	1,990,315	1,856,412
Employee Benefits	19,264,513	20,088,658	19,927,235
Debt Service	708,144	474,667	477,212
Total Expenditures	$ 59,517,392	$ 61,070,550	$ 61,358,953
Excess of Revenues Over (Under) Expenditures	$ 6,190,607	$ 5,851,166	$ 5,835,210
Other Financing Sources (Uses):			
Appropriation of Prior Year's Fund Balance	$ -		
Proceeds of Obligations		201,067	2,201,067
Operating Transfers In	526,863	526,863	526,863
Operating Transfers Out	(6,717,470)	(6,755,470)	(6,751,232)
Total Other Financing	(6,190,607)	(6,027,540)	(4,023,302)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	(176,374)	1,811,908
FUND BALANCE			
Fund Balance - Beginning of Year	-	176,374	3,238,278
Prior Period Adjustments (net)	-	-	-
Fund Balance - End of Year	$ -	$ -	$ 5,050,186

Source: Audited financial reports of the City. This Appendix is not itself audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance - Budgets

Fiscal Years Ending March 31:	2013 Adopted Budget	2014 Adopted Budget	2015 Adopted Budget	2016 Adopted Budget	2017 Adopted Budget
REVENUES					
Real Property Taxes	$ 23,349,100	$ 24,389,015	$ 25,977,930	$ 25,865,960	$ 27,129,802
Real Property Tax Items	2,044,011	2,021,228	2,133,845	2,068,726	2,201,828
Non-Property Tax Items	13,886,327	14,212,457	14,548,360	14,958,875	14,867,525
Departmental Income	2,776,275	2,807,650	2,880,315	2,829,450	2,881,700
Intergovernmental Charges	124,750	118,750	118,669	134,250	135,748
Use of Money & Property	342,270	357,020	369,020	389,970	406,470
Licenses and Permits	339,700	336,350	324,850	339,000	339,450
Fines and Forfeitures	655,500	720,000	765,000	721,800	696,800
Sale of Property and Compensation for Loss	258,500	320,750	367,500	467,000	467,000
Miscellaneous	106,236	905,034	807,000	815,443	52,500
Interfund Revenues	337,661	412,661	572,661	435,161	349,661
State and Federal Aid	18,180,881	17,069,973	16,842,849	16,775,499	17,198,025
Total Revenues	$ 62,401,211	$ 63,670,887	$ 65,707,998	$ 65,801,133	$ 66,726,509
EXPENDITURES					
General Government Support	$ 5,828,627	$ 5,800,551	$ 6,161,997	$ 6,765,244	$6,954,299
Public Safety	25,756,838	26,426,027	27,433,273	29,133,087	29,847,431
Health	-	-	-	-	-
Transportation	2,480,508	2,572,093	2,747,299	2,743,266	2,959,337
Economic Assistance and Opportunity	-	-	-	-	-
Culture and Recreation	2,727,235	2,757,202	2,900,410	3,044,484	3,134,389
Home and Community Services	2,612,429	2,264,512	2,211,318	2,111,332	2,425,892
Employee Benefits	16,898,632	17,243,804	16,984,950	16,364,647	16,050,436
Contingency	337,490	631,000	350,000	330,000	-
Debt Service	97,400	309,614	728,144	574,721	721,330
Total Expenditures	$ 56,739,159	$ 58,004,803	$ 59,517,391	$ 61,066,779	$ 62,093,114
Excess of Revenues Over (Under) Expenditures	5,662,052	5,666,085	6,190,607	4,734,354	4,633,395
Other Financing Sources (Uses):					
Apporpriation of Prior Year's Fund Balance	-	-	-	-	-
Other Budgetary Purposes					
Operating Transfers In	872,116	995,726	526,863	578,432	644,000
Operating Transfers Out	(6,534,168)	(6,661,811)	(6,717,470)	(5,312,786)	(5,277,395)
Total Other Financing	(5,662,052)	(5,666,085)	(6,190,607)	(4,734,354)	(4,633,395)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	-	-	-
FUND BALANCE					
Fund Balance - Beginning of Year	-	-	-	-	-
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	$ -	$ -	$ -	$ -	$ -

Source: Budgets of the City. This Appendix is not itself audited.

CHANGES IN FUND EQUITY - SEWER FUND

Fiscal Years Ending March 31:	2011	2012	2013	2014	2015
SEWER FUND					
Net Position - Beginning of Year	$ 16,634,391	$ 15,098,151 [1]	$ 14,178,706	$ 13,246,976	$ 12,490,071
Prior Period Adjustments (net)	-	-	(337,143)	-	
Revenues & Other Sources	2,240,074	1,672,903	2,185,242	2,247,940	2,455,352
Expenditures & Other Uses	(2,319,896)	(2,592,348)	(2,779,829)	(3,004,845)	(2,739,859)
Net Position - End of Year	16,554,569	14,178,706	13,246,976	12,490,071	12,205,564

[1] Restated.

Source: Audited financial reports. This Appendix is not itself audited.

BONDED DEBT SERVICE

Fiscal Year Ending March 31st	Principal	Interest	Total
2017	$ 4,437,600	$ 1,627,842.71	$ 6,065,442.71
2018	4,617,035	1,440,601.59	6,057,636.59
2019	4,735,000	1,290,351.46	6,025,351.46
2020	4,450,000	1,131,274.46	5,581,274.46
2021	3,575,000	1,000,677.21	4,575,677.21
2022	3,470,000	893,601.46	4,363,601.46
2023	3,560,000	785,813.71	4,345,813.71
2024	3,660,000	668,076.46	4,328,076.46
2025	3,790,000	542,706.46	4,332,706.46
2026	3,075,000	429,086.46	3,504,086.46
2027	1,770,000	348,079.81	2,118,079.81
2028	1,055,000	296,248.01	1,351,248.01
2029	535,000	267,240.96	802,240.96
2030	555,000	249,711.46	804,711.46
2031	565,000	231,084.66	796,084.66
2032	580,000	211,743.86	791,743.86
2033	595,000	191,466.80	786,466.80
2034	310,000	175,221.80	485,221.80
2035	315,000	163,187.60	478,187.60
2036	320,000	150,770.30	470,770.30
2037	330,000	137,493.50	467,493.50
2038	335,000	123,801.80	458,801.80
2039	345,000	109,902.66	454,902.66
2040	355,000	95,588.60	450,588.60
2041	360,000	80,859.66	440,859.66
2042	370,000	65,498.46	435,498.46
2043	380,000	49,710.56	429,710.56
2044	390,000	33,495.96	423,495.96
2045	395,000	16,854.66	411,854.66
TOTALS	$ 49,229,635	$ 12,807,993.10	$ 62,037,628.10

CITY OF UTICA
ONEIDA COUNTY, NEW YORK

GENERAL PURPOSE FINANCIAL STATEMENTS

AND SUPPLEMENTARY SCHEDULES

March 31, 2015

Such Financial Report and opinions were prepared as of date thereof and have not been reviewed and/or updated in connection with the preparation and dissemination of this Official Statement.

CONTENTS

(Continued)

C O N T E N T S (Continued)

(Continued)

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

December 28, 2015

To the Honorable Mayor and
Common Council of the City of Utica, New York:

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Utica, New York (City), as of and for the year ended March 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of March 31, 2015, 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.

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(Continued)

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INDEPENDENT AUDITOR'S REPORT (Continued)

Report on Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and the schedule of funding progress for other post-employment benefits 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.

Report on Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2015 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 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.

Bonadio & Co., LLP

This Management's Discussion and Analysis (MD&A) of the City of Utica, New York (the City) provides a financial performance overview of the City's activities for the year ended March 31, 2015. This document should be read in conjunction with the City's financial statements which begin on page 11.

Following the MD&A are the basic financial statements of the City together with the notes thereto which are essential to a full understanding of the data contained in the financial statements.

The City has a land area of approximately 16.6 square miles and a population of approximately 62,000, and is located in the Mohawk Valley of New York State.

FINANCIAL HIGHLIGHTS

- The City's governmental net position decreased $2,143,191 as a result of this year's governmental activity, which is illustrated in the Statement of Activities.
- The City's $81.1 million in governmental expenses were funded by charges for services, grants, and general revenue as illustrated in the Statement of Activities.
- The Capital Projects Fund and the Debt Service Fund ended the year with deficits of $3.3 million and $168,000, respectively.
- The Other Post Employment Benefit (OPEB) obligation for the City as of March 31, 2015 increased to $19.9 million which is detailed in the notes to the financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a set of financial statements. The Statement of Net position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements begin thereafter. For governmental activities, these statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

REPORTING THE CITY AS A WHOLE

Our analysis of the City as a whole begins with the Statement of Net position. One of the most important questions asked about the City's finances is, "Is the City, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a manner that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

REPORTING THE CITY AS A WHOLE (Continued)

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

In the Statement of Net position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities – The City's basic services are reported here, including police, fire, DPW, sewer, recreation, transportation, and economic assistance and opportunity. Property taxes, sales taxes, franchise fees, and state and federal grants finance most of these activities.

- Business type activities – The City's business type activities are those that the City charges customers to provide. These include sewer and the business park services offered by the City.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Our analysis of the City's major funds provides detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond covenants. Additionally, the City Common Council may establish other funds to help it control and manage resources for particular purposes. The City has three types of funds – Governmental, Fiduciary, and Proprietary.

- Governmental funds – Most of the City's basic services are reported in Governmental Funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for expenditure. These funds are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash, as well as liabilities that will be paid using these resources. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be expended in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds in reconciliations to the fund financial statements.

- Fiduciary funds - Used to account for assets held by the City as an agent for individuals, private organizations, other governmental units, and/or other funds.

- Proprietary funds – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net position and the Statement of Activities. In fact, the City's enterprise fund (a component of proprietary funds) is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

THE CITY AS A WHOLE

The City's combined net position decreased $2.6 million to $85.6 million. Net position may serve over time as one useful indicator of a government's financial condition. A significant portion of the City's net position is invested in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment) less outstanding debt used to acquire those assets. The City uses these assets to provide services to citizens; consequently these assets are not available for future spending.

Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

Table 1 Net Position (In Millions)

	Governmental Activities		Business- Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	$ 39.0	$ 43.5	$ 8.5	$ 8.8	$ 47.5	$ 52.3
Capital assets	125.6	128.5	28.2	25.4	153.8	153.9
Total assets	$ 164.6	$ 172.0	$ 36.7	$ 34.2	$ 201.3	$ 206.2
Deferred outflows of resources	$ 1.1	$ 1.2	$ -	$ -	$ 1.1	$ 1.2
Long-term debt outstanding	$ 69.2	$ 67.1	$ 5.5	$ 5.5	$ 74.7	$ 72.6
Other liabilities	23.1	30.5	18.7	15.9	41.8	46.4
Total liabilities	$ 92.3	$ 97.6	$ 24.2	$ 21.4	$ 116.5	$ 119.0
Deferred inflows of resources	$ -	$ -	$ 0.2	$ 0.1	$ 0.2	$ 0.1
Net position:						
Investment in capital assets, net of related debt	$ 73.4	$ 81.5	$ 22.7	$ 19.9	$ 96.1	101.4
Restricted	0.3	1.6	-	(0.1)	0.3	1.5
Unrestricted	(0.4)	(7.6)	(10.5)	(7.2)	(10.9)	(14.8)
Total net position	$ 73.4	$ 75.5	$ 12.2	$ 12.6	$ 85.5	$ 88.1

THE CITY AS A WHOLE (Continued)

Table 2 Changes in Net Position (In Millions)

	Governmental Activities		Business Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Program revenue:						
Charges for services	$ 4.3	$ 4.0	$ 2.7	$ 2.2	$ 6.9	$ 6.2
Operating grants	10.7	12.0	-	-	10.7	12.0
Capital grants	2.2	2.3	-	-	2.2	2.3
General revenue:						
Real property taxes	25.8	24.1	-	-	25.8	24.1
Real property tax items	2.4	2.2	-	-	2.4	2.2
Non-property tax items	14.5	14.3	-	-	14.5	14.3
Use of money and property	0.9	0.9	-	-	0.9	0.9
Sale of property and compensation for loss	1.0	1.5	-	-	1.0	1.5
Miscellaneous local sources	0.6	1.1	-	-	0.6	1.1
Interfund revenue	0.5	0.3	(0.1)	-	0.3	0.3
State and federal aid	15.9	17.4	-	-	15.9	17.4
Total revenues	78.7	80.1	2.5	2.2	81.3	82.3
Program expenses:						
General governmental support	8.6	10.9	-	-	8.6	10.9
Public safety	47.6	40.5	-	-	47.6	40.5
Transportation	4.1	7.3	-	-	4.1	7.3
Culture and recreation	4.4	4.4	-	-	4.4	4.4
Home and community services	14.2	14.4	2.9	3.0	17.2	17.4
Interest	2.1	1.7	-	-	2.1	1.7
Total expenses	81.0	79.2	2.9	3.0	83.8	82.2
Change in net position	$ (2.4)	$ 0.9	$ (0.4)	$ (0.8)	$ (2.5)	$ 0.1

THE CITY AS A WHOLE (Continued)

Table 3 presents the cost of each of the City's four largest governmental functions: public safety, home and community services, general support, and transportation – as well as each program's net cost (total cost less revenue generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

Table 3
Governmental Activities (In Millions)

	2015		2014	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Public safety	$ 47.6	$ 44.6	$ 40.5	$ 37.9
Home and community services	14.2	3.4	14.4	2.6
General support	8.6	8.0	10.9	9.7
Transportation	4.1	1.6	7.3	4.8
Totals	$ 74.5	$ 57.6	$ 73.1	$ 55.0

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet) reported a combined fund balance of $3.8 million which was a $1.8 million increase from the prior year. Included in this year's total fund balance are deficits of $3.3 million and $168,000 in the City's Capital Project and Debt Service Funds, respectively

An overview of the Governmental Funds results for 2015 follows. This includes more detailed information about sources and uses of funds.

THE CITY'S FUNDS (Continued)

Table 4 - Governmental Funds
Summary of Revenue and Expenditures (In Millions)

	2015 Revenue	2015 % of Total	2014 Revenue	2014 % of Total
Real property taxes	$ 26.6	33.4%	$ 24.0	29.9%
Real property tax items	2.4	3.0%	2.2	2.7%
Sales and use taxes	14.5	18.2%	14.3	17.8%
Departmental income	3.6	4.5%	3.5	4.4%
Intergovernmental charges	0.2	0.2%	0.1	0.1%
Use of money and property	0.9	1.1%	0.9	1.1%
Licenses and permits	0.4	0.5%	0.3	0.4%
Fines and forfeitures	0.7	0.9%	0.7	0.9%
Sale of property and comp. for loss	1.1	1.4%	1.6	2.0%
Miscellaneous local sources	0.7	0.8%	1.2	1.5%
Federal and state aid	28.6	35.9%	31.6	39.3%
Total revenue	$ 79.7	100.0%	$ 80.4	100.0%

	2015 Expenditures	2015 % of Total	2013 Expenditures	2013 % of Total
General governmental support	$ 5.8	7.0%	$ 7.6	9.6%
Public safety	28.4	34.6%	25.7	32.5%
Transportation	5.2	6.4%	4.7	5.9%
Culture and recreation	2.8	3.4%	2.8	3.5%
Home and community services	12.4	15.1%	13.3	16.8%
Employee benefits	20.3	24.7%	18.0	22.8%
Debt service - principal	5.3	6.5%	5.2	6.6%
Debt service - interest	1.9	2.3%	1.7	2.2%
Total expenditures	$ 82.1	100.0%	$ 79.0	100.0%

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual charges to appropriations (expenditures) were $288,403 greater than the final budget amounts.

Resources available for appropriation were $272,447 greater than the final budgeted amount.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At March 31, 2015, the City had $153.8 million invested in a broad range of capital assets including equipment, buildings, roads, and bridges (see Table 5 below).

Table 5 Capital Assets at Year End (In Millions)

	Governmental Activities 2015
Assets not depreciated	$ 42.2
Land improvements	32.8
Construction	60.9
Infrastructure	177.9
Machinery and equipment	12.8
Vehicles	13.1
Accumulated depreciation	(214.1)
Totals	$ 125.6

Debt

The City's long term debt activity is as follows:

	Balance at April 1, 2014	Increase	Decrease	Balance at March 31, 2015
Governmental activity:				
Serial Bonds	$ 37,358,515	$ 1,936,000	$ 4,506,071	$ 34,788,444
Capital leases	4,678,807	201,067	676,842	4,203,032
Loans payable	1,500,000	-	250,000	1,250,000
Bond anticipation note	-	2,000,000	-	2,000,000
Remediation costs	6,148,000	-	-	6,148,000
Judgements and settlements	-	879,608	-	879,608
Retirement incentive loans	4,691,619	-	1,547,850	3,143,769
Other post employment benefits	17,207,975	5,707,829	3,038,589	19,877,215
Compensated absences	1,821,436	133,037	-	1,954,473
Total governmental long-term debt	$ 73,406,352	$ 10,857,541	$ 10,019,352	$ 74,244,541

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City weighs a multitude of factors when preparing budget estimates and setting fees for services. A number of these factors deal with the economy. Though individual unemployment statistics are not available for the City, the most current unemployment rate for the Utica-Rome Metropolitan Statistical Area stood at 4.7% as of October 2015. This compared favorably with New York State's average of 4.8% for the same period and favorably with 5.4% for the area in October 2014. Inflationary trends for the City remain in line with national indices.

The City continues to be exposed to significantly material health care and retirement costs, and these issues have had a major impact on the current budget and will continue to affect future budget estimates. Actual General Fund expenditures for the City, for the 2014-15 fiscal year, included $6,456,644 for retirement and $9,651,275 for health care. Health care costs increased by approximately 9% year over year, due to the City opting to pay its premiums on a contingent basis. The contingent basis takes into account actual utilization. Last year the City saved 7% of the premium due to this option. Additionally, the City opted to amortize $600,000 of its retirement obligation under the NYS Original Contribution Stabilization Program. That is down from the $1,504,205 that the City amortized in the prior fiscal year. General Fund budget figures for the 2015-16 City budget include $ 5,651,789 in anticipated retirement costs and $9,037,819 in health care costs.

Non-management employees are represented by four labor unions. All contracts are current. The Police Benevolent Association has a contract that expires on March 31, 2016. The C.S.E.A. contract expires on March 31, 2017. Both the Fire Fighters Association and the Teamsters contracts expire on March 31, 2018. Current medical coverage for employees is provided as dictated by the union contracts.

Sales tax proceeds for the 2014-15 fiscal year totaled $12,980,270 and were right on target with budget projections of $12,964,610. The City's sales tax estimate for the 2015-16 fiscal year has been budgeted at $13,391,225, approximately 3.2% over prior year actuals. The City stayed under the New York State Property Tax Cap for the 2015-16 fiscal year with no budgeted tax increase.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the:

City of Utica
Office of the City Comptroller
1 Kennedy Plaza
Utica, NY 13502
(315) 792-0100

CITY OF UTICA

STATEMENT OF NET POSITION
MARCH 31, 2015

	Governmental Activities	Business-Type Activities
ASSETS:		
CURRENT ASSETS:		
Cash	$ 14,600,632	$ 7,225,634
Taxes receivable, net of allowance	3,320,808	-
Accounts receivable, net of allowance	-	621,193
Loans receivable	11,399,633	-
State and federal receivables, net of allowance	2,849,297	-
Due from other governments	6,549,066	-
Due from other funds	227,177	607,066
Prepaid expenses	38,560	-
Inventory	25,307	-
Total current assets	39,010,480	8,453,893
NONCURRENT ASSETS:		
Capital assets, net	125,576,170	28217,167
Total assets	164586,650	36,671060
DEFERRED OUTFLOWS OF RESOURCES		
Advance refunding deposit with escrow agent	1,056,124	-
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	1,413,618	197,825
Accrued expenses	3,037,349	61,882
Accrued interest	428,219	-
Other liabilities	6,133	-
Current portion of long-term debt	5,083,112	443,648
Due to other funds	648,261	132,489
Due to other governments	4,510,015	-
Revenue anticipation notes payable	4,900,000	17,849,245
Bond anticipation notes payable	3,092,100	-
Total current liabilities	23,118,807	18,685,089
LONG-TERM LIABILITIES:		
Bonds and notes payable	34,849,101	5,486,878
Remediation	6,148,000	-
Settlements and judgements	879,608	-
Capital leases	4,203,032	-
HUD section 108 loans	1,250,000	-
Compensated absences	1,954,473	31,687
Other post-employment benefits	19,877,215	-
Total long-term liabilities	69,161429	5,518,565
Total liabilities	92,280,236	24,203,654
DEFERRED INFLOWS OF RESOURCES		
Relevied sewer rents	-	231,842
NET POSITION		
Net investment in capital assets	73,448,825	22,730,289
Restricted	309,000	-
Unrestricted	(395,287)	(10,494,725)
TOTAL NET POSITION	$ 73,362,538	$ 12,235,564

The accompanying notes are an integral part of these statements.

CITY OF UTICA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2015

		Program Revenues			Net (Expense) Revenue and Changes in Net Position	
PRIMARY GOVERNMENT:	Expenses	Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business Type Activities
Governmental activities:						
General governmental support	$ 8,628,219	$ 596,677	$ -	$ -	$ (8,031,542)	$ -
Public safety	47,577,031	2,974,598	-	-	(44,602,433)	-
Transportation	4,102,064	269,525	-	2,219,514	(1,613,025)	-
Culture and recreation	4,428,212	249,564	-	-	(4,178,648)	-
Home and community services	14,237,786	194,214	10,685,664		(3,357,908)	-
Interest	2,083,068	-	-	-	(2,083,068)	-
Total governmental activities	81,056,380	4,284,578	10,685,664	2,219,514	(63,866,624)	-
BUSINESS TYPE						
Sewer and Business Park	2,939,929	2,655,422	-	-	-	(284,507)
Total	$ 2,939,929	$ 2,655,422	$ -	$ -	$ -	$ (284,507)
GENERAL REVENUE:						
Real property taxes					25,819,923	-
Real property tax items					2,415,412	-
Non-property tax items					14,485,292	-
Use of money and property					896,500	-
Sale of property and compensation for loss					1,036,684	-
Miscellaneous local sources					561,876	-
Interfund revenue					489,778	-
State and federal aid					15,873,221	-
Interfund transfers					144,747	(144,747)
Other sources					-	25
Total general revenue					61,723,433	(144,722)
Change in net position					(2,143,191)	(429,229)
Net position - beginning of year					75,505,729	12,664793
Net position - end of year					$ 73,362,538	$ 12,235,564

The accompanying notes are an integral part of these statements.

CITY OF UTICA

BALANCE SHEET - GOVERNMENTAL FUNDS
MARCH 31, 2015

	General	Community Development	Capital Projects	Debt Service	Non-major Funds	Total
ASSETS:						
Cash	$ 10,475,167	$ 1,421,429	$ 1,150,344	$ -	$ 1,553,692	$ 14,600,632
Taxes receivable, net of an allowance for uncollectible taxes of $1,644,074	3,320,808	-	-		-	3,320,808
Accounts receivable	676,212	-	-	-	-	676,212
Loans receivable, net	-	10,683,215	-	-	40,206	10,723,421
Due from other funds	1,294,056	192,844	38,000	-	108,322	1,633,222
State and federal receivables	2,849,297	-		-	-	2,849,297
Due from other governments	5,847,152	701,914	-	-	-	6,549,066
Prepaid expenditures	38,560	-	-	-	-	38,560
Inventory	25,307	-	-	-	-	25,307
	$ 24,526,559	$ 12,999,402	$ 1,188,344	$ -	$ 1,702,220	$ 40,416,525
LIABILITIES:						
Accounts payable	$ 989,962	$ 160,462	$ 251,988	$ -	$ 16,566	$ 1,418,978
Accrued expenses	2,815,547	22,330	25,762	167,569	6,141	3,037,349
Due to other funds	295,743	582,609	1,092,737	-	83,217	2,054,306
Due to other governments	4,510,015	-	-	-	771	4,510,786
Revenue anticipation note payable	4,900,000	-	-	-	-	4,900,000
Bond anticipation notes payable	-	-	3,092,100	-	-	3,092,100
Total liabilities	13,511,267	765,401	4,462,587	167,569	106,695	19,013,519
DEFERRED INFLOWS OF RESOURCES:	5,965,106	11,629,246	-	-	-	17,594,352
FUND BALANCE:						
Nonspendable						
Inventory	25,307	-	-	-	-	25,307
Prepaid expenditures	38560	-	-	-	-	38,560
Total nonspendable fund balance	63,867	-	-	-	-	63,867
Restricted						
Restricted for special purposes	-	309,000	-	-		309,000
Total restricted fund balance	-	309,000	-	-	-	309,000
Assigned						
Other assigned	-		-	-	1,595,525	1,595,525
Total assigned fund balance	-	-	-	-	1,595,525	1,595,525
Unassigned	4,986,319	295,755	(3,274,243)	(167,569)	-	1,840,262
Total fund balance	5,050,186	604,755	(3,274,243)	(167,569)	1,595,525	3,808,654
	$ 24,526,559	$ 12,999,402	$ 1,188,344	$ -	$ 1,702,220	$ 40,416,525

The accompanying notes are an integral part of these statements

CITY OF UTICA

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND EQUITY - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2015

	General	Community Development	Capital Projects	Debt Service	Non-major Funds	Total
REVENUE:						
Real property taxes	$ 26,596,917	$ -	$ -	$ -	$ -	$ 26,596,917
Real property tax items	2,415,412	-	-	-	-	2,415,412
Non-property tax items	14,485,292	-	-	-	-	14,485,292
Departmental income	2,898,778	267,559	-	-	449,394	3,615,731
Intergovernmental charges	155,095	-	-	-	-	155,095
Use of money and property	406,755	443	-	-	489,302	896,500
Licenses and permits	403,367	-	-	-	-	403,367
Fines and forfeitures	698,844	-	-	-	-	698,844
Sale of property and compensation for loss	513,398	-	-	-	523,286	1,036,684
Miscellaneous local sources	549,098	2,477	-	-	10,301	561,876
Interfund revenues	489,778	-	-	-	-	489,778
State aid	17,445,882	2,743	2,006,399	-	-	19,455,024
Federal aid	135,547	8,707,154	213,115	-	-	9,055,816
Total revenue	67,194,163	8,980,376	2,219,514	-	1,472,283	79,866,336
EXPENDITURES:						
General governmental support	5,703,392	-	52,706	800	-	5,756,898
Public safety	28,432,952	-	-	-	-	28,432,952
Transportation	2,576,274	-	2,667,095	-	-	5,243,369
Culture and recreation	2,385,476	-	-	-	423,880	2,809,356
Home and community services	1,856,412	9,201,844	806,590	-	535,448	12,400,294
Employee benefits	19,927,235	384,452	-	-	-	20,311,687
Debt service - principal	-	-	-	5,311,744	-	5,311,744
Debt service - interest	477,212	-	-	1,401,486	-	1,878,698
Total expenditures	61,358953	9,586,296	3,526,391	6,714,030	959,328	82,144,998
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	5,835,210	(605,920)	(1,306,877)	(6,714,030)	512,955	(2,278,662)
OTHER SOURCES (USES):						
Proceeds from issuance of debt	2,201,067	-	-	-	-	2,201,067
BANs redeemed from appropriations	-	-	1,936,000	-	-	1,936,000
Interfund transfers in	526,863	144,747	905,215	6,771,204	-	8,348,029
Interfund transfers (out)	(6,751,232)	(867,215)	(57,972)	-	(526,863)	(8,203,282)
Total other sources (uses)	(4,023,302)	(722,468)	2,783,243	6,771,204	(526,863)	4,281,814
REVENUE AND OTHER SOURCES (UNDER) OVER EXPENDITURES AND OTHER USES	1,811,908	(1,328,388)	1,476,366	57,174	(13,908)	2,003,152
FUND EQUITY (DEFICIT) - beginning of year	3,238,278	1,933,143	(4,750,609)	(224,743)	1,609,433	1,805,502
FUND EQUITY (DEFICIT) - end of year	$ 5,050,186	$ 604,755	$ (3,274,243)	$ (167,569)	$ 1,595525	$ 3,808,654

The accompanying notes are an integral part of these statements.

CITY OF UTICA

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES
March 31, 2015

Fund balance - All governmental funds	$ 3,808,654
Amounts reported for governmental activities in the statement of net position are different due to the following:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	125,576,170
Long-term liabilities, including bonds payable and other debt, are not due and payable in the current period and are, therefore, not reported in the funds.	(51,533,245)
Deferral of income earned in the current year is recognized as revenue under the accrual basis of accounting.	17,594,352
Deposit with escrow agent	1,056,124
Other post employment benefits are recognized as a liability under full accrual accounting.	(19,877,215)
Long-term compensated absences are not due and payable in the current period and, therefore, not reported in the funds	(1,954,473)
Judgements and settlements are not considered payable in the current period and, therefore, not reported in the funds	(879,608)
Debt interest expenditures are recorded on cash basis in the funds but on the accrual basis of accounting for government activities.	(428,221)
Net position of governmental activities	$ 73,362,538

The accompanying notes are an integral part of these statements.

CITY OF UTICA

RECONCILIATION OF THE STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND EQUITY - GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2015

Net changes in fund equity - Total governmental funds	$ 2,003,152
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position	3,908,727
Depreciation is not recorded as a expenditure in the governmental funds, but is recorded in the statement of activities	(6,794,224)
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position	6,980,763
Deferred loan revenue is recognized in full	(320,900)
Reduction of deposit with escrow agent	(96,012)
Proceeds from issuance of long-term debt are recorded as an other source in the governmental funds, but are recorded as additional liabilities in the statement of net position	(3,936,000)
Property tax revenue is recorded to the extent it is received within 60 days of year-end for governmental funds, but in the statement of activities, this revenue is recorded as earned upon levy	102,614
Settlement of PILOT tax payable in the future but settled in the current year is recorded as an expense in the statement of activities but not in the governmental funds	(879,608)
Proceeds related to capital leases	(201,067)
Accrued post employment benefits, long-term portion of compensated absences, and settlements and claims do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds	(2,802,277)
Interest is accrued on the outstanding bonds on the statement of net position but is not recorded as an expenditure in the government funds	(108,359)
Change in net position - Governmental activities	$ (2,143,191)

The accompanying notes are an integral part of these statements.

CITY OF UTICA

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
MARCH 31, 2014

ASSETS:	Sewer Fund	Business Park	Total
Current assets:			
Cash	$ 7,225,634	$ -	$ 7,225,634
Accounts receivable	621,193	-	621,193
Due from other funds	607,066	-	607,066
Total current assets	8,453,893	-	8,453,893
Capital assets	28,187,167	30,000	28,217,167
	$ 36,641,060	$ 30,000	$ 36,671,060
LIABILITIES:			
Current liabilities:			
Accounts payable	$ 197,825	$ -	$ 197,825
Accrued liabilities	61,882	-	61,882
Due to other funds	132,489	-	132,489
Current portion of long-term debt	443,648	-	443,648
Total current liabilities	835,844	-	835,844
Bond anticipation notes payable	17,849,245	-	17,849,245
Bonds payable	5,486,878	-	5,486,878
Compensated absences	31,687	-	31,687
Total long-term liabilities	23,367,810	-	23,367,810
Total liabilities	24,203,654	-	24,203,654
DEFERRED INFLOWS OF RESOURCES			
Relieved sewer rents	231,842	-	231,842
NET POSITION:			
Net investment in capital assets	22,700,289	30,000	22,730,289
Restricted	(231,842)	-	(231,842)
Unrestricted	(10,262,883)	-	(10,262,883)
Total net position	12,205,564	30,000	12,235,564
	$ 36,641,060	$ 30,000	$ 36,671,060

The accompanying notes are an integral part of these statements.

CITY OF UTICA

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2015

	Sewer Fund	Business Park	Total
Operating revenue:			
Charges for services	$ 2,655,422	$ -	$ 2,655,422
Total operating revenue	2,655,422	-	2,655,422
Operating expenses:			
Personal services	638,551	-	638,551
Employee benefits	633,706	-	633,706
Contractual services	564,698	-	564,698
Depreciation	902,904	-	902,904
Total operating expenses	2,739,859	-	2,739,859
Income (Loss) from operations	(84,437)	-	(84.437)
Non-operating revenue (expense):			
Transfer (out)	-	(144,747)	$ (144,747)
Debt principal	-	-	-
Interest expense	(200,070)	-	(200,070)
Interest income	-	25	25
Total non-operating revenue	(200,070)	(144,722)	(344,792)
Excess (deficiency) of revenue over expenses before transfers	(284,507)	(144,722)	(429,229)
Net position - beginning of year	12,490,071	174,722	12,664,793
Net position - end of year	$ 12,205,564	$ 30,000	$ 12,235,564

The accompanying notes are an integral part of these statements.

CITY OF UTICA

STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPES
FOR THE YEAR ENDED MARCH 31, 2015

CASH FLOW FROM OPERATING ACTIVITIES:	Sewer Fund	Business Park	Total
Cash received from providing services	$ 2,361,034	$ -	$ 2,361,034
Cash payments for contractual expenses	(528,653)	-	(528,653)
Cash payments for personal services and benefits	(1,266,327)	-	(1,266,327)
Net cash provided (used) by operating activities	566,054	-	566,054
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal paid on debt	(398,959)	-	(398,959)
Proceeds from issuance of bonds	488,000	-	488,000
Interest paid on debt	(200,070)	-	(200,070)
Proceeds of BAN issuance	10,875,523	-	10,875,523
Repayment of BANs	(8,213,000)	-	(8,213,000)
Additions, net of disposals, to capital assets	(3,746,054)	-	(3,746,054)
Net cash used by capital and related financing activities	(1,194,560)	-	(1,194,560)
CASH FLOW FROM INVESTING ACTIVITIES:			
Investment and other income	-	(144,722)	(144,722)
Net cash flow from investing activities	-	(144,722)	(144,722)
CHANGE IN CASH	(628,506)	(144,722)	(773,228)
CASH - beginning of year	7,854,140	144,722	7,998,862
CASH - end of year	$ 7,225,634	$ -	$ 7,225,634
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
(Loss) from operations	$ (84,437)	$ -	$ (84,437)
Depreciation	902,904	-	902,904
Change in:			
Accounts receivable	(261,207)	-	(261,207)
Due from other funds	(187,154)		(187,154)
Accounts payable	124,581	-	124,581
Due to other funds	(37,539)		(37,539)
Accrued expenses	(50,997)	-	(50,997)
Compensated absences	5,930	-	5,930
Deferred revenue	153,973	-	153,973
Net cash flow provided (used by) operating activities	$ 566,054	$ -	$ 566,054

The accompanying notes are an integral part of these statements.

CITY OF UTICA

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
March 31, 2015

	Private Purpose Trusts	Agency
ASSETS:		
Cash	$ 110,644	$ 1,363,333
Due from other funds	-	21,128
Total assets	110,644	1,384,461
LIABILITIES:		
Due to other funds	-	74,621
Other liabilities	-	1,309,840
Total liabilities	$ -	$ 1,384,461
NET ASSETS:		
Unassigned	$ 110,644	

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2015

	Private Purpose Trusts
ADDITIONS:	
Investment earnings	$ 29,644
Total additions	29,644
NET INCREASE	29,644
NET ASSETS - beginning of year	81,000
NET ASSETS - end of year	$ 110,644

The accompanying notes are an integral part of these statements.

1. NATURE OF OPERATIONS

City of Utica, New York (the City) was incorporated in 1832, and is governed by its Charter, General Municipal Law and other laws of the State of New York (and various local laws and ordinances).

The Common Council, which consists of nine elected council members, serves as the legislative body and carries out certain administrative duties for the City. The Mayor serves as chief executive officer and the Comptroller serves as chief fiscal officer of the City. The Mayor and Comptroller are each elected for four- year terms.

The Board of Estimate and Apportionment (E & A) serves as the administrative body responsible for overseeing the overall operations of the City. The Board of E & A consists of the Mayor, an appointed Common Council member, the City's chief engineer, the City's Comptroller, and the President of the Common Council.

The following basic services are provided: police, fire, public works, sewer, recreation, parks, and economic assistance and opportunity grants. All governmental activities and functions performed for the City are its direct responsibility.

Reporting Entity

The reporting entity consists of (a) the primary government which is City of Utica, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The decision to include a potential component in the City's reporting entity is based on several criteria set forth in generally accepted accounting principles including legal standing, fiscal dependency, and financial accountability, selection of governing authority, ability to significantly influence operations, and the primary government's economic benefit from resources of the affiliated entity.

Based on the application of these criteria, the following is a brief review of certain entities considered in determining the City's reporting entity as a whole. These activities are included as component units of the primary government.

<u>Blended Component Unit</u>

Blended Component Units, although legally separate entities, are, in substance, part of the government's operations, therefore, data from these units are combined with data of the primary government.

Utica Urban Renewal Agency – The Utica Urban Renewal Agency (the Agency) provides redevelopment and stabilization programs to properties and communities within the City. Properties are either acquired by the Agency or rehabilitated on the City's behalf. Funding for programs is obtained through Federal grants and loans, and proceeds from sale or rental of properties owned by the Agency.

1. **NATURE OF OPERATIONS (Continued)**
Reporting Entity (Continued)

Blended Component Unit (Continued)

The Agency is considered a component unit of the City since a voting majority of the Agency's governing body consists of City officials and the Agency provides financial benefits or may impose financial burdens on the City. The Mayor is the chairman of the Agency and may appoint two other board members. The City Engineer and the chairman of the Planning Board are also board members. The Common Council has authority to designate two of its members to sit on the Agency's board. The Agency recognizes a March 31 fiscal year end.

Other Component Unit

The Utica Industrial Development Agency (IDA) is a component unit of the City. It is not considered material to the City as a whole and therefore is not presented as a part of the City's financial statements.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

The City's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities; and fund level financial statements which provide a more detailed level of information.

Government-Wide Financial Statements

The statement of net position and the statement of activities present financial information about the City's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenue, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the City's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenue includes charges paid by the recipients of goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue.

Fund Financial Statements

The City uses funds to maintain its accounting records. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
Basis of Presentation (Continued)

Fund Financial Statements (Continued)

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

The accounts of the City are organized into funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenue, and expenditures. The various funds are summarized by type in the financial statements. Significant transactions between funds within a fund type have been eliminated. The fund types and account groups used by the City are as follows:

Governmental Fund Types

Governmental funds are those in which most governmental functions of the City are reported. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities (except those accounted for in the proprietary and fiduciary funds) are accounted for through the governmental funds. The measurement focus is upon determination of changes in financial position rather than upon determination of net income. The following are the City's governmental fund types:

The City utilizes the following major funds:

- General Fund - The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in other funds.
- Community Development Fund - Established to account for the expenditures relating to the restricted resources from the Department of Housing and Urban Development.
- Debt Service Fund - Established to account for current payments of principal and interest on long-term debt, other than that accounted for in the business type activities.
- Capital Projects - The capital projects fund is used to account for financial resources used for the acquisition or construction of major capital projects (other than those reported in the proprietary fund type).

The City utilizes the following non-major funds:

- Permanent Fund – Established to account for the capital trust funds which the City is able to use the earnings on the principal for capital improvements.
- Recreation Fund - The recreation fund is used to account for the activities of the City's golf course.
- Urban Renewal Agency Fund – Established to account for the proceeds from sales or rentals of Agency owned property as well as state and federal grants and loans.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
Basis of Presentation (Continued)

Fund Financial Statements (Continued)

Proprietary Fund Types

Proprietary funds are used to account for the City's on-going activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income. The City maintains the following proprietary funds:

- Business Park

  The Fund accounts for the development and leasing of commercial properties and land sales for private commercial development of the City's Business Park.

  Capital grants are a non-revenue source of funds for the Business Park and are recorded as additions to contributed capital. Fixed assets are recorded at cost and depreciated on a straight-line basis over their estimated useful lives from 5 to 50 years. Infrastructure costs are removed from the Fund as a charge to unreserved fund balance for those infrastructure costs financed with capital grants or loans. The City has previously sold a majority of its assets in the Business Park to a private realty company.

- Sewer Fund

  The Fund accounts for sewer services to residents and businesses in the City. The fund recognizes capital grants as a non-revenue source of funds. Fixed assets are depreciated on a straight-line basis over their estimated useful lives of 5 to 50 years.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the City as an agent for individuals, private organizations, other governmental units, and/or other funds.

The City's fiduciary funds are presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, deferred compensation participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The City has two types of fiduciary funds:

- Private Purpose Trust Funds

  The Fund accounts for trust arrangements in which principal and income benefits third parties.

- Agency Funds

  The Fund accounts for those activities that are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the City as agent for various payroll or employee withholding.

Basis of Accounting and Measurement Focus
Measurement focus refers to what is being measured, whereas basis of accounting refers to when revenues and expenditures are recognized. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting and Measurement Focus (Continued)

The City-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources focus means all assets and all liabilities associated with the operation (whether current or non-current) of the City are included in the Statement of Net position and the Statement of activities presents increases (revenues) and decreases (expenses) in total assets. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions in which the City gives or receives value without directly receiving or giving equal value in exchange include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are included in the balance sheet. Under the modified accrual basis of accounting, revenue is recorded when it is susceptible to accrual, i.e. both measurable and available. Available means collectible within the current period or soon enough thereafter (within 60 days of year-end) to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, pension contributions, and compensated absences, are recorded when the liability is incurred, if measurable.

In applying the susceptible-to-accrual concept to state and federal aid, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of this revenue. In one, monies must be expended on the specific purpose or project before any amounts are recorded as revenue by the City; therefore, revenue is recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are generally reflected as revenue at the time of receipt.

Sales taxes collected and held by the state at year-end on behalf of the City are also recognized as revenue. Other revenue, except for property taxes (see Note 6), is recorded when received in cash because it is generally not measurable until actually received.

The accrual basis of accounting is used by the proprietary funds. Under the accrual basis of accounting, revenue is recorded when earned and expenses are recorded when incurred.

The City-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions in which the City gives or receives value without directly receiving or giving equal value in exchange include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Data

General Budget Process

Annual budgets are adopted annually on a basis generally consistent with U.S. GAAP, except for Community Development Fund and Capital Projects which adopt project length budgets. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year. The budget is amended by the Legislature for increased grants or State aid received during the year.

The General, Community Development, Permanent, and Other Governmental Funds have legally adopted budgets. Appropriations for all budgets lapse at fiscal year-end. The General Fund's budget is adopted on a departmental and object level of expenditure basis in which expenditures may not legally exceed appropriations on a departmental and object of expenditure level. The Debt Service Fund's budget consists primarily of transfers from the General and the Other Fund budgets for its debt service requirements under related City debt obligations.

Individual governmental fund comparisons of budget and actual data at the legal level of control established by the adopted budget (i.e., minimally at the department and object level) are not presented in this report for those funds with annual adopted budgets due to the excessive detail involved.

The budget policies are as follows:

1. Budgets are adopted annually on a basis consistent with the U.S. generally accepted accounting principles. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.
2. No later than February 20 of each year, the Mayor submits a tentative budget to the Board of Estimate and Appropriation for the fiscal year commencing the following April 1. The tentative budget includes proposed expenditures and the means of financing them.
3. Public hearings are conducted to obtain taxpayer comments.
4. The budget as proposed or amended is approved by the Common Council.
5. All budget modifications and transfers require approval from the Board of Estimate and Appropriation.
6. Encumbrance Accounting – Purchase orders, contracts, and other commitments for expenditure of monies for budgetary control purposes are recorded in order to reserve that portion of the applicable appropriation. Encumbrances outstanding at year-end are reported as reservations of fund balance if neither expenditures nor liabilities exist.

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Open encumbrances at year-end are reported as assigned reservations of fund balances since the commitments do not constitute expenditures or liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances (continued)

	General Fund
Original adopted budget	$ 65,707,999
Encumbrances carried forward	147,400
Appropriation adjustments	1,066,317
Amended budget	$ 66,921,716

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash

For purposes of reporting the statement of cash flows, the City includes all cash accounts and certificates of deposit that are not subject to withdrawal restrictions or penalties as cash on the accompanying balance sheet.

Accounts Receivable

Governmental Funds

The City establishes an allowance for doubtful accounts based on a review of outstanding amounts and the past history of collections. All trade accounts and property taxes receivable are shown net of an allowance for doubtful accounts.

Due To/From Other Funds

The amounts reported on the government funds balance sheet for due to and due from other funds represents amounts due between different fund types (general, community development, sewer, and capital projects funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year end is provided subsequently in these notes.

Prepaid Expenditures

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the fund and government-wide statements. The consumption method is used to account for these costs.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to March 31, 2007. For assets acquired prior to March 31, 2007 estimated historical costs were used. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts) are $5,000. Depreciation methods, and estimated useful lives of capital assets reported in the City-wide statements are as follows:

Construction	40 Years
Land Improvements	10-40 Years
Machinery and Equipment	5-15 Years
Infrastructure	20-50 Years
Vehicles	5-15 Years

Deferred Outflows and Inflows

In addition to assets and liabilities, the Statement of Net Position will sometimes report a separate section for deferred outflows and inflows of resources. These separate financial statement elements, deferred outflows and inflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of inflow of resources (expenses/expenditure/revenues) until then. The government has two items that qualifies for reporting in this category. The deferred charge on refunding reported in the government-wide Statement of Net Position results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred revenue of relieved sewer rents reported in the business type activities statement of net position results from timing of receipt of relieved sewer rents.

Compensated Absences

The City employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods. Sick leave eligibility and accumulation is specified in negotiated labor contracts and in individual employment contracts. Upon retirement, resignation, or death, employees may receive a payment based of unused accumulated sick leave, based on contractual provisions. It is the City's policy to accrue all costs associated with earned, but not yet paid, compensated absences of all employees involved in the operations of the City's reporting entity. The total accrued liability for compensated absences relating to the Governmental and Business-Type Activities at March 31, 2015 is $1,954,473 and $31,687, respectively.

Pension Plan

The City participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Retirement Systems (PFRS). ERS and PFRS are cost sharing multiple employer systems that provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York serves as sole trustee and administrative head of the system. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of its funds. The system issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12236.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Post Employment Benefits

In addition to providing retirement benefits, the City provides certain health benefits for retired employees. Substantially all of the City's employees have the option of receiving these benefits that are provided by an insurance company upon retirement. At the fund level, the City recognizes the cost of providing these benefits as the premiums are paid.

Equity Classifications – Government Wide Statements

Equity is classified as net position and displayed in three components:

a) Invested in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

c) Unrestricted net position - all other net position that do not meet the definition of "restricted" or "invested in capital assets.

The City's policy is to use restricted resources prior to utilizing unrestricted funds.

Fund Balance – Governmental Fund Statements

In the fund basis statements there are five classifications of fund balance:

Nonspendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or they are contractually required to be maintained intact. Non-spendable fund balance includes the prepaid items and inventory recorded in the general fund.

Restricted fund balance – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The City has available the following restricted fund balances:

Community development	$	309,000

Committed fund balance – Includes amounts that can be used for the specific purposes pursuant to constraints imposed be formal action of the City's highest level of decision making authority, i.e., the City Common Council. The City has no committed fund balances as of March 31, 2015.

Assigned fund balance – Includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Balance – Governmental Fund Statements (Continued)

Unassigned fund balance - Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the City; or deficit fund balances in any other fund type.

Order of Fund Balance Spending Policy
The City's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as restricted fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

Property Taxes
City property taxes are levied annually no later than March 31st and become a lien on June 1st. Accordingly, property tax is recognized as revenue in the year for which the levy is made, and to the extent that such taxes are received within the reporting period of sixty days thereafter. Delinquent property taxes not collected at year-end (excluding collections in the 60-day subsequent period) are included in deferred inflows.

Insurance
The City assumes the risk for general liability. The City is involved in many pending tort claims against them, the ultimate outcomes of which cannot be reasonably determined. Therefore, judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

Allowance for Uncollectibles
The City has established allowances for certain uncollectible receivables. At March 31, 2015, an allowance of $522,253 for uncollectible loans issued has been recorded in the Community Development Fund.

Sale of Assets
During 1996, the City sold its water facility to an independent governmental agency. The sale consisted of the City receiving $9,000,000 in cash to be held in trust, with interest to fund future capital expenditures; a $7,000,000 note receivable over 40 years, and a $1,000,000 loan payable over 10 years as a reduction of the principal payment of the note receivable. At March 31, 2015, the City has a remaining balance of $5,847,152 recorded as a receivable due from other governments in the General Fund and corresponding deferred inflows.

Deficit Fund Balance
Capital Projects Fund – The deficit fund equity will be eliminated through the redemption of bond anticipation notes or issuance of long term debt.

Debt Service Fund – The deficit fund equity will be eliminated in fiscal 2016 by an interfund transfer.

3. **EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND CITY-WIDE STATEMENTS**

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the City-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND CITY-WIDE STATEMENTS (Continued)

The differences result primarily from the economic focus of the statement of activities, compared with the current financial resources focus of the governmental funds.

Total Fund Balances of Governmental Funds vs. Net position of Governmental Activities

Total fund balances of the City's governmental funds differ from "net position" of governmental activities reported in the statement of net position. This difference primarily results from the additional long-term economic focus of the statement of net position versus the solely current financial resources focus of the governmental fund balance sheets.

Statement of Revenue, Expenditures, and Changes in Fund Balance vs. Statement of Activities

Differences between the governmental funds statement of revenue, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories. The amounts shown below represent:

Long-Term Revenue Differences

Long-term revenue differences arise because governmental funds report revenue only when it is considered "available", whereas the statement of activities reports revenue when earned.

Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the statement of activities.

Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the statement of activities.

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

4. IMPACT OF FUTURE GASB PRONOUNCEMENTS

GASB has issued Statements No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25, and No. 68 Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.* The objective of Statement No. 67 is to improve financial reporting by state and local governmental pension plans. Statement No. 67 replaces the requirements of Statements No. 25 and No. 50 as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria.

Statement No. 68 establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of Statement No. 68, as well as for non-employer governments that have a legal obligation to contribute to those plans. The City is required to adopt the provisions of these Statements for the year ending March 31, 2016 with early adoption encouraged.

4. IMPACT OF FUTURE GASB PRONOUNCEMENTS (Continued)

Accounting Pronouncements Issued Not yet Implemented

In November 2013, the GASB issued Statement No. 71, *Pension Transitions for Contributions Made Subsequent to the Transition Date – an amendment of GASB Statement No. 68.* The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions.* The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The City is required to adopt the provisions of this Statement in conjunction with GASB Statement No. 68, for the year ending March 31, 2016, with early adoption encouraged.

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application.* The objective of this Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The City is required to adopt the provisions of this Statement for the year ending March 31, 2016.

In June 2015, the GASB issued Statement 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* and amends certain provisions of Statement No. 67 *Financial Reporting for Pension Plans.* The objective of this Statement is to improve the usefulness of information about pensions included in general purpose external financial reports of state and local governments for making decisions and accessing accountability. This Statement establishes requirements for defined contribution plans and defined benefit pensions not within the scope of Statement 68, *Accounting and Financial Reporting for Pensions*, as well as, assets accumulated for the purpose of providing for those pensions. Statement 73 also clarifies the application of certain provisions of Statements 67 and 68 with regards to information required to be presented in the notes, accounting and financial information reporting for separately financed specific liabilities and the timing of employer recognition of revenue for the support of non-employer contributing entities not in a special funding situation. The City is required to adopt the provisions of this Statement for the year ending March 31, 2017.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* – a replacement of GASB Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, as amended *and GASB Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.* Also, it includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension plans and Note Disclosures for Defined Contribution Plans,* as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures.* The objective of this Statement is to improve the effectiveness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local government OPEB plans. It provides for decision-useful information, supporting assessments of accountability and inter-period equity, and additional transparency. This statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet specified criteria. The City is required to adopt the provisions of this Statement for the year ending March 31, 2017, with early adoption encouraged.

4. IMPACT OF FUTURE GASB PRONOUNCEMENTS (Continued)

<u>Accounting Pronouncements Issued Not yet Implemented</u> (Continued)

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – a replacement of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* as amended *and* GASB Statement No. 57, OPEB *Measurements by Agent Employers and Agent Multiple-Employer Plans.* The objective of this Statement is to establish standards for recognizing and measuring liabilities, expenditures and deferred inflows of resources related to other postemployment benefit plans (OPEB). In regards to defined benefit OPEB plans, this statement defines the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employment service. This Statement also details recognition and disclosure requirements for employers with payables to defined benefit OPEB plans administered through trusts and for employers whose employees are provided with defined contribution OPEB plans. The City is required to adopt the provisions of this Statement for the year ending March 31, 2018, with early adoption encouraged.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* which supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* paragraphs 64, 74, and 82. Statement No. 76 reduces the number of categories of authoritative generally accepted accounting principles (GAAP) hierarchy and the framework for selecting those principles to two categories. The primary category "Category A" will consist of officially established GASB Statements and GASB Interpretations heretofore issued and currently in effect. The second category "Category B" will consist of GASB Technical Bulletins, GASB Implementation Guides when presented in the form of a *Comprehensive Implementation Guide*, and literature of the AICPA cleared by the GASB. The goal of Statement No. 76 is to help governments apply financial reporting guidance with less variability, therefore improving usefulness and comparability of financial statement information among state and local governments. The City is required to adopt the provisions of Statement No. 76 for the year ending March 31, 2016, and should be adopted retroactively, with early adoption permitted.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures,* which improves financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public presently. Users will be better equipped to understand 1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and 2) the impact those abatements have on a government's financial position and economic condition. The City is required to adopt the provisions of this Statement for the year ending March, 2016, with early implementation encouraged.

The City has not assessed the impact of these statements on its future financial statements.

5. CASH

The City's investment policies are governed by the statutes of the State of New York (State). In addition, the City has its own written investment policy. The City's monies must be deposited in 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. Government and its agencies and obligations of the State of New York.

The City does not typically purchase investments for a long enough duration to cause it to be believed that it is exposed to any material interest rate risk.

For purposes of reporting the statement of cash flows for proprietary fund type, the City includes all cash accounts which are not subject to withdrawal restrictions or penalties as cash.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Generally accepted accounting principles directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance. As of March 31, 2015, all of the City's cash and investment balances were either insured or collateralized with securities held by the pledging financial institution's trust department in the City's name:

	Bank Balance	Carrying Amount
Cash, including trust funds	$ 22,734,813	$ 23,300,243
Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name	$ 21,561,861	
Covered by FDIC insurance	1,172,952	
Total	$ 22,734,813	

6. TAXES AND COLLECTION

City real property taxes are levied annually no later than April 5 and are collected between April and March. The City enforces all delinquent taxes. The City is also responsible for collecting Oneida County taxes for property within the City and guarantees school taxes due to the Utica City School District for properties within the City.

Property tax revenues are recognized as revenues in the year they are levied and collected, as long as they are collected within 60 days subsequent to year end. Property taxes not collected within 60 days subsequent to year end are reported as deferred revenue in the fund financial statements.

Uncollected City, School District and County taxes assumed by the City for collection through March 31, 2015, are $2,794,915 net of $2,753,232 allowance.

6. TAXES AND COLLECTION (Continued)

SALES TAX

The sales tax rate in the City at March 31, 2015, was 8.75%. Tax receipts are allocated between the municipalities as follows:

New York State	4.00%
Oneida County	2.75%
City of Utica	2.00%
Total	8.75%

The City receives 1.5% of its sales tax payments from New York State on a bi-monthly basis and 0.5% from Oneida County on a quarterly basis.

Sales tax revenues are recorded on an accrual basis to the extent that such accrued amounts were received by New York State and Oneida County (the intermediary governments) from vendors through March 31. The City also accrues its portion of such revenue attributable to the current year but not remitted to the State (and ultimately the County) in the subsequent year.

Non-property tax revenues recognized by the General Fund during the year ended March 31, 2015, include approximately $12.9 million in sales tax. This amount includes an accrual of approximately $2.3 million in sales tax collected by the State of New York and the County of Oneida, 60 days after the City's fiscal year, relating to vendor sales which occurred during the 2015 fiscal year.

7. STATE AND FEDERAL RECEIVABLES

Community Development Block Grants:

The City is the recipient of Community Development Block Grants to operate revolving loan funds. These funds are to be loaned to industry and not-for-profit organizations for the purpose of creating and retaining permanent jobs within the City. The balance of loans receivable and deferred inflows at March 31, 2015 of $11,691,935 consists of loans that require periodic payments of principal and interest or interest only for loans that have not been fully drawn down, and have a rate of interest at one-half of prime plus one percent.

8. CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2015, was as follows:

	Balance at April 1, 2014	Additions	Deletions	Balance at March 31, 2015
Governmental Activities:				
Assets not depreciated	$ 42,374,640	$ 3,908,727	$ 4,089,485	$ 42,193,882
Land improvements	30,088,258	2,669,806	-	32,758,064
Construction	60,591,679	290,286	-	60,881,965
Infrastructure	176,969,088	932,331	-	177,901,419
Machinery and equipment	12,634,729	164,418	-	12,799,147
Vehicles	13,122,254	32,644	-	13,154,898
	335,780,648	7,998,212	4,089,485	339,689,375
Less: Accumulated depreciation	207,318,981	6,794,224	-	214,113,205
Total capital assets	$ 128,461,667	$ 1,203,988	$ 4,089,485	$ 125,576,170

	Balance at April 1, 2014	Additions	Deletions	Balance at March 31, 2015
Business Type Activities:				
Assets not depreciated	$ 29,998	$ 3,752,494	$ 119,182	$ 3,663,310
Construction	19,708	-	-	19,708
Infrastructure	38,158,167	119,183	-	38,277,350
Machinery and equipment	578,449	-		578,449
	38,786,322	3,871,677	119,182	42,538,817
Less: Accumulated depreciation	13,418,746	902,904	-	14,321,650
Total capital assets	$ 25,367,576	$ 2,968,773	$ 119,182	$ 28,217,167

The City recognized depreciation expense by function as follows:

General government support	$ 1,155,018
Public safety	2,242,094
Transportation	2,649,747
Culture and recreation	747,365
	$ 6,794,224

9. DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources for governmental funds consist of the following at March 31, 2015:

General Fund	
MVWA loan deferred revenue	$ 5,847,152
MVWA PILOT deferred revenue	15,340
Property tax revenues	102,614
	$ 5,965,106
Community Development	
ERP, Section 108, Façade loan deferred revenue	$ 11,629,246

10. SHORT-TERM DEBT

The City may issue Bond Anticipation Notes, in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date. The City refinances BANs annually. The City also issues Revenue Anticipation Notes as needed for cash flow purposes. The current fiscal year short term debt activity is as follows:

	March 31, 2014	Rate	Issued	Redeemed	March 31, 2015
Governmental activity:					
RAN due 2015	$ 6,900,000	0.25%	$ -	6,900,000	$ -
RAN due 2015	-	0.25%	4,900,000	-	4,900,000
BAN due 2015	2,500,000	1.05%	-	2,500,000	-
BAN due 2015	2,128,000	0.93%	-	2,128,000	-
BAN due 2015	-	0.9%	2,592,100	-	2,592,100
BAN due 2015	2,774,100	0.93%	-	2,774,100	-
BAN due 2016	500,000	1.05%	-	-	500,000
	$ 14,802,100		$ 7,492,100	$ 14,302,100	$ 7,992,100
Business type activity:					
BAN due 2014	$ 496,000	0.93%	$ -	$ 496,000	$ -
BAN due 2015	1,600,000	1.15%	-	1,600,000	-
BAN due 2015	5,880,000	1.05%	-	-	5,880,000
BAN due 2016	-	1.15%	1,600,000	-	1,600,000
BAN EFC	7,210,722	-	3,395,523	237,000	10,369,245
	$ 15,186,722		$ 4,995,523	$ 2,333,000	$ 17,849,245

Total interest expense paid at March 31, 2015 for short-term governmental activity was $320,421 and short-term business activity was $7,571.

11. LONG-TERM LIABILITIES

Noncurrent debt activity is as follows:

	Balance at April 1, 2014	Increase	Decrease		Balance at March 31, 2015	Current	Long-term
Governmental activity:							
Serial Bonds	$ 37,358,515	$ 1,936,000	$ 4,506,071		$ 34,788,444	$ 3,610,352	$ 31,178,092
Capital leases	4,678,807	201,067	676,842		4,203,032	779,460	3,423,572
Loans payable	1,500,000	-	250,000		1,250,000	250,000	1,000,000
Remediation costs	6,148,000	-	-		6,148,000	-	6,148,000
Bond anticipation note	-	2,000,000	-		2,000,000	-	2,000,000
Retirement incentive loans	4,691,619	-	1,547,850		3,143,769	443,300	2,700,469
Judgements and settlements	-	879,608	-		879,608	-	879,608
Other post employment benefits	17,207,975	5,707,829	3,038,589	*	19,877,215	-	19,877,215
Compensated absences	1,821,436	133,037	-	*	1,954,473	-	1,954,473
Total governmental long-tenn debt	$ 73,406,352	$ 10,857,541	$ 10,019,352		$ 74,244,541	$ 5,083,112	$ 69,161,429

	Balance at April 1, 2014	Increase	Decrease		Balance at March 31, 2015	Current	Long-term
Business type activity:							
Serial Bonds	$ 5,841,485	$ 488,000	$ 398,959		$ 5,930,526	$ 443,648	$ 5,486,878
Compensated absences	25,757	5,930	-	*	31,687	-	31,687
Total bsiness type activity long-term debt	$ 5,867,242	$ 493,930	$ 398,959		$ 5,962,213	$ 443,648	$ 5,518,565

*Additions and deletions are shown net because it is impractical to determine these amounts separately.

12. NONCURRENT LIABILITIES

General Obligation Bonds

The City borrows money in order to acquire land or equipment, to construct buildings, or make improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These are long-term liabilities, are secured by the full faith and credit of the local government. General obligation bonds have been issued for both governmental and business-type activities.

12. NONCURRENT LIABILITIES (Continued)

General Obligation Bonds (Continued)

Details relating to the general obligations (serial) bonds of the City outstanding at March 31, 2015, are summarized as follows:

Description	Date Issued	Maturity	Interest Rate	Original Amount	Balance at 03/31/15
Governmental Activity:					
Refunding	2001	2019	3-3.5%	6,190,000	705,000
Improvements	2006	2025	4.25-4.75%	17,852,300	708,520
Improvements	2007	2027	4.375-4.75%	5,243,000	3,912,524
Taxable pension bond	2008	2018	5.125-5.75%	3,450,000	1,600,000
Taxable pension bond	2010	2021	3.75-4.75%	1,730,000	1,155,000
Improvements	2010	2025	3.50%	8,724,000	6,830,000
Refunding	2012	2019	2.00%	5,965,000	4,065,510
Refunding	2013	2026	2-4%	14,591,460	13,875,920
Improvements	2014	2026	.5-3%	1,936,000	1,936,000
Total long term bonds				$ 65,681,760	$ 34,788,474

Description	Date Issued	Maturity	Interest Rate	Original Amount	Balance at 03/31/15
Business type:					
Improvements	2006	2025	4.25-4.75%	17,582,300	176,480
Improvements	2007	2027	4.375-4.75%	2,000,000	1,492,476
Refunding	2012	2019	2.00%	272,332	194,490
Refunding	2013	2026	2-4%	3,768,540	3,579,080
Improvements	2014	2026	.5-3%	488,000	488,000
Total long term bonds				$ 24,111,172	$ 5,930,526

Annual debt service for general obligation debt is as follows:

	Governmental		Business-Type	
	Principal	Interest	Principal	Interest
2016	$ 3,610,352	$ 1,132,624	$ 443,648	$ 195,294
2017	3,612,476	992,193	462,524	176,194
2018	3,721,361	882,066	473,639	164,718
2019	3,818,223	754,188	486,777	149,539
2020	3,504,777	621,937	505,223	130,575
2021-2025	13,168,374	1,738,304	2,551,626	406,384
2026-2028	3,352,911	132,755	1,007,089	44,543
	$ 34,788,474	$ 6,254,067	$ 5,930,526	$ 1,267,247

12. NONCURRENT LIABILITIES (Continued)

Loans Payable

The City has obtained Section 108 guaranteed loans which are used to revitalize businesses within the City of Utica. Loans outstanding at March 31, 2015 are as follows:

Interest rate	Issued	Maturity	Outstanding
4.46-7.96%	1993/2003	2020	$ 1,250,000

Principal and interest on the Section 108 loans are due as follows:

Maturity	Principal	Interest
2016	250,000	88,890
2017	250,000	69,307
2018	250,000	49,600
2019	500,000	39,752
	$ 1,250,000	$ 247,549

Capital Lease Payable

The City is the lessee of fire equipment, ambulances and highway equipment under capital leases which expires at various times through 2024. The assets and liabilities under the capital lease are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. The assets are included with capital assets and are depreciated over the life of the lease.

Depreciation of assets under capital leases is included in depreciation expense as reported on the government wide statements. Minimum future lease payments under capital leases as of March 31, 2015 are as follows:

Maturity	Amount
2016	$ 779,460
2017	779,457
2018	776,775
2019	720,723
2020	384,968
2021-2024	1,220,402
	$ 4,661,785
Interest	458,752
	$ 4,203,033

12. NONCURRENT LIABILITIES (Continued)

The City entered into an Energy Performance Contract Municipal Lease/Purchase Agreement in which the City leases certain energy conservation improvements. The City will pay approximately $240,000 for a term of fifteen years with the initial payment made April 15, 2009.

Other Long-Term Liabilities

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

Compensated Absences – Compensated absences represent unused vacation and compensatory time payable in the future. The balance at March 31, 2015, was $1,954,473 in the governmental activities and $31,687 in the business-type activities.

Remediation Costs – The Leland Avenue dump site, owned by the City, was determined by the City's outside engineers to contain toxic waste contaminants. The City's outside engineers estimate the costs to decontaminate the site to be approximately $6,148,000. The City has recorded a liability in this amount to reflect the anticipated remediation costs.

Retirement Incentive Loans

The City has taken advantage of an early retirement incentive program offered by the Retirement Systems. The following represent liabilities for the early retirement incentives to be financed over ten years.

Description	Issued	Maturity	Rate	Outstanding
ERS	2012	2022	3.75%	$ 144,191
ERS	2013	2023	3%	475,979
ERS	2014	2024	3.67%	480,908
PFRS	2012	2022	3.75%	262,168
PFRS	2013	2023	3%	884,441
PFRS	2014	2024	3.67%	896,082
				$ 3,143,769

12. NONCURRENT LIABILITIES (Continued)

Retirement Incentive Loans (Continued)

The following is the future debt service requirements associated with the retirement incentives:

2016	$	443,300
2017		443,301
2018		443,301
2019		443,301
2020		443,300
2021-2023		1,445,242
		3,661,745
Less: interest		517,976
	$	3,143,769

Total interest paid on all debt was:

Cash paid	$	1,654,849
Accrued		428,219
Total interest	$	2,083,068

Advance Refundings

On August 16, 2001, the City issued $6,190,000 in general obligation bonds with an average interest rate of 3.00% to 5.50% to advance refund $4,950,000 of outstanding 1996 serial bonds with an average interest rate of 8.50%. The net proceeds of $5,921,618 (after payment of $268,382 in underwriting fees, insurance, and other issuance costs) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all the future debt service payments on the bonds. As a result, the 1996 serial bonds are considered to be defeased, and the liability for those bonds has been removed from the City's financial statements. At March 31, 2015, the balance of the advanced refunded bonds was $705,000.

On March 15, 2007, the City issued $4,310,000 in general obligation bonds with an average interest rate of 4.25% to advance refund $3,995,000 of outstanding 2000 serial bonds with an average interest rate of 6.00% to 6.25%. The net proceeds of $4,298,118 (after a reoffering premium of $128,946 and payment of $140,829 in underwriting fees, insurance, and other costs) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all the future debt service payments of the bonds. As a result, the 2000 serial bonds are considered to be defeased, and the liability for those bonds has been removed from the City's financial statements. This refunding decreases total debt services payments over the next nine years by $133,867 resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $118,122. At March 31, 2015, the balance of the advanced refunded bonds was defeased.

12. NONCURRENT LIABILITIES (Continued)

Advance Refundings (Continued)

On March 15, 2012, the City issued $5,965,000 in general obligation bonds with an average interest rate of 2% to advance refund $5,400,000 of outstanding 2004 serial bonds with an average interest rate of 4.25%. The net proceeds of $5,750,000 were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all the future debt service payments of the bond. As a result, the 2003 serial bonds are considered to be defeased, and the liability for those bonds has been removed from the City's financial statements. At March 31, 2015, the balance of the advanced refunded bonds was $4,260,000.

On February 6, 2013, the City issued $18,360,000 in general obligation bonds with an average interest rate of 3% to advance refund $5,400,000 of outstanding 2004 serial bonds with an average interest rate of 5% and $11,395,000 of outstanding $2006 serial bonds with an average interest rate of 4.75%. The net proceeds of $1,533,625 (after a reoffering premium of $234,434 and payment of $265,809 in underwriting fees, insurance, and other costs) were used to purchase United States government securities as an escrow requirement. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all the future debt service payments of the bonds. Amounts not refunded as March 31, 2013 was the 2013 maturity of the balance of the 2004 bond of $295,000 and the 2013, 2014 and 2015 maturity of the balance of the 2006 bond of $2,550,000. This refunding decreases total debt services payments over the term of the debt by $1,131,076 resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $906,983. At March 31, 2015, the balance of the advanced refunded bonds was $17,455,000.

13. RETIREMENT BENEFITS

Plan Description

The City participates in the New York State and Local Employees' Retirement System (ERS), and the Public Employees' Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits, as well as death and disability benefits. Obligations of employers and employees to contribute benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems.

The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information.

That report may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

<u>Funding Policy</u>

The System is noncontributory for the employees who joined prior to July 27, 1976. For employees who joined the Systems after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the Systems more than ten years are no longer required to contribute. For employees who joined after January 1, 2010 and prior to April 1, 2012, employees contribute 3% of their salary throughout their active membership. For employees who joined after April 1, 2012, employees contribute 3% of their salary until April 1, 2013 and then contribute 3% to 6% of their salary throughout their active membership. The Comptroller certifies the rates expressed as proportions of members' payroll annuaiiy which are used in computing the contributions required to be made by employers to the pension accumulation fund.

13. RETIREMENT BENEFITS (Continued)

Plan Description (Continued)

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

		ERS		PFRS
2015	$	1,325,008	$	4,784,942
2014	$	1,831,995	$	5,597,379
2013	$	1,839,656	$	5,786,984

The City's contribution made to the Systems was equal to 100 percent of the contributions required for each year.

Since 1989, the System's billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989 (which otherwise were to have been paid on June 30, 1989 and 1990, respectively) over a 17-year period, with an 8.5% interest factor added.

14. OTHER POST EMPLOYMENT BENEFITS

Plan Description

The City provides post employment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contract negotiated between the City and its employee groups. Substantially all of these employees may become eligible for these benefits if they reach normal retirement age while working for the City. Currently, approximately 224 retirees meet those requirements. The City pays 75-90% of the cost of premiums, depending on contract group, to an insurance company that provides the health care insurance.

The City provides post employment health insurance, vision insurance, etc. coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the City's contractual agreements.

Funding Policy

The City recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. The City recognized the cost of providing benefits for the year ended March 31, 2015, by recording approximately $608,240 of insurance premiums for currently enrolled retirees as an expenditure.

14. OTHER POST EMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with generally accepted accounting principles. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year plus the amortization of the unfunded actuarial accrued liability over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Retirement Plan, and the changes in the City's net OPEB obligation:

Annual required contribution	$ 6,104,718
Interest on net OPEB obligation	688,319
Adjustment to annual required contribution	(1,085,208)
Annual OPEB cost (expense)	5,707,829
Contributions made	(3,038,589)
Increase in net OPEB obligation	2,669,240
Net OPEB obligation—beginning of year	17,207,975
Net OPEB obligation—end of year	$ 19,877,215

The following table provides trend information for the Plan:

Fiscal Year Ended	Annual OPEB Cost	OPEB Cost Contributed	% of Cost Contributed	Net OPEB Obligation
2013	$ 5,121,010	$ 3,613,065	70.6%	$ 15,556,939
2014	$ 5,259,285	$ 3,608,249	68.6%	$ 17,207,975
2015	$ 5,707,829	$ 3,038,589	53.2%	$ 19,877,215

Funded Status and Funding Progress

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the OPEB 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 OPEB Plan is currently not funded.

14. OTHER POST EMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions

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

In the March 31, 2015 actuarial valuation, the following methods and assumptions were used:

Actuarial cost method	Projected unit credit
Discount rate*	4.0%
Unfunded actuarial accrued liability:	
Amortization period	24 years
Amortization method	Level dollar closed
Amortization basis	Open

* As the plan is unfunded, the assumed discount rate considers that the City's investment assets are low risk in nature, such as money market funds or certificates of deposit.

15. INTERFUND TRANSACTIONS

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources primarily to provide services. The governmental funds financial statements generally reflect such transactions as transfers whereas the proprietary funds record such transactions as non-operating revenues or expenses. The City generally maintains its cash in few accounts, whereby the City pools its cash to provide both cash flow and interest income maximization across the City as a whole.

The City also loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing of or other services.

	Interfund		Interfund	
	Receivable	Payable	Revenue	Expenditures
Governmental Funds:				
General	$ 1,294,056	$ 295,743	$ 526,863	$ 6,751,232
Community Development	192,844	582,609	144,747	867,215
Capital Projects fund	38,000	1,092,737	905,215	57,972
Debt Service	-	-	6,771,204	-
Recreation	21,025	51,122	-	-
Urban Renewal	87,297	32,095	-	-
Permanent	-	-	-	526,863
Business Type Activities:				
Sewer	607,066	132,489	-	-
Business Park	-	-	-	144,747
Fiduciary:				
Trust and Agency	21,126	74,619	-	-
	$ 2,261,414	$ 2,261,414	$ 8,348,029	$ 8,348,029

16. COMMITMENTS AND CONTINGENCIES

Judgments and Claims

The City is party to various legal proceedings which normally occur in governmental operations. The outcome of these proceedings is not expected to have material effect on the financial condition of the City and management considers its reserves for judgments and claims to be adequate.

HUD Monitoring Report

On September 27, 2012, the US Department of Housing & Urban Development (HUD) issued a 2012 Compliance Monitoring Report for the City's CDBG, HOME, ESG and HPRP Programs. The Report included 8 findings which required the submission of additional information within 60 days of the issuance of the Report. The City submitted all responses within the required time line and is currently awaiting a final response from HUD as to the status of the findings. The findings are of such a nature that if any or all of the City's responses are deemed insufficient to rectify the finding's HUD could make a potential demand for reimbursement by the City of up to $619,666 either to HUD or the City Programs noted. At the date of this audit report, there has been no decision made on the adequacy of the City's responses, nor has any notice of demand for repayment by HUD been issued with regards to the 2012 Compliance Monitoring Report.

17. SUBSEQUENT EVENTS

BOND AND BAN ISSUANCE

The City has issued the following debt subsequent to year end:

		Amount	Issued	Due	Rate
BOND	$	3,887,600	5/6/2015	2016-2032	2.75%-3.25%
BAN	$	6,682,500	5/6/2015	5/6/2016	1.50%

LEASES

The City lease equipment and vehicles in June 2015 amounting to $603,467 at 1.76% percent with a five year amortization.

The City leased equipment and vehicles in June 2015 amounting to $2,561,080 at 2.23% percent with a ten year amortization.

SETTLEMENTS

On or about July 12, 2013 the City of Utica received $370,000 from the Philadelphia Insurance Company for the settlement of certain lawsuits connected to the former Community Housing Development Corporation (CHDO), GroWest, Inc. The settlement was deemed by the United States Department of Housing and Urban Development (HUD) as a non-federal source of funds for the purpose of repaying activities deemed ineligible as a result of the demise of GroWest, Inc. On or about September 13, 2013 $142,360 was transferred to the City of Utica HOME Program Trust Account under the authorization of HUD for the repayment of funds associated with two (2) GroWest activities deemed to be ineligible. The remaining funds associated with the settlement are being held while the City of Utica awaits the final determination associated with a 2012 Monitoring of activities associated with GroWest, Inc.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF UTICA

STATEMENT OF REVENUE, EXPENDITURES, ENCUMBRANCES, AND CHANGES IN FUND EQUITY - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2015

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUE:				
Real property taxes	$ 25,977,930	$ 25,977,930	$ 26,596,917	$ 618,987
Real property tax items	2,133,845	2,133,845	2,415,412	281,567
Non-property taxes	14,548,360	14,548,360	14,485,292	(63,068)
Departmental income	2,880,315	2,880,315	2,898,778	18,463
Intergovernmental charges	118,669	118,669	155,095	36,426
Use of money and property	369,020	369,020	406,755	37,735
Licenses and permits	324,850	324,850	403,367	78,517
Fines and forfeitures	765,000	765,000	698,844	(66,156)
Sale of property and compensation for loss	367,500	393,236	513,398	120,162
Miscellaneous local sources	76,000	83,802	549,098	465,296
Interfund revenue	572,661	572,661	489,778	(82,883)
State sources	17,573,849	18,171,658	17,445,882	(725,776)
Federal sources	-	582,370	135,547	(446,823)
Total revenue	65,707,999	66,921,716	67,194,163	272,447
EXPENDITURES:				
General government support	6,316,437	5,945,290	5,703,392	241,898
Public safety	25,607,140	27,249,304	28,432,952	(1,183,648)
Transportation	2,730,817	2,683,871	2,576,274	107,597
Culture and recreation	2,792,752	2,638,445	2,385,476	252,969
Home and community services	2,097,589	1,990,315	1,856,412	133,903
Employee benefits	19,264,513	20,088,658	19,927,235	161,423
Debt service - principal and interest	708,144	474,667	477,212	(2,545)
Total expenditures	59,517,392	61,070,550	61,358,953	(288,403)
EXCESS OF REVENUE OVER EXPENDITURES	6,190,607	5,851,166	5,835,210	(15,956)
OTHER SOURCES (USES):				
Proceeds from issuance of debt	-	201,067	2,201,067	2,000,000
Interfund transfers in	526,863	526,863	526,863	-
Interfund transfers (out)	(6,717,470)	(6,755,470)	(6,751,232)	4,238
Total other sources (uses)	(6,190,607)	(6,027,540)	(4,023,302)	2,004,238
REVENUE AND OTHER SOURCES OVER EXPENDITURES, ENCUMBRANCES, AND OTHER USES	-	(176,374)	1,811,908	1,988,282
FUND EQUITY - beginning of year	3,238,278	3,238,278	3,238,278	-
FUND EQUITY - end of year	$ 3,238,278	$ 3,061,904	$ 5,050,186	$ 1,988,282

CITY OF UTICA

SCHEDULE OF FUNDING PROGRESS - OTHER POST-EMPLOYMENT BENEFITS
FOR THE YEAR ENDED MARCH 31, 2015

Valuation Date	Value of Plan Assets	AAL Entry Age	Unfunded ALL	Funded Ratio	Covered Payroll	UAAL % of Payroll
2013	$ -	$ 56,156,346	$ 56,156,346	0%	n/a	n/a
2014	$ -	$ 56,680,229	$ 56,680,229	0%	n/a	n/a
2015	$ -	$ 60,404,892	$ 60,404,892	0%	n/a	n/a

The accompanying notes are an integral part of these statements.

REQUIRED REPORTS UNDER OMB CIRCULAR A-133

CITY OF UTICA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass through Number	Federal Expenditures
U.S. Department of Justice:			
Passed through New York State Division of Criminal Justice Services:			
Violence Against Women Formula Grants	16.588	VW13564542	$ 36,613
Direct Awards:			
JAG Program Cluster			
Edward Byrne Memorial Justice Assistance Program	16.738	N/A	46,289
Total JAG Program Cluster			82,902
Bulletproof Vest Partnership Program	16.607	N/A	25,223
Project Safe Neighborhoods	16.609	N/A	11,849
Equitable Sharing Program	16.922	N/A	30,785
Total U.S. Department of Justice			150,759
U. S. Department of Housing and Urban Development			
Direct Awards:			
CDBG Entitlement Grants Cluster			
Community Development Block Grants/Entitlement Grants	14.218	N/A	3,051,861
Total CDBG Entitlement Grants Cluster			3,051,861
Home Investments Partnerships Program	14.239	N/A	546,892
Section 8 Housing Choice Vouchers	14.871	N/A	6,664,573
Emergency Shelter Grants Program	14.231	N/A	227,298
Total Department of Housing and Urban Development			10,490,624
U.S. Environmental Protection Agency			
Passed through New York State Environmental Facilities Corporation:			
Capitalization Grants for Clean Water State Revolving Funds	66.458	C6-6076-05-00	3,393,110
Total U.S. Environmental Protection Agency			3,393,110
U.S. Department of Transportation:			
Passed through New York State Department of Transportation:			
Highway Planning and Construction	20.205	2650(113)	48,059
Direct Awards:			
Federal Transit Capital Investment Grant	20.500	N/A	40,826
Total U.S. Department of Transportation			88,885
U.S. Department of Homeland Security			
Direct Award:			
Disaster Grant - Public Assistance	97.036	N/A	44,370
Homeland Security Grant Program	97.067	N/A	1,360
Total U.S. Department of Homeland Security			45,730
Total Expenditures of Federal Awards			$ 14,169,108

The accompanying notes are an integral part of this schedule.

1. GENERAL

The schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the City of Utica. The City's reporting entity is defined in the City's financial statements. All federal financial assistance received directly from federal agencies, as well as federal assistance passed through from other government agencies, is included on the schedule.

2. BASIS OF ACCOUNTING

The schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, as described in the City's basic financial statements.

3. INDIRECT COSTS

Indirect costs are included in the reported expenditures to the extent that such costs are included in the federal financial reports used as the source document for the data presented.

4. MATCHING COSTS

Matching costs, (i.e. the City's share of certain program costs), are not included in the reported expenditures.

5. LOAN AND LOAN GUARANTEES

The City operates a revolving loan program utilizing federal financial assistance under the U.S. Department of Housing and Urban Development Section 108 Entitlement grant program (CFDA #14.218). Loans outstanding at March 31, 2015 under this program were $1,250,000. For the year ended March 31, 2015, the City disbursed no new loans and received program income from the repayment of loan principal in the amount of $14,121.

The City also operates a loan program utilizing federal financial assistance under the Community Development Block Grants Entitlement Programs (CFDA #14.218). Loans outstanding at March 31, 2015 under this program were $11,559,427. For the year ended March 31, 2015, the City disbursed two new loans, and received program income from the loan repayment of principal in the amount of $241,982.

6. SUB-RECIPIENTS

The City passed the following federal grants to sub-recipients:

Community Development Block Grants		
Boys and Girls Club	14.218	$ 20,000
Johnson Park Center	14.218	13,000
Utica College Young Scholars Program	14.218	25,000
Mohawk Valley Latino Association	14.218	5,920
Compeer of Mohawk Valley	14.218	3,000
Utica Public Library	14.218	5,000
Utica Farmer's Market	14.218	2,500
Utica Safe Schools	14.218	20,000
Parkway Senior Center	14.218	19,500
West Utica Senior Center	14.218	12,000
North Utica Senior Center	14.218	19,500
		$ 145,420
Emergency Shelter Grants		
Family Nurturing Center	14.231	$ 14,657
YWCA Hall House	14.231	40,284
YWCA New Horizons	14.231	17,514
John Bosco House	14.231	17,514
OC Mental Health/Social Science Association	14.231	6,000
Johnson Park Center	14.231	76,488
		$ 172,457
HOME Program		
Rental Rehabilitation (Oneida Square District)	14.239	$ 200,000
New Construction Rental Housing (Roosevelt School)	14.239	150,000
First Time Homebuyer Assistance	14.239	70,000
		$ 420,000

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

December 28, 2015

To the Honorable Mayor and
Common Council of the City of Utica, New York:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Utica as of and for the year ended March 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Utica's basic financial statements and have issued our report thereon dated December 28, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Utica'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 City of Utica's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Utica's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. (2015-001 through 2015-005).

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. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies (2015-006 through 2015-009).

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(Continued)

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Utica'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*.

City of Utica's Response to Findings

The City of Utica's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Utica's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

December 28, 2015

To the Honorable Mayor and
Common Council of the City of Utica, New York:

Report on Compliance for Each Major Federal Program
We have audited the City of Utica's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Utica's major federal programs for the year ended March 31, 2015. The City of Utica's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of the City of Utica's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Utica's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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(Continued)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 (Continued)

Opinion on Each Major Federal Programs
In our opinion, the City of Utica complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2015.

Report on Internal Control over Compliance
Management of the City of Utica is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Utica's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Utica's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Bonadio & Co., LLP

CITY OF UTICA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2015

Section I—Summary of Auditor's Results
Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? __x__ yes ____ no
- Significant deficiency (ies) identified that are not considered to be material weakness (es)? __x__ yes ____ none reported

Noncompliance material to financial statements noted? ____ yes __x__ no

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? ____ yes __x__ no
- Significant deficiency (ies) identified that are not considered to be material weakness (es)? ____ yes __x__ none

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ____ yes __x__ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.239	Home Investment Partnerships Program
14.871	Section 8 Housing Choice Vouchers

Section I—Summary of Auditor's Results (Continued)

Dollar threshold used to distinguish between type A and type B programs:	$425,073	
Auditee qualified as low-risk auditee?	_____ yes	__X__ no

Section II—Financial Statement Findings

Material Weaknesses:

<u>2015-001. Journal Entry Review</u>

Condition: Though there was intermittent written documentation that adjusting journal entries have been reviewed and approved prior to posting for the year ended March 31, 2015, it was not consistent.

Criteria: The City should develop a procedure for general ledger journal entries to be reviewed and approved by management.

Effect: Failure to review and approve general ledger journal entries could lead to erroneous or incorrect amounts being posted to the City's general ledger without being discovered.

Cause: Documented review by management provides the acknowledgement of agreement with the journal entries posted to the general ledger by someone other than the individual performing the task.

Recommendation: The Comptroller or his designee should document the review and approval of general ledger journal entries for accuracy and appropriateness.

Comptroller's Response: Journal entries are reviewed before being posted by the Principal Accounting Supervisor and then reviewed by the Auditor before filing. A more formalized procedure is being implemented.

2015-002. Disbursing and Payroll Accounts

Condition: The Comptroller's Office has not historically posted activity for the disbursing and payroll checking accounts. Approximately $60 million of cash receipts and cash disbursements run through this account on an annual basis.

Criteria: The Comptroller should ensure that this bank account is reconciled monthly and posted to the City's general ledger. Though its purpose is to be a "zero balance" account, there was a balance of funds at March 31, 2015 that could not be reconciled to any particular City fund.

Effect: Assets not recorded to the City's general ledger can lead to inaccurate financial statements.

Cause: Un-reconciled bank accounts can lead to incorrect general ledger information.

Recommendation: All accounts should be accounted for within the City's general ledger.

Comptroller's Response: All accounts are reviewed. A more formalized procedure is being implemented.

2015-003. Capital Projects Fund

Condition: The Comptroller's reconciliation of the Capital Projects Fund does not reconcile to the City's general ledger fund balance.

Criteria: The Comptroller should reconcile the Capital Projects Fund at least annually with the underlying individual capital project information totals.

Effect: The Comptroller establishes a unique project entry for each new capital project and the projects are compiled annually. The total of the open individual capital projects should reconcile to the Capital Projects Fund to ensure that revenues and expenditures are being posted appropriately so that budgets approved by the City Council are met.

Cause: The total of individual open capital project balances does not compare to the total within the City's Capital Project's Fund.

Recommendation: The Comptroller should reconcile no less than annually underlying individual capital project balances with the total presented within the City's financial statements.

Comptroller's Response: The Comptroller's Office will attempt to work more closely with the administration i.e.: engineering and the Urban Renewal Agency to more closely monitor capital projects.

(Continued)

<u>2015-004. Open Capital Projects</u>

Condition: The Comptroller's list of open individual capital projects dates back eleven years with many projects that have either an excess of funds received but not expended or funds expended and not received.

Criteria: The Comptroller should provide a schedule of capital projects for which there is a surplus or deficit to the Mayor and Common Council annually.

Effect: Capital project implementation is performed by various departments throughout City government. An initial budget is developed prior to implementation, but due to unforeseen events, the budget may or should be amended.

Cause: The Comptroller does not have a reconciled current list of open and uncompleted capital projects that compares to the City's general ledger.

Recommendation: The Comptroller should reconcile no less than annually underlying individual capital project balances with the total presented within the City's financial statements to ensure accuracy.

Comptroller's Response: The Comptroller's Office will attempt to work more closely with the administration i.e.: engineering and the Urban Renewal Agency to more closely monitor capital projects.

<u>2015-005. Accounts Receivable Reconciliation – Federal Funds</u>

Condition: The Comptroller and the Department of Community Development does not reconcile federal expenditures applicable to federal grant reimbursement relating to HUD funding.

Criteria: The Comptroller should maintain and compare federally reimbursable expenditures to the associated drawdown schedule.

Effect: Accounts receivable was approximately $569 thousand understated in the City's general ledger because there was no reconciliation of expenditures to the associated reimbursement.

Cause: The Comptroller does not compare expenditures with associated grant revenues to ensure proper receipt of funds due the City.

Recommendation: The Comptroller should reconcile monthly federal reimbursable expenditures with the applicable drawdown schedule to ensure proper accounting treatment within the City's general ledger.

Comptroller's Response: A more formalized approach is being implemented to reconcile federal funds accounts receivable.

(Continued)

Significant Deficiencies

2015-006. Urban Renewal Agency Deposits

Condition: The Comptroller and the Urban Renewal Agency (Agency) perform no oversight, review or reconciliation of Agency deposits placed within the City's Trust Fund.

Criteria: The Comptroller and the Agency should develop a procedure to ensure that all deposits placed with the City by the Agency for the purchase of property are reconciled monthly and any revenues earned are classified and transferred as such to the Agency timely.

Effect: The Agency receives deposits typically amounting to between $250 and $1,000 per property. If the City Council ultimately approves the sale, the deposit is used as a portion of the total sale price and not returned. If the City Council does not approve the sale, the deposit is returned. Neither the Comptroller nor the Agency reconcile and ensure that only deposits for properties for approval or denial by the City Council are maintained in the City's Trust Fund. Therefore, revenue may be under-reported by the Agency during the year within their financial statement.

Cause: No review is performed or list kept of deposits held within the City's Trust Fund on behalf of the Agency by the Comptroller or the Agency.

Recommendation: The Comptroller and the Agency should perform a monthly reconciliation of the deposits held in the City's Trust Fund to ensure revenue earned by the Agency is timely and appropriately transferred from the City to the Agency.

Comptroller's Response: A periodic review of these deposits is done by the Comptroller's Office. The Urban Renewal Agency keeps a detailed list of deposits. After reconciling deposits the money is transferred to the Urban Renewal Agency.

(Continued)

2015-007. FEMA Funding

Condition: The Comptroller performs no review of FEMA funding received.

Criteria: The Comptroller should develop a procedure to ensure that when expenditures are incurred, the associated revenues are posted to the City's general ledger as revenues from prepaid FEMA funding.

Effect: The Comptroller received advanced pre-payments from FEMA for City expenditures related to several rain storms several years ago. The funds were placed into the City's Trust Fund to be transferred to the appropriate City Fund once repairs and storm effects were mitigated by the City. As expenditures are incurred by the City, the City is entitled to move funds placed in the Trust Fund from FEMA prepayment as revenue. Though repairs were expended, revenues earned by the City were not transferred timely.

Cause: No review or reconciliation is performed by the Comptroller over the storm related damages to be reimbursed by the FEMA pre-payment managed by the Department of Engineering.

Recommendation: The Comptroller should perform a monthly reconciliation of FEMA funds held in trust by the Comptroller's Office to ensure revenues are posted when earned.

Comptroller's Response: The Comptroller's Office periodically reviews FEMA funding. A more formalized procedure is being implemented.

2015-008. Indirect Cost Analysis

Condition: The Comptroller performs no review of indirect costs expensed to the Urban Renewal Agency, Sewer and Golf Funds.

Criteria: The Comptroller should develop an analysis to ensure reasonability of indirect cost expensing to the Urban Renewal Agency, Sewer and Golf Funds.

Effect: The Comptroller was unable to substantiate indirect costs reimbursed to the General Fund from the Urban Renewal Agency, Sewer and Golf Funds.

Cause: No review or reconciliation is performed to substantiate indirect cost reimbursements.

Recommendation: The Comptroller should perform a time and expense study to substantiate indirect costs attributable to the Urban renewal Agency, Sewer and Golf Funds.

Comptroller's Response: A more formalized procedure is being implemented to review indirect costs.

2015-009. Payroll Analysis

Condition: The Comptroller performs no regular review or reconciliation of wages paid compared to the hours earned.

Criteria: The Comptroller should develop a plan of review and reconciliation to ensure that wages payable are for hours earned and/or accrued.

Effect: The Comptroller was unable to substantiate that a review is performed of bi-weekly payroll.

Cause: No review or reconciliation is performed to wages paid.

Recommendation: The Comptroller should perform review and reconciliation of all wages paid.

Comptroller's Response: A more formalized procedure is being implemented to review and reconcile wages paid.

Section III—Federal Award Findings and Questioned Costs

None

Financial Statement Findings

2014-001. Documentation for Bank Statement Reconciliations

Condition: Although bank statement reconciliations were prepared for the City's bank accounts (except as noted in Finding 2014-3), we noted no written documentation that the reconciliations had been reviewed or approved by anyone other than the individual performing the initial task.

Status: This finding was not repeated for 2015.

2014-002 Journal Entry Review

Condition: Although general ledger journal entries are reviewed by the Comptroller as part of his review of daily activity posted to the City's general ledger, there is no written documentation that the journal entries had been reviewed and approved.

Status: This finding is repeated for 2015.

2014-003. Reconciliation and Posting of Activity for the Disbursing and Payroll Accounts

Condition: The City has not historically posted activity for the disbursing and payroll bank accounts to the City's general ledger.

Status: This finding is repeated for 2015.

2014-004. Capital Projects Fund

Condition: The Comptroller's reconciliation of the Capital Projects Fund do not reconcile to the City's general ledger fund balance.

Status: This finding is repeated for 2015.

2014-005. Open Capital Projects

Condition: The Comptroller's list of open individual capital projects dates back eleven years with many projects that have either an excess of funds received but not expended or funds expended and not received.

2014-006. Accounts Receivable Reconciliation – Federal Funds

Condition: The Comptroller and the Department of Community Development does not reconcile federal expenditures applicable to federal grant reimbursement relating to HUD funding.

Status: This finding is repeated for 2015.

2014-007. Mohawk Valley Water Authority Billings

Condition: The City performs no oversight, review or reconciliation of billings issued by the Mohawk Valley Water Authority on behalf of the City's Sewer Fund and the collections thereof.

Status: This finding was not repeated for 2015.

(Continued)

2014-008. Urban Renewal Agency Deposits

Condition: The Comptroller and the Urban Renewal Agency (Agency) perform no oversight, review or reconciliation of Agency deposits placed within the City's Trust Fund.

Status: This finding is repeated for 2015.

2014-009. FEMA Funding

Condition: The Comptroller performs no review of FEMA funding received.

Status: This finding is repeated for 2015.

2014-010. Indirect Cost Analysis

Condition: The Comptroller performs no review of indirect costs expensed to the Urban Renewal Agency, Sewer and Golf Funds.

Status: This finding is repeated for 2015.

2014-011. Payroll Analysis

Condition: The Comptroller performs no regular review or reconciliation of wages paid compared to the hours earned.

Status: This finding is repeated for 2015.

(Continued)

2013-5. Oversight or Reconciliation of Mohawk Valley Water Authority Billings

Condition: The City performs no oversight, review or reconciliation of billings issued by the Mohawk Valley Water Authority on behalf of the City's Sewer Fund and the collections thereof.

Status: This finding was not repeated for 2015.

2013-5. Open Capital Projects

Condition: The Comptroller's list of open individual capital projects date back eleven years with many projects that have either an excess of funds received but not expended or funds expended and not received.

Status: This finding is repeated for 2015.

2013-7. Urban Renewal Agency Deposits

Condition: The Comptroller and the Urban Renewal Agency (Agency) perform no oversight, review or reconciliation of Agency deposits placed within the City's Trust Fund.

Status: This finding is repeated for 2015.

2013-8. FEMA Funding

Condition: The Comptroller performs no review of FEMA funding received.

Status: This funding is repeated for 2015.