

**AUDITED
BASIC FINANCIAL STATEMENTS**

CITY OF BATAVIA, NEW YORK

MARCH 31, 2015

CITY OF BATAVIA, NEW YORK

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SECTION A
FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Honorable Members of the City Council
City of Batavia, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Batavia, New York (the 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 City'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 City'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, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule and schedule of funding progress for retiree health plan on pages 3-25, A35 and A36 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.

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 combining and individual non-major fund financial statements, the schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations, and the schedule of state transportation assistance expended, as required by Draft Part 43 of NYCRR, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, the schedule of expenditures of federal awards and the schedule of state transportation assistance expended 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 combining and individual non-major fund financial statements, the schedule of expenditures of federal awards and the schedule of state transportation assistance expended 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 October 2, 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.

Freed Maxick CPAs, P.C.

Batavia, New York
October 2, 2015

Management's Discussion and Analysis

City of Batavia, New York

Fiscal Year ended March 31, 2015

This section of City of Batavia, New York's (the City) annual financial report presents its discussion and analysis of the City's financial performance during the fiscal year ended March 31, 2015. Please read it in conjunction with the City's financial statements, which immediately follow this section. **ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF DOLLARS, UNLESS OTHERWISE INDICATED.**

Preliminary Summary

In the fiscal year ending March 31, 2015, the City continued to maintain a healthy and stable financial position. This is the seventh consecutive year the City has maintained a positive unassigned fund balance. Despite challenges such as slow tax base growth and state mandates (ie. the property tax cap) the City continues to remain fiscally diligent by committing one-time surplus to restricted fund balance for future capital investments.

In reviewing the attached financial statements, it is important to understand the critical points of achievement over the past year that have assisted the City with improving its financial stability. These points include:

- Continued strength in assigned and unassigned fund balance in the general fund and cash growth in water and sewer funds
- Healthy operations in general, water and sewer funds
- The commitment of surplus to reserve funds for one-time equipment purchases and infrastructure and facility improvements
- The formal adoption of fiscal policies such as a Fund Balance Policy, Investment Policy, revised Purchasing Manual and monthly financial monitoring

These efforts along with continued expense monitoring and revenue improvements have assisted in maintaining long term fiscal solvency, while building fund balance and investing in capital equipment, city facilities, and infrastructure.

Financial Highlights

- As shown on page A6, there was an excess of revenues over expenditures of \$860,664 at March 31, 2015. However, after transfers in the amount of \$1,398,737 there was a negative net change in fund balance of \$137,733. This was largely due to \$1,400,000 of planned capital expenditures which utilized restricted and committed fund balances.
- Factors contributing to the general funds excess of revenues over expenditures were primarily due to one-time revenue receipts above budget, and lower than expected expenses. For example:
 - Miscellaneous local sources, which included Video Lottery Terminal Aid were \$220,499 over budget.
 - Healthcare expenditures were \$227,703 under budget.

- The City utilized over \$1,400,000 of reserve and committed funding for capital equipment, compensated absence pay outs, facilities, roads and sidewalks and insurance matters. The general fund budgeted and generated over \$153,000 to further build reserves for anticipated liabilities/costs in future years.
- The City's Purchasing Manual revisions, adopted Fund Balance Policy, Investment Policy and the increase in financial reporting to the City Council, supports the City's commitment to strong fiscal planning.
- New York State AIM (Aid and Incentives for Municipalities) stayed flat in the fiscal year ending March 31, 2015. However, since fiscal year ending March 31, 2011 New York State reduced AIM by 6.9% or \$109,949. Meanwhile, New York State retirement costs have increased 37% or \$404,000 since fiscal year ending March 31, 2009.

While the City has experienced a positive surplus from these budget lines, it should be noted that these budget areas have and are subject to changes from year to year. Consistent with the City budgeting practices of the past, the City should commit these surplus funds to decreasing debt or increasing reserve fund balances for future liabilities such as equipment, facility and infrastructure improvements.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.
- The governmental funds statements tell how basic services such as public safety and transportation were financed in the short term as well as what remains for future spending.
- Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the City's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1

Organization of City of Batavia, New York's Annual Financial Report

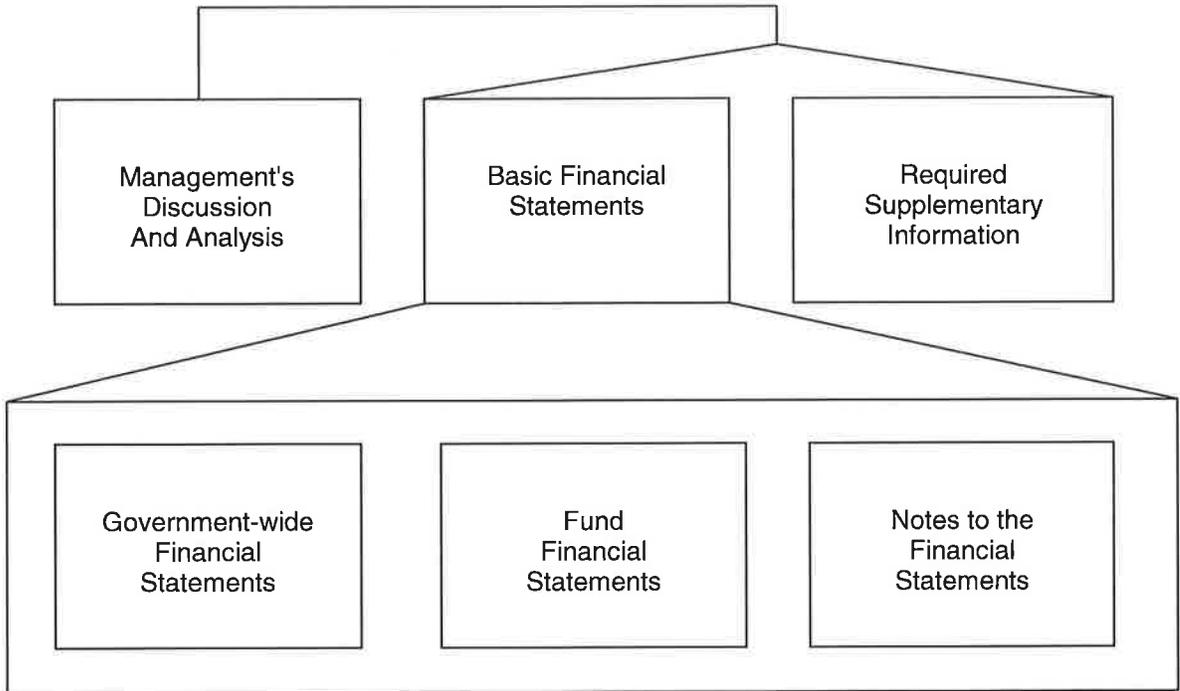


Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
		Fund Financial Statements	
	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire government (except Fiduciary funds)	The activities of the City that are not proprietary or fiduciary, such as public safety and transportation	The activities of the City in which the City charges for services
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and deferred outflows of resources and liabilities and deferred inflows of resources, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; generally no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/out-flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The government-wide financial statements present the financial position of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business type activities separately. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt).

The two government-wide statements report the City's net position and how they have changed. Net position - the difference between the City's assets and liabilities - is one way to measure the City's financial health or financial position.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the City's overall health, one needs to consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's infrastructure and other facilities.

In the Statement of Net Position and the Statement of Activities, the City's activities are separated as follows:

Governmental activities - Most of the City's basic services are reported in this category, including the general government, police, fire, public safety, health, transportation, economic assistance, culture and recreation, home and community services, and refuse and recycling. Property and sales taxes, user fees, interest income, franchise fees, and state and federal grants finance these activities.

Business-type activities - The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's water and sewer activities are reported in this category.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's funds, focusing on its most significant or "major" funds - not the City as a whole. Some funds are required to be established by State law. However, the City Council establishes other funds to control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants or other money.

The City has three kinds of funds:

- **Governmental Funds:** Most of the City's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information provided with the governmental funds statements explains the relationship (or differences) between them.

- Proprietary Funds: These funds are generally used to account for services for which the City charges customers (both external and internal). These funds use accrual accounting, which is the same method used by the private sector. The City of Batavia has two enterprise funds. The City's enterprise funds are the water and sewer funds. Enterprise funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The enterprise fund financial statements provide separate information for each of the enterprise funds, both of which are considered to be major funds of the City.
- Fiduciary Funds: The City is the trustee, or fiduciary, for assets that belong to others, such as deposits. The City is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The City excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the City as a Whole

Over the past few years the City has focused their efforts on proactive financial management and strategic planning emphasizing the City's financial health with specific measured results reviewed every month by City Council. Through these efforts and with multi-year financial planning, the City has committed to and prepared for long-term financial stability and investments.

- The Annual budget. In reflecting on the City's multi-year financial plan, the City has maintained a responsible tax rate. The City continues to closely monitor expenses and conservatively budget revenue. As a result, year ending March 31, 2015 resulted in revenues exceeding expenditures before Other financing sources by \$860,664. While this was due to unexpected revenues and well managed expenditures, such as lower than expected healthcare expenditures from the City's self-insured plan and unexpected position vacancies throughout the City, it should be noted that these budget areas have and are subject to changes from year to year. Consistent with the City budgeting practices of the past, the City should committ these surplus funds to decreasing debt or increasing reserve fund balances for future liabilities such as equipment, facility and infrastructure improvements.
- Strategic use of unexpected revenues and/or surpluses. The City uses one-time revenues/surpluses to offset capital project expenses, build fund balance and reserves, assist in purchasing equipment and improving infrastructure. The City remains cautiously optimistic and budgetarily conservative as major revenue sources such as sales tax and State aid, and expenses such as retirement contributions and healthcare costs continue to be inconsistent. The increase in unassigned fund balance should be paired with the City's fund balance policy and one-time surpluses are recommended to be moved to restricted fund balance to support future equipment, facility and infrastructure needs.
- Investment in City vehicles, equipment, infrastructure and facilities. The City has aggressively accomplished planned capital projects outlined in the Capital Infrastructure Plan (CIP). In addition, the City has completed several sewer infrastructure projects on a cash for capital basis. An Equipment Replacement Plan (ERP) has also been developed to assist with investing in and replacing the City's fleet of vehicles and equipment. The City has also adopted a Parking Lot and Sports Surface Management Plan that provides a 10 year outline of annual investments for City parking lots and sport surface improvements. In the year ending March 31, 2015 the City planned over \$1,400,000 of capital expenditures related to equipment replacement, facility improvements, roads and sidewalk improvements. Continued planning and investment is needed for long-term stable operations, otherwise one-time equipment and emergency purchases, facility repairs and infrastructure replacement may force the City to increase property tax rates, water and sewer rates and/or debt service levels to meet service demands.

- The City's Strategic Plan. The intent of the City's Strategic Plan is to allocate available resources to best meet the needs of City residents, while balancing the environmental factors that may affect us in the future. Created during the fiscal year ending March 31, 2011, the strategic plan began with a survey of citizens that progressed to creating strategic priorities defined by directional statements. Key intended outcomes linked to the strategic priorities with associated performance goals, became the basis for the annual budget and ultimately the City's Business Plan was created. In May 2014 the City was awarded the 2014 Strategic Leadership & Governance Program Excellence Award by the International City/County Management Association. The award recognized the City's Strategic Business Plan as an innovative and successful local government program and process that has significantly affected a local government's organizational strategic direction. In fiscal year ending March 31, 2015 the City Council updated the Strategic Plan outlining new key intended outcomes and performance objectives to align with City resources.

- State Comptroller's Fiscal Stress Initiative. In May 2014 the New York State Comptroller Thomas P. DiNapoli announced the completion of the initial scoring for all local governments and school districts in New York in the Fiscal Stress Monitoring System. Batavia was issued a fiscal stress score of 0% for 2012, 2013 and 2014, the lowest (best) possible score. The City has since calculated a draft 2015 scoring using the fiscal stress indicators utilized by the Comptroller, and the City scoring is again 0%. This further indicates the progress made resulting from the City's planning budgeting and good fiscal management decisions.

- Bond Rating Upgrade. A bond rating upgrade was is an objective outlined in the City's Strategic Plan. On July 19, 2012 Moody's Investors Service upgraded the City's bond rating from "A2" to "A1". The upgrade reflects the City's improved financial position marked by five consecutive years of operating surpluses, as well as, the City's practice of conservative budgeting of both revenues and expenditures. The rating also factors in the City's moderately sized tax base, below average wealth levels and average direct debt level.

- Fund Balance Recovery. In fiscal year ending March 31, 2006 the City's total fund balance was a deficit \$1,302,857. Fiscal year ending March 31, 2015 the City's total fund balance is \$7,137,282. This recovery in fund balance is due to instituting diligent fiscal management and policies, and as a result has provided the City with the wherewithal to make needed capital investments to provide good services to residents. Continued fiscal prudence also provides the City with the ability to balance better economic times with challenging times.

Capital Projects

The Cedar Street Reconstruction project began construction in fiscal year ending March 31, 2014, and was substantially complete by summer 2015. The Summit Street Reconstruction was in final design, when in December 2013, funding was revoked by New York State. In response, the City committed unassigned fund balance to resurfacing the street in 2014; however, reconstruction is still needed to preserve the long-term life of the street. Federal and state funding was reinstated in summer 2015, and the City will be proceeding with the reconstruction project in 2016.

The City utilized \$325,000 for the construction of a new salt barn. The prior salt barn was built in 1977. The City also utilized committed fund balance to complete additional street resurfacing, Ottis and South Jackson St., in addition to budgeted allocations of Consolidated Highway Improvement Program (CHIPs) funding.

Condensed Statement of Net Position
(in thousands of dollars)

	Governmental Activities		Total Percentage Change	Business-Type Activities		Total Percentage Change
	2015	2014		2015	2014	
Current and other assets	\$ 13,683	\$ 14,703	-6.94%	\$ 13,040	\$ 11,200	16.43%
Capital assets, net	21,126	19,299	9.47%	26,657	27,245	-2.16%
Total assets	<u>\$ 34,809</u>	<u>\$ 34,002</u>	<u>2.37%</u>	<u>\$ 39,697</u>	<u>\$ 38,445</u>	<u>3.26%</u>
Long-term liabilities	\$ 11,185	\$ 11,264	-0.70%	\$ 2,439	\$ 2,590	-5.83%
Other liabilities	5,156	6,382	-19.21%	786	1,462	-46.24%
Total liabilities	<u>16,341</u>	<u>17,646</u>	<u>-7.40%</u>	<u>3,225</u>	<u>4,052</u>	<u>-20.41%</u>
Net investment in capital assets	14,570	11,905	22.39%	24,956	25,190	-0.93%
Restricted for:						
Insurance	893	896	-0.33%	-	-	0.00%
Capital projects	2,519	2,015	25.01%	3,677	3,573	2.91%
Retirement contributions	423	387	9.30%	-	-	0.00%
Other purposes	33	33	0.00%	-	-	0.00%
Special grant	398	368	8.15%	-	-	0.00%
Small cities	164	139	17.99%	-	-	0.00%
Repairs	86	56	53.57%	-	-	0.00%
Employee benefit accrued liability	28	41	-31.71%	-	-	0.00%
Unrestricted (deficit)	<u>(646)</u>	<u>516</u>	<u>-225.19%</u>	<u>7,839</u>	<u>5,630</u>	<u>39.24%</u>
Total net position	<u>18,468</u>	<u>16,356</u>	<u>12.91%</u>	<u>36,472</u>	<u>34,393</u>	<u>6.04%</u>
Total liabilities and and net position	<u>\$ 34,809</u>	<u>\$ 34,002</u>	<u>2.37%</u>	<u>\$ 39,697</u>	<u>\$ 38,445</u>	<u>3.26%</u>

Governmental Activities

Governmental activities increased the City's net position by \$2,112,123. Key elements of this increase are as follows:

- Revenues increased by 4.75% and expenses increased by 6.79% when compared to prior year.
- Capital Grant and contributions increased significantly due to reimbursements received for the Cedar and Summit Street Reconstruction projects.
- Non property taxes increased by 1.00% due to unanticipated increase in sales tax revenue.

Business-Type Activities

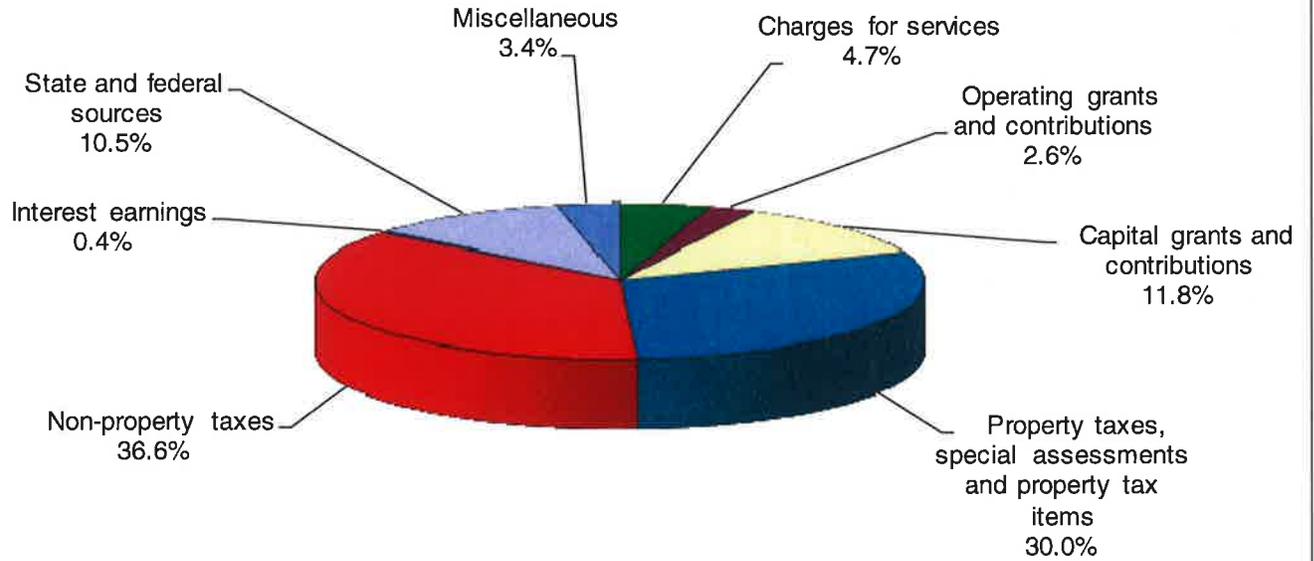
Business-type activities increased the City's net position by \$2,078,863. Key elements of this increase are as follows:

- The sale of sewer plant capacity to the Town of Batavia for over \$2,000,000.
- Water rents decreased \$78,206 when compared to prior year due to lower water consumption than prior year larger volume users.

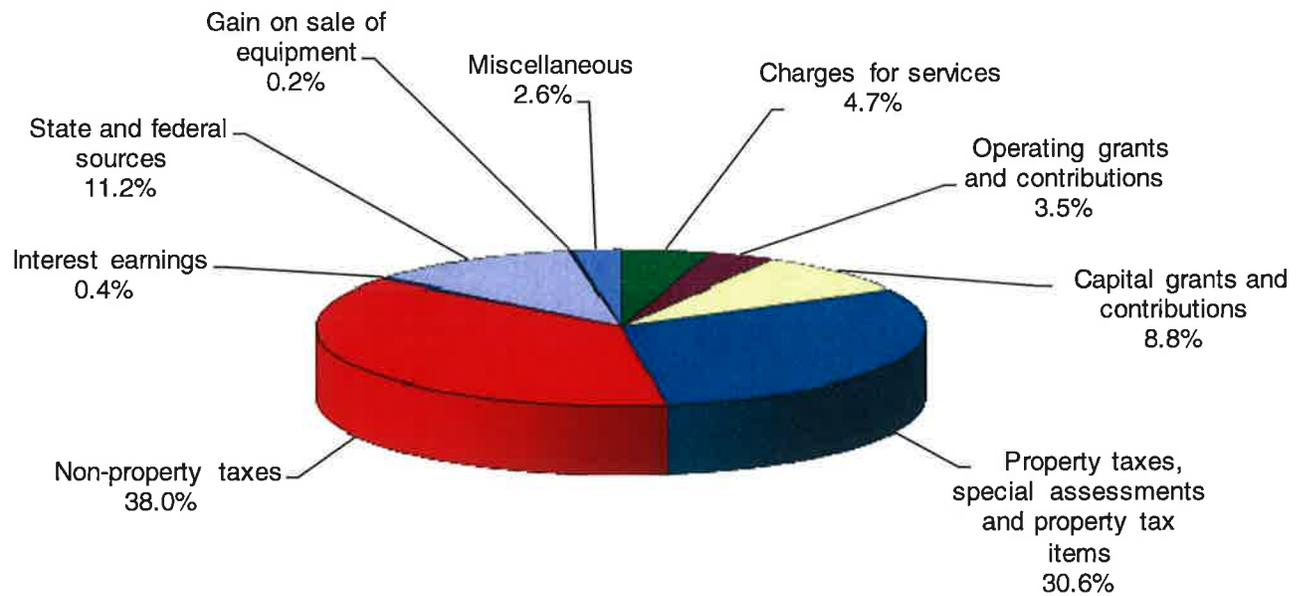
Changes in Net Position from Operating Results
(in thousands of dollars)

	Governmental Activities		Total Percentage Change	Business-Type Activities		Total Percentage Change
	2015	2014		2015	2014	
Program Revenues:						
Charges for services	\$ 835	\$ 798	4.64%	\$ 7,099	\$ 5,004	41.87%
Operating grants and contributions	452	601	-24.79%	2,176	2,171	0.23%
Capital grants and contributions	2,082	1,483	40.39%	-	-	0.00%
General Revenues:						
Property taxes, special assessments and property tax items	5,323	5,170	2.96%	-	-	0.00%
Non-property taxes	6,490	6,426	1.00%	-	-	0.00%
Interest earnings	68	68	0.00%	15	13	15.38%
State and federal sources	1,865	1,892	-1.43%	-	-	0.00%
Gain on sale of equipment	-	38	-100.00%	-	-	0.00%
Miscellaneous	598	434	37.79%	-	-	0.00%
Total revenues	<u>17,713</u>	<u>16,910</u>	<u>4.75%</u>	<u>9,290</u>	<u>7,188</u>	<u>29.24%</u>
Program Expenses:						
General government	3,204	2,029	57.91%	-	-	0.00%
Police	4,002	3,661	9.31%	-	-	0.00%
Fire	4,206	3,696	13.80%	-	-	0.00%
Public safety	392	302	29.80%	-	-	0.00%
Health	20	20	0.00%	-	-	0.00%
Transportation	2,046	2,874	-28.81%	-	-	0.00%
Economic assistance	239	300	-20.33%	-	-	0.00%
Culture and recreation	1,073	929	15.50%	-	-	0.00%
Home and community service	498	603	-17.41%	7,013	6,659	5.32%
Refuse and recycling	57	225	-74.67%	-	-	0.00%
Interest on debt	203	288	-29.51%	-	-	0.00%
Total expenses	<u>15,940</u>	<u>14,927</u>	<u>6.79%</u>	<u>7,013</u>	<u>6,659</u>	<u>5.32%</u>
Increase in net position before transfers and capital contributions	1,773	1,983	-10.59%	2,277	529	330.43%
Capital contributions	-	-	0.00%	141	-	100.00%
Transfers	339	317	-6.94%	(339)	(317)	6.94%
Increase in net position	2,112	2,300	-8.17%	2,079	212	880.66%
Net position-beginning	<u>16,356</u>	<u>14,056</u>	<u>16.36%</u>	<u>34,393</u>	<u>34,181</u>	<u>0.62%</u>
Net position-ending	<u>\$ 18,468</u>	<u>\$ 16,356</u>	<u>12.91%</u>	<u>\$ 36,472</u>	<u>\$ 34,393</u>	<u>6.04%</u>

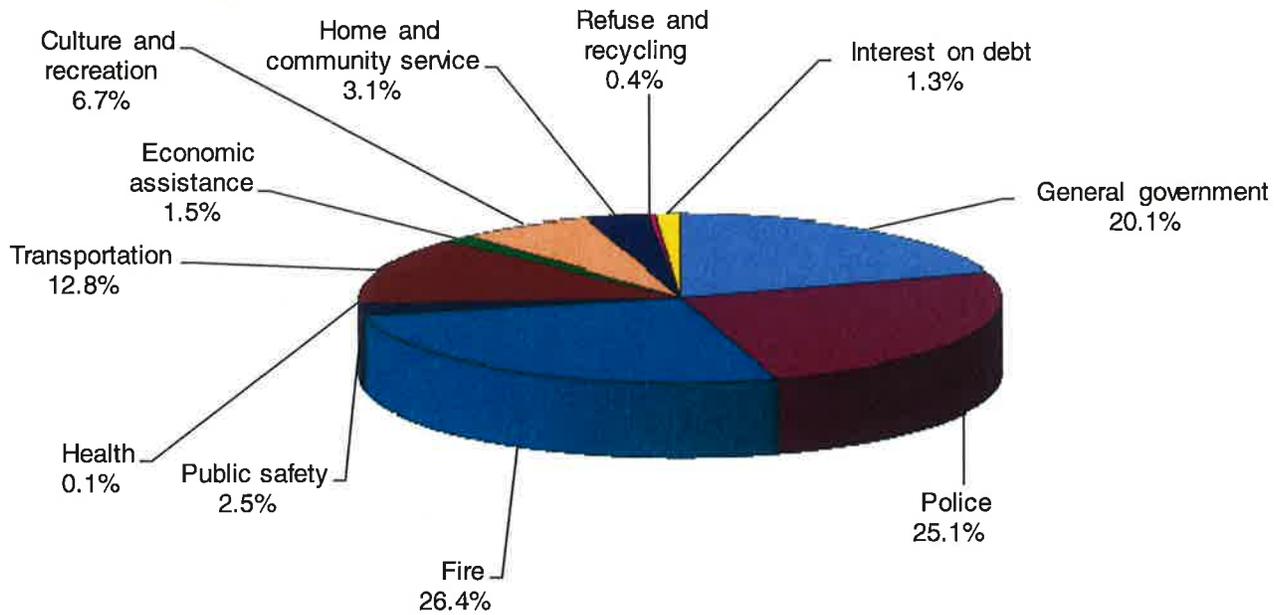
**Revenues for Governmental Activities
Fiscal Year 2015**



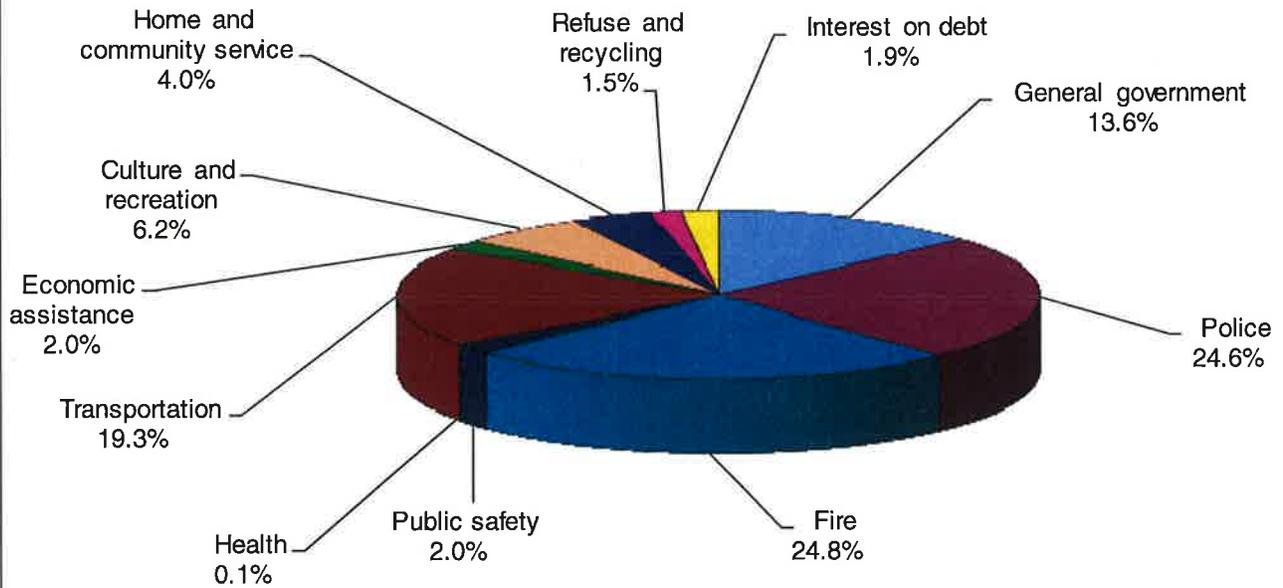
**Revenues for Governmental Activities
Fiscal Year 2014**



**Expenses for Governmental Activities
Fiscal Year 2015**



**Expenses for Governmental Activities
Fiscal Year 2014**



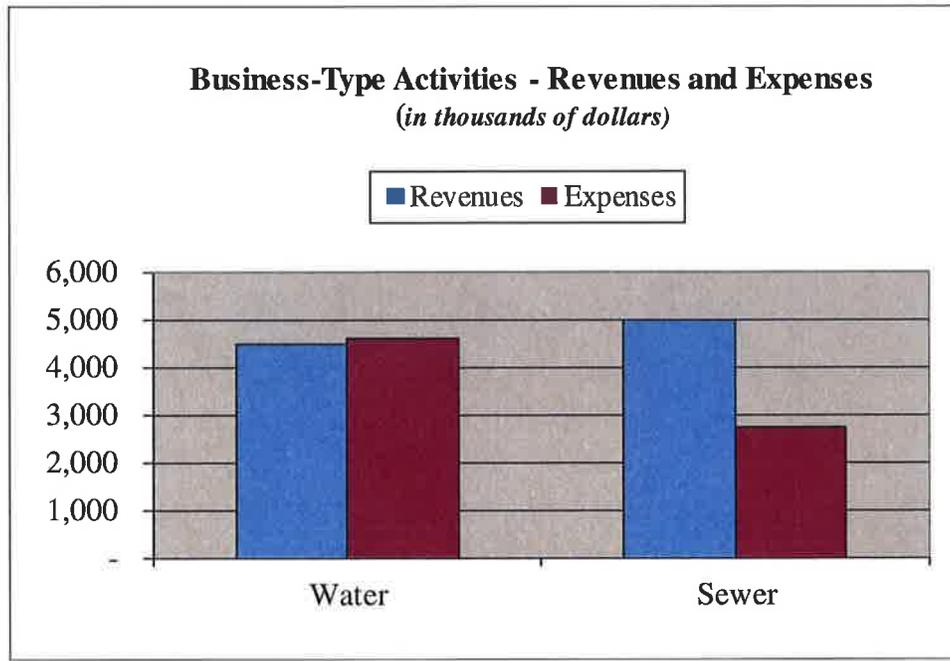
Governmental Activities

The following table presents the cost of eleven major City activities: general government, police, fire, public safety, health, transportation, economic assistance, culture and recreation, home and community service, refuse and recycling and interest on debt. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the City's taxpayers by each of these functions.

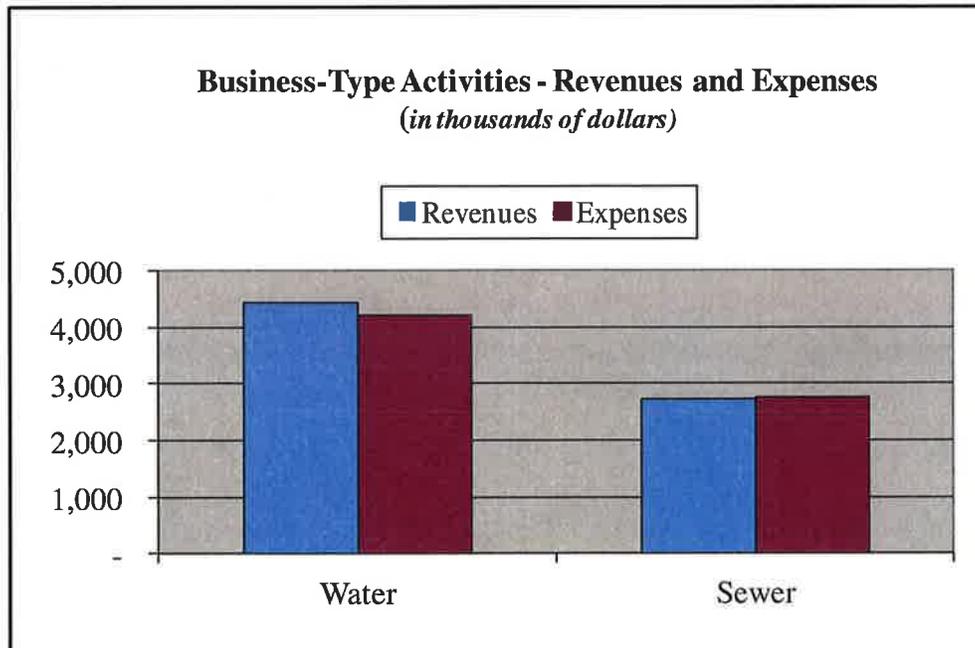
Net Cost of Governmental Activities <i>(in thousands of dollars)</i>						
	Total Cost of Services		Total Percentage Change	Net Cost of Services		Total Percentage Change
	2015	2014		2015	2014	
General government	\$ 3,204	\$ 2,029	57.91%	\$ 2,944	\$ 1,718	71.36%
Police	4,002	3,661	9.31%	3,840	3,503	9.62%
Fire	4,206	3,696	13.80%	4,197	3,644	15.18%
Public safety	392	302	29.80%	160	3	5233.33%
Health	20	20	0.00%	(11)	(14)	-21.43%
Transportation	2,046	2,874	-28.81%	(134)	1,399	-109.58%
Economic assistance	239	300	-20.33%	4	73	-94.52%
Culture & recreation	1,073	929	15.50%	985	839	17.40%
Home & community service	498	603	-17.41%	326	367	-11.17%
Refuse & recycling	57	225	-74.67%	57	225	-74.67%
Interest on debt	203	288	-29.51%	203	288	-29.51%
Total	<u>\$ 15,940</u>	<u>\$ 14,927</u>	<u>6.79%</u>	<u>\$ 12,571</u>	<u>\$ 12,045</u>	<u>4.37%</u>

Business-Type Activities

2015



2014



Financial Analysis of the City's Funds

The fiscal year ending March 31, 2015 concluded with an unassigned fund balance of \$1,556,092 after restrictions and assignments for encumbrance, reserves and other fund balance commitments. This is the seventh consecutive year the City has maintained a positive fund balance.

The General Fund

The general fund's assets increased in fiscal year ending March 31, 2015. This is an increase of \$689,806 over the prior year, of which \$413,767 is attributed to property tax receivables.

Revenues for the general fund decreased compared to last year by \$572,673. This is primarily due to an increase in property tax receivables, a large portion of which is attributed to one commercial property owner being delinquent on property taxes and water bill payments. The property owner has in the past has paid delinquent property taxes and water bills, providing for large cash influx and interest and penalty payments on odd years. The City identifies this influx, however does not budget for increases in penalty and payments as they are considered one-time revenues.

Expenditures for the general fund increased \$488,982 compared to the prior year. This is primarily due to the filling of multiple vacancies throughout the organization compared to the prior year.

Water Fund

The water fund, including depreciation, had a current year decrease in net position of \$138,142, compared to last year's change of \$232,770. Contractual expense accounts for the biggest change from last year within the Fund's net position, due to increases in the County contract expenses as well expenses related to unexpected water main repairs due to the extreme winter weather in 2014/2015.

Sewer Fund

The sewer fund, including depreciation, has experienced an increase in net position of \$2,217,005, when compared to last year. This change is attributed to the sale of sewer plant capacity to the Town of Batavia for just over \$2,000,000.

Workers Comp. Fund

This year's workers compensation fund balance increased by \$69,011. This is primarily due to less expenditures related to open claims from when the City was self-insured (pre-March 31, 2009) than in prior years.

Capital Projects Fund

Cedar Street Reconstruction is currently in final construction phase and Summit Street Reconstruction is in the design phase at March 31, 2015. Cedar Street construction began August 2014. While the design phase is near completion, the construction funding for Summit Street Reconstruction was originally revoked in December 2013 however has been reinstated and expected to begin Spring 2016.

<i>Revenues, Expenditures/Expenses and Changes in Fund Balance/Net Assets - Governmental Funds and Business-Type Activities (in thousands of dollars)</i>			
	2015		
	<u>Revenues</u>	<u>Expenditures/ Expenses</u>	<u>Fund Balance/ Net Assets</u>
General Fund	\$ 15,673	\$ 15,811	\$ 7,137
Water Fund	4,472	4,610	9,006
Sewer Fund	4,959	2,742	27,465
	2014		
	<u>Revenues</u>	<u>Expenditures/ Expenses</u>	<u>Fund Balance/ Net Assets</u>
General Fund	\$ 16,103	\$ 14,634	\$ 7,275
Water Fund	4,448	4,215	9,144
Sewer Fund	2,740	2,761	25,248

Revenues and Expenditures/Expenses include other financing sources or uses.

General Fund Budgetary Highlights

Amendments to the budget occur throughout the year for a variety of reasons. Possible factors include encumbrances from the prior year, unexpended purchase orders which are added to the current year budget at the close of the prior year, grants or other forms of financial aid which were received during the year but not anticipated in the original budget, appropriations of fund balances needed to offset unanticipated and unavoidable expenditures, and transfers of appropriations among object classes within department budgets to address particular requirements not anticipated in the original budget. The City Council approves and authorizes the annual budget at the level of object class totals within each department. The City Manager has the authority to transfer appropriations among line items within a department. All transfers between departments and funds must be approved by City Council. The encumbrances on prior year purchase orders are added to the budget as part of the annual financial closing process. All other budget amendments must be authorized by formal resolution of the City Council.

The City general fund experienced a decrease fund balance over the prior year of \$137,733. This was due to the planned expenditure of fund balance of over \$1,400,000 for budgeted capital equipment, facility and infrastructure expenditures. These expenditures were planned and executed as part of the 2014/2015 budget or separate resolution enacted by City Council. Aside from the slight decrease in net fund balance position, the City maintained an excess of revenues over expenditures of \$860,664 for general fund operations. This is primarily due to revenues exceeding the modified budget and expenditures falling below the modified budget. This provides the City an opportunity to meet its unassigned fund balance objective of 10% of general fund expenditures while continuing to build several reserve funds for future liabilities.

Revenues that the City does not receive on a consistent basis are not included in future budgets. While some one-time revenues have assisted with financial recovery, sustained growth in larger reoccurring revenues remain questionable. One-time revenues include:

- Interest and Penalties on property taxes were \$83,388 above budget. While this revenue has benefited the City's bottom line, it is completely reliant on delinquent property taxes being paid late.
- Video Lottery Terminal aid received this year was \$440,789. This revenue is not budgeted as it has continually been debated, and at times removed, from the Governor's Executive Budget. The City has utilized this revenue in the past to support capital expenditures and economic development.

Revenues that experience limited to no growth continue to be a concern, and the City continues to monitor these revenues. Should any significant changes occur, the City's general fund would be negatively affected. These revenues include:

- Sales tax revenue increased 1.13%, or \$67,872 over the prior year. While this is an increase over the prior year, the City's sales tax revenue is an economically sensitive revenue, and is subject to volatile swings in receipts, as witnessed in the not so distant past. For example, the past two years annual sales tax growth has been just over 1%, while the three years prior annual average growth was almost 6%.
- Gross utility receipts tax only increased \$10,813 over the prior year. While this is an increase over the prior year, it is a 15% or \$38,000 decrease from 2010 receipts.
- Cable franchise fees decreased 7.7% or \$15,211. This is the third consecutive year of decreasing receipts.
- All of the above revenues, with the exception of sales tax, in total are less than what the City received in fiscal year ending March 31, 2009.

In addition to slower growing revenues the City experienced a lower than normal property tax collection. In fiscal year ending March 31, 2015 the City did not collect approximately 2.2% of its tax levy. In total the City has approximately \$422,991 in uncollected taxes or deferred revenue. A large portion of this delinquency is attributed to one commercial property owner that has, in the past, paid delinquent property taxes and water/sewer charges late. It is expected that this property owner will pay existing delinquencies in fiscal year ending March 31, 2016 and as a result the City will experience a large interest and penalties payment in addition to a cash influx. This was the case in 2013 as the same property owner paid delinquent property taxes and water/sewer charges. Tax collection will continue to be monitored throughout the year.

In addition to revenue changes, this fiscal year had several lower than expected expenditures. These include:

- General fund unappropriated contingency and personnel services in general government and public safety, equaled \$314,716 and \$376,838 respectively.
- Healthcare expenditures were \$227,703 less than budgeted. Considering this is not a consistent trend, it is hard to predict the primary cause, however the City has experienced smaller increases in healthcare expenditures than most municipalities over the past several years. This will continue to be monitored closely in future years.

Aside from conservative budgeting and the utilization of one-time revenues to fund capital acquisitions, the City continued the practice of conservative spending and strict expense monitoring throughout the year.

The City's prudent revenue budgeting and expense monitoring has resulted in general fund surpluses needed to eliminate prior fund balance deficits, grow reserve balances and unassigned fund balance. While the City has experienced several unexpected one-time revenues, these one-time revenues are short lived and will not continue in future years. Furthermore, depending on the severity of change, revenue declines and expenditure increases, such as healthcare, retiree healthcare and retirement costs, the City may experience challenges in building the financial resources necessary to gain better financial footing. With the New York State Property Tax Cap, the inability to increase property taxes may further limit our ability to maintain services to residents at current levels.

Capital Asset and Debt Administration

Capital Assets

In the year ending March 31, 2015, the City funded general fund reserves with an additional \$1,300,000. The City continued to make an effort to plan and fund for future equipment and infrastructure improvements, rather than defer funding for these needed improvements. In addition to funding reserves, the City utilized just over a \$1,000,000 of the reserve funds in the general fund to purchase multiple public works, fire and police vehicles, construct a new salt barn, several additional facility improvements, install sidewalks and absorb compensated absences from several retirements, thereby utilizing reserve funding instead of property tax increases or issuance of debt for these types of improvements.

Capital Assets Net of Depreciation				
(in thousands of dollars)				
	Governmental Activities		Business -Type Activities	
	2015	2014	2015	2014
Land	\$ 1,135	\$ 1,135	\$ 42	\$ 42
Construction work in progress	10,077	8,438	1,339	1,205
Buildings	6,814	6,738	16,264	17,308
Machinery & equipment	2,212	2,219	606	681
Infrastructure	888	769	8,406	8,009
Total	<u>\$ 21,126</u>	<u>\$ 19,299</u>	<u>\$ 26,657</u>	<u>\$ 27,245</u>

Long-Term Obligations

The City received a bond rating of “A2” from Moody’s Investors Service in May 2010. At that time Moody’s recalibrated the scale for municipalities to bring their ratings in line with and more comparable to private organizations. Previously the City’s bond rating was “Baa2”. In June 2011, Moody’s affirmed the City’s “A2” bond rating and assigned the City a “positive outlook”. Moody’s assignment of the positive outlook acknowledged a modest financial position by specifically identifying City management’s ability to restore financial health, establish a Retirement, Health Insurance and Employee Benefits Reserves and negotiated manageable settlements with three of its unions, which included wage freezes and healthcare concessions. In July 2012 Moody’s Investors Service upgraded the City’s bond rating from “A2” to “A1”. The upgrade reflected the City’s improved financial position marked by five consecutive years of operating surpluses as well as the City’s practice of conservative budgeting of both revenues and expenditures. The rating also factors the City’s moderately sized tax base, below average wealth levels and average direct debt level.

Outstanding Long-Term Obligations
(in thousands of dollars)

	Governmental Activities		Business-Type Activities	
	2015	2014	2015	2014
General obligation debt backed by the City	\$ 4,296	\$ 4,620	\$ 1,369	\$ 1,510
Installment purchase debt	547	615	317	367
Other debt	682	783	-	-
Compensated absences	2,275	2,325	386	371
Other post employment benefits	3,345	2,921	367	342
Total	<u>\$ 11,145</u>	<u>\$ 11,264</u>	<u>\$ 2,439</u>	<u>\$ 2,590</u>

Factors Bearing on the City's Future

Following is a description of both short and long-term factors the City will be forced to deal with in the future:

Short-Term Factors

- General Fund Revenue – Growth in major revenues has leveled off in the past several years. For the past two years sales tax has experienced less than 2% growth, gross receipts tax has decreased 13% since 2011, and as mentioned interest and penalties varies due to large property owners paying property taxes inconsistently. Mortgage tax remains flat. Decreases, or no increases, in large expenditures such state mandated retirement costs or health insurance claims will be important to balancing the slow growth of general fund revenues.
 - Sales Tax revenue – The year ending March 31, 2015 had a slight 1.13%, or \$67,872 increase in sales tax revenues over the prior year. While this is an increase over the prior year, the City's sales tax revenue is an economically sensitive revenue, and is subject to volatile swings, as witnessed in the not so distant past. For example, the past two years annual sales tax growth has been just over 1%, while in the three years prior, the annual average growth was almost 6%. Because sales tax makes up more than one-third of the City's general fund revenue, any slight change in receipts may have a significant effect on the City's budget. Currently a 1% decrease in sales tax receipts equals a 1.5% increase in property taxes. The City needs to continue to remain conservative when budgeting sales tax in the future as growth in sales tax is unpredictable at best.

- Reserve funding – Funding reserves now for future equipment, infrastructure and facility improvements has been and will continue to be critical in avoiding larger tax burdens in future years. In the fiscal year ending March 31, 2015, the City utilized just over \$1,000,000 of reserve funding to purchase needed equipment and offset liabilities as they came due. Planning for these improvements/liabilities is a major priority in the City's work plan. Updating capital improvement plans and designated revenue streams to fund these plans are essential to maintaining a safe financial position for the City. In addition, funding reserves such as the Employee Accrued Liability Reserve, Retirement Reserve and Healthcare Reserve is critical in order to pay for one-time and often unexpected expenses which have the potential to negatively impact the City's unassigned fund balance.
 - Employee Accrued Liability Reserve – Due to a high number of retirements/terminations in prior years, the City depleted its Employee Accrued Liability Reserve in the fiscal year ending March 31, 2013. While it is unreasonable to fully fund all liabilities, it is important to properly assess and evaluate potential risks in order to appropriately fund and prepare for likely obligations. This reserve balance is currently under \$30,000 and should be increased.

- State Budget & Property Tax Cap – The City continues to be proactive in our response to various NYS Budget changes and cuts that affect the City. It is important that the City anticipate these well in advance and remain flexible in our ability to respond during the budget process. With the adoption of the property tax cap without mandate relief, the City's ability to levy the necessary funds to support services may be significantly hampered. The City is continually evaluating the impact of the tax cap on the City's budget and services.

- NYS Retirement Costs – Since FY 2009/10, annual fluctuations in actual retirement payments have ranged from a 29% decrease (\$311,000) in 2009/10 to a 62% increase (\$478,000) the following year in 2010/11, and then a 4% decrease (\$52,000) in 2011/12. In 2012/13 the City's retirement costs increased 45.7% (\$548,032) over the prior year. In 2013/14 the City's retirement costs decreased 22.3% (\$389,118) from the prior year. While in 2014/15 the City's retirement costs decreased again 19.9% (\$369,002) from the prior year, early projections were significantly higher. Because the State's projected retirement contributions in past years have not been consistent with actual retirement payments, it is prudent to assume retirement costs will increase in future years until consistent and reliable retirement payments are restored.

- Healthcare Costs – On average, for the past five years the City's healthcare costs have increased approximately 8-10% per year. On an annual basis the City analyzes the option of transitioning from a self-insured plan to an experienced-based plan, however the City's ability to maintain manageable annual increases in healthcare costs while building a healthcare reserve makes it financially feasible to remain self-insured.

- Retiree Healthcare Costs – Retiree healthcare will continue to increase in the future. In the fiscal year ending March 31, 2012 post employment health insurance cost for the City's 34 retirees was \$257,664. In the fiscal year ending March 31, 2013 post employment health insurance cost for the City's for 38 retirees was \$365,588. This was a 41.9% increase, or \$107,924 increase over the prior year. In the fiscal year ending March 31, 2014 post employment health insurance cost for the City's 52 retirees was \$537,269. This was a 47.96% increase, or \$171,681 increase over the prior year. In fiscal year ending March 31, 2015 post employment health insurance cost for the City's 33 retirees was \$314,727. While this is a decrease when compared to the prior year, retiree healthcare expenses are a large portion of the general fund expenses, are unpredictable and can be extremely volatile due to one single illness. All current union contract settlements have discontinued this benefit for future hires, and as existing employees retire, the liabilities in retiree healthcare are unpredictable.

- Union Contracts – All contracts are current. The City's negotiations will be focused on manageable benefit packages that will not significantly impact future property tax levels. Strong but fair negotiations will have to take place to ensure that future benefit packages are reasonable for City employees and affordable for City taxpayers.
- Taxable Assessed Value Decline – The City's taxable assessed value has increased very little since 2010. Prior to 2010 the average tax base growth was about 1.5% annually, however since 2010 the average tax base growth has been approximately 1% or less annually. The slowdown in the economy has restricted the City's ability to maintain slow and steady tax base growth, and is a concern for future revenue growth. It will be critical that the City continue to invest in economic development initiatives and actively support further redevelopment and growth in tax base.
- City Facilities – For the past three years City Council has committed surplus revenues to the City's Facility Reserve in preparation of needed improvements to several City facilities including the City's Police Station. Currently the City has completed a space needs assessment of the Police Department and a citizen task force has made recommendations for a future facility. In addition, the City has developed 5-year capital plans for Dwyer Stadium and Falletti Ice Arena. The City's Strategic Plan has also outlined a key objective for developing a capital facilities improvement plan for each City facility. By fiscal year ending March 31, 2016, a capital plan for the Bureau of Maintenance and Fire Department will be complete. In preparation of needed upcoming facility improvements, additional commitment of reserve funding will provide the City with greater financial capacity to handle future improvements with each facility.

Long-Term Factors

- Taxable Assessed Value Decline – The City has enjoyed an average growth of 1.5% in our tax base annually, however since 2010 the City's taxable assessed value has shown approximately a 1% annually. As the housing market continues to show slow signs of recovery, the City should expect similar trends over the next several years. In addition, with the recent adoption of the property tax cap without relief from State mandated expenses, the City's ability to levy the necessary funds to support services may be significantly hampered. Considering taxable assessed value is the City's largest stable source of revenue, **the City needs to make improving the City's tax base, particularly the non-residential tax base, a priority and encourage future commercial and industrial redevelopment throughout the City's Central Corridor.**
- Post Employment Benefits (GASB 45) & Retiree Healthcare – The City's liability for post employment benefits, as of the actuarial valuation date of April 1, 2013, amounted to \$9,225,643. Aggressive labor negotiations to reduce future retiree costs will be essential for maintaining a long term decrease of this liability.
- Employee costs & retirement costs – Retirement costs have increased significantly. In the same manner, employee benefit costs continue to increase. Significant fluctuations in retirement costs have been due to the City having large retroactive salary payments due to delayed collective bargaining agreement settlements. Now that all contracts are current, it is expected that the City will experience more consistency in retirement contributions projections. However, maintaining reasonable employee benefits will be a major determining factor in the City's ability to provide quality services.
- City Facilities – Improvements are needed to many City facilities. Whether an upgrade of current facilities or proposed new facilities are considered, the City needs to continue to make a targeted commitment to funding the Facility Reserve in upcoming years. Strong facility planning and financial management, specifically debt management, will provide the City with greater financial capacity to handle future improvements with City facilities.

Over the past six years the City has experienced decreases in State aid as well as considerable increases in state retirement costs and retiree healthcare costs. In addition, the imposition of the Property Tax Cap further limits the City's ability to combat increasing State mandated costs as the cap imposes a ceiling on the City's ability to levy property taxes. The City Council's Strategic Plan emphasizes Well-Managed City, which consists of maintaining a healthy and stable financial position. The City's financial improvement over the past several years has been the result of many necessary reactive and proactive approaches to budgeting and operations for the City. It is critically important that the City continue to spend a considerable effort on planning for the future, most specifically with regards to funding reserves, maintaining and funding capital and equipment replacement plans, and maintaining low cost, high quality services to residents. In addition, resources need to be focused on encouraging tax base growth through economic development efforts promoting land use redevelopment and job growth within the City.

Contacting the City's Financial Management

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

CITY OF BATAVIA, NEW YORK
STATEMENT OF NET POSITION
MARCH 31, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 9,527,394	\$ 8,812,663	\$ 18,340,057
Cash - restricted	50,593	-	50,593
Property taxes receivable, net	1,605,305	-	1,605,305
Accounts receivable, net	529,232	1,675,666	2,204,898
State and federal receivables	361,304	-	361,304
Loans receivable, net	198,889	-	198,889
Due from other governments	1,351,466	2,610,857	3,962,323
Internal balances	59,030	(59,030)	-
Capital assets not being depreciated	11,211,509	1,380,981	12,592,490
Capital assets, net of accumulated depreciation	<u>9,914,690</u>	<u>25,275,852</u>	<u>35,190,542</u>
 Total assets	 <u>\$ 34,809,412</u>	 <u>\$ 39,696,989</u>	 <u>\$ 74,506,401</u>
LIABILITIES:			
Accounts payable	494,690	139,609	634,299
Accrued liabilities	518,217	631,187	1,149,404
Bond anticipation notes payable	1,700,000	-	1,700,000
Due to other governments	916,542	-	916,542
Unearned revenues	1,503,935	-	1,503,935
Long-term liabilities:			
Due and payable within one year	798,679	246,589	1,045,268
Due and payable after one year	<u>10,409,342</u>	<u>2,208,089</u>	<u>12,617,431</u>
 Total liabilities	 <u>16,341,405</u>	 <u>3,225,474</u>	 <u>19,566,879</u>
NET POSITION:			
Net investment in capital assets	14,570,319	24,955,563	39,525,882
Restricted for:			
Insurance	893,334	-	893,334
Capital projects	2,519,408	3,677,273	6,196,681
Retirement contribution	422,999	-	422,999
Other purposes	32,620	-	32,620
Special grant	397,525	-	397,525
Small cities	164,313	-	164,313
Repairs	85,957	-	85,957
Employee benefit accrued liability	28,212	-	28,212
Unrestricted	<u>(646,680)</u>	<u>7,838,679</u>	<u>7,191,999</u>
 Total net position	 <u>\$ 18,468,007</u>	 <u>\$ 36,471,515</u>	 <u>\$ 54,939,522</u>

See notes to basic financial statements.

CITY OF BATAVIA, NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs:							
Governmental activities:							
General government	\$ 3,203,669	\$ 244,060	\$ 15,518	\$ -	\$ (2,944,091)	\$ -	\$ (2,944,091)
Police	4,002,077	158,706	2,773	-	(3,840,598)	-	(3,840,598)
Fire	4,205,951	-	9,065	-	(4,196,886)	-	(4,196,886)
Public safety	392,071	62,506	169,605	-	(159,960)	-	(159,960)
Health	19,813	31,096	-	-	11,283	-	11,283
Transportation	2,046,376	23,844	202,128	1,954,754	134,350	-	134,350
Economic assistance	238,534	199,110	35,383	-	(4,041)	-	(4,041)
Culture and recreation	1,072,865	70,825	17,197	-	(984,843)	-	(984,843)
Home and community services	498,437	45,175	-	127,099	(326,163)	-	(326,163)
Refuse and recycling	56,957	-	-	-	(56,957)	-	(56,957)
Interest on debt	203,156	-	-	-	(203,156)	-	(203,156)
Total governmental activities	15,939,906	835,322	451,669	2,081,853	(12,571,062)	-	(12,571,062)
Business-type activities:							
Sewer	2,704,554	4,703,463	108,542	-	-	2,107,451	2,107,451
Water	4,308,559	2,394,948	2,067,290	-	-	153,679	153,679
Total business-type activities	7,013,113	7,098,411	2,175,832	-	-	2,261,130	2,261,130

See notes to basic financial statements.
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CITY OF BATAVIA, NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2015
(Continued)

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Total governmental and business-type activities	\$ 22,953,019	\$ 7,933,733	\$ 2,627,501	\$ 2,081,853	(12,571,062)	2,261,130	(10,309,932)
General revenues:							
Real property taxes and tax items				5,323,375	-		5,323,375
Non-property taxes				6,489,747	-		6,489,747
Interest earnings				68,484	14,957		83,441
State aid not restricted for a specific purpose				1,864,805	-		1,864,805
Other miscellaneous revenues				597,884	-		597,884
Capital contributions from other funds				-	141,666		141,666
Transfers:							
Sewer				37,430	(37,430)		-
Water				301,460	(301,460)		-
Total general revenues and transfers				14,683,185	(182,267)		14,500,918
Change in net position				2,112,123	2,078,863		4,190,986
Net position - beginning				16,355,884	34,392,652		50,748,536
Net position - ending				\$ 18,468,007	\$ 36,471,515		\$ 54,939,522

See notes to basic financial statements.
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CITY OF BATAVIA, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS
MARCH 31, 2015

	General	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 8,027,061	\$ 706,071	\$ 794,262	\$ 9,527,394
Cash - restricted	-	50,593	-	50,593
Receivables (net of allowance for uncollectible receivables)				
Property taxes receivable	1,605,305	-	-	1,605,305
Accounts receivable	413,668	-	115,564	529,232
Loan receivables	-	-	198,889	198,889
State and federal receivables	257,251	104,053	-	361,304
Due from other governments	1,351,466	-	-	1,351,466
Due from other funds	10,000	863,294	-	873,294
	<u>\$ 11,664,751</u>	<u>\$ 1,724,011</u>	<u>\$ 1,108,715</u>	<u>\$ 14,497,477</u>
LIABILITIES:				
Accounts payable	\$ 459,694	\$ 17,034	\$ 17,962	\$ 494,690
Accrued liabilities	460,014	-	58,203	518,217
Unearned revenues	1,503,935	-	-	1,503,935
Bond anticipation note payable	-	1,700,000	-	1,700,000
Due to other governments	876,571	39,971	-	916,542
Due to other funds	804,264	-	10,000	814,264
	<u>4,104,478</u>	<u>1,757,005</u>	<u>86,165</u>	<u>5,947,648</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue-property taxes	422,991	-	-	422,991
	<u>422,991</u>	<u>-</u>	<u>-</u>	<u>422,991</u>
FUND BALANCES:				
Restricted	3,982,530	-	561,838	4,544,368
Committed	186,946	-	-	186,946
Assigned	1,411,714	-	460,712	1,872,426
Unassigned (deficit)	1,556,092	(32,994)	-	1,523,098
Total fund balances	<u>7,137,282</u>	<u>(32,994)</u>	<u>1,022,550</u>	<u>8,126,838</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,664,751</u>	<u>\$ 1,724,011</u>	<u>\$ 1,108,715</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	21,126,199
Long-term liabilities, including serial bonds payable, installment purchase debt, bond premium, amounts due to other governments, compensated absences and post employment benefits, are not due and payable in the current period and therefore are not reported in the funds	(11,208,021)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds	<u>422,991</u>
Net position	<u>\$ 18,468,007</u>

See notes to basic financial statements.

CITY OF BATAVIA, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2015

	<u>General</u>	<u>Capital Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:				
Real property taxes	\$ 4,936,970	\$ -	\$ -	\$ 4,936,970
Real property tax items	333,195	-	-	333,195
Special assessments	-	-	199,110	199,110
Sales and other taxes	6,489,747	-	-	6,489,747
Departmental income	274,611	-	-	274,611
Use of money and property	59,625	1,608	7,251	68,484
Licenses and permits	71,214	-	-	71,214
Fines and forfeitures	127,994	-	-	127,994
Sale of property and compensation for loss	116,920	-	67,939	184,859
Miscellaneous local sources	542,169	5,457	31,632	579,258
Federal and state sources	2,320,034	1,954,754	135,024	4,409,812
	<u>15,272,479</u>	<u>1,961,819</u>	<u>440,956</u>	<u>17,675,254</u>
Total revenues				
EXPENDITURES:				
General government	1,714,492	320,473	438,796	2,473,761
Police	3,418,223	-	-	3,418,223
Fire	3,552,490	-	-	3,552,490
Public safety	317,021	-	-	317,021
Health	17,224	-	-	17,224
Transportation	1,971,476	2,316,365	-	4,287,841
Economic assistance	59,609	-	178,925	238,534
Culture and recreation	827,867	-	-	827,867
Home and community services	207,179	-	243,955	451,134
Refuse and recycling	57,046	-	-	57,046
Employee health benefits	1,477,915	-	28,783	1,506,698
Debt service:				
Principal	513,278	-	-	513,278
Debt issuance costs	73,382	-	-	73,382
Interest	204,613	-	-	204,613
	<u>14,411,815</u>	<u>2,636,838</u>	<u>890,459</u>	<u>17,939,112</u>
Total expenditures				

See notes to basic financial statements.

CITY OF BATAVIA, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2015
(Continued)

	<u>General</u>	<u>Capital Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Excess (deficit) of revenues over expenditures	860,664	(675,019)	(449,503)	(263,858)
OTHER FINANCING SOURCES (USES):				
Interfund transfers in	300,000	894,797	592,830	1,787,627
Interfund transfers out	(1,398,737)	(50,000)	-	(1,448,737)
Premium on refunding	64,340	-	-	64,340
Refunding of bond proceeds	2,856,000	-	-	2,856,000
Payment on refunding of bonds	<u>(2,820,000)</u>	<u>-</u>	<u>-</u>	<u>(2,820,000)</u>
 Total other financing sources (uses)	<u>(998,397)</u>	<u>844,797</u>	<u>592,830</u>	<u>439,230</u>
 Net change in fund balances	(137,733)	169,778	143,327	175,372
 Fund balances - beginning	<u>7,275,015</u>	<u>(202,772)</u>	<u>879,223</u>	<u>7,951,466</u>
 Fund balances (deficit) - ending	<u>\$ 7,137,282</u>	<u>\$ (32,994)</u>	<u>\$ 1,022,550</u>	<u>\$ 8,126,838</u>

See notes to basic financial statements.

CITY OF BATAVIA, NEW YORK
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2015

Net change in fund balances - total governmental funds	\$	175,372
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$3,614,866) less construction work in process removed or placed in service (\$1,057,159) exceeded depreciation (\$701,678) in the current period.		1,856,029
The net effect of various miscellaneous transactions involving capital assets (disposals) is to decrease net position.		(28,520)
Revenues that are not available to pay current obligations are not reported in the fund financial statements, but they are presented as revenues in the statement of activities.		53,210
The issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		429,902
On the statement of activities, the actual and projected long term expenditures for post employment benefits are reported, whereas on the governmental funds, only the actual expenditures are recorded for post employment benefits.		(424,083)
(Increases) decreases in accrued compensated absences reported in the statement of activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.		<u>50,213</u>
Change in net position of governmental activities	\$	<u><u>2,112,123</u></u>

See notes to basic financial statements.

CITY OF BATAVIA, NEW YORK
STATEMENT OF NET POSITION - ENTERPRISE FUNDS
MARCH 31, 2015

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 4,211,615	\$ 4,601,048	\$ 8,812,663
Accounts receivable	765,293	910,373	1,675,666
Due from other governments	2,034,588	576,269	2,610,857
Capital assets not being depreciated	207,542	1,173,439	1,380,981
Capital assets, net of accumulated depreciation	<u>21,852,518</u>	<u>3,423,334</u>	<u>25,275,852</u>
 Total assets	 <u>\$ 29,071,556</u>	 <u>\$ 10,684,463</u>	 <u>\$ 39,756,019</u>
LIABILITIES:			
Accounts payable	\$ 29,060	\$ 110,549	\$ 139,609
Accrued liabilities	38,190	592,997	631,187
Due to other funds	46,603	12,427	59,030
Long-term liabilities:			
Due and payable within one year	185,874	60,715	246,589
Due and payable after one year	<u>1,306,156</u>	<u>901,933</u>	<u>2,208,089</u>
 Total liabilities	 <u>1,605,883</u>	 <u>1,678,621</u>	 <u>3,284,504</u>
NET POSITION:			
Net investment in capital assets	20,861,708	4,093,855	24,955,563
Restricted for capital projects	1,227,345	2,449,928	3,677,273
Unrestricted	<u>5,376,620</u>	<u>2,462,059</u>	<u>7,838,679</u>
 Total net position	 <u>27,465,673</u>	 <u>9,005,842</u>	 <u>36,471,515</u>
 Total liabilities and net position	 <u>\$ 29,071,556</u>	 <u>\$ 10,684,463</u>	 <u>\$ 39,756,019</u>

See notes to basic financial statements.

CITY OF BATAVIA, NEW YORK
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
ENTERPRISE FUNDS
FOR THE YEAR ENDED MARCH 31, 2015

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
OPERATING REVENUES:			
Charges for services	\$ 4,703,463	\$ 2,394,948	\$ 7,098,411
County water agreement charges	-	1,426,234	1,426,234
Rental of real property	-	550,000	550,000
Other operating revenue	108,542	91,056	199,598
Total operating revenues	<u>4,812,005</u>	<u>4,462,238</u>	<u>9,274,243</u>
OPERATING EXPENSES:			
Salaries, wages and employee benefits	816,652	1,213,668	2,030,320
Contractual expense	508,378	2,922,992	3,431,370
Depreciation	1,345,075	148,373	1,493,448
Total operating expenses	<u>2,670,105</u>	<u>4,285,033</u>	<u>6,955,138</u>
Operating income	<u>2,141,900</u>	<u>177,205</u>	<u>2,319,105</u>
NON-OPERATING REVENUES (EXPENSES):			
Investment income	5,318	9,639	14,957
Interest expense	(24,776)	(14,353)	(39,129)
Bond issuance costs	(9,173)	(9,173)	(18,346)
Loss on sale of assets	(500)	-	(500)
Operating subsidy to governmental funds	(37,430)	(301,460)	(338,890)
Total non-operating expenses	<u>(66,561)</u>	<u>(315,347)</u>	<u>(381,908)</u>
Income before capital contributions	2,075,339	(138,142)	1,937,197
Capital contributions	<u>141,666</u>	<u>-</u>	<u>141,666</u>
Change in net position	2,217,005	(138,142)	2,078,863
Net position - beginning	<u>25,248,668</u>	<u>9,143,984</u>	<u>34,392,652</u>
Net position - ending	<u>\$ 27,465,673</u>	<u>\$ 9,005,842</u>	<u>\$ 36,471,515</u>

See notes to basic financial statements.

CITY OF BATAVIA, NEW YORK
STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
FOR THE YEAR ENDED MARCH 31, 2015

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Cash received from customers	\$ 2,610,494	\$ 2,371,428	\$ 4,981,922
Cash payments for contractual expenses	(504,207)	(2,851,425)	(3,355,632)
Cash payments to employees for services	(790,643)	(1,199,389)	(1,990,032)
Other operating revenue	108,542	2,067,290	2,175,832
Net cash provided by operating activities	<u>1,424,186</u>	<u>387,904</u>	<u>1,812,090</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>			
Operating subsidy to governmental funds	<u>(37,430)</u>	<u>(301,460)</u>	<u>(338,890)</u>
Net cash used by noncapital financing activities	<u>(37,430)</u>	<u>(301,460)</u>	<u>(338,890)</u>
<u>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:</u>			
Change in restricted cash	178,504	-	178,504
Proceeds from current refunding of debt	357,000	357,000	714,000
Premium on debt	8,043	8,042	16,085
Acquisition and construction of capital assets	(199,012)	(564,848)	(763,860)
Principal payments on debt	(1,219,876)	(385,586)	(1,605,462)
Interest paid on debt	(30,746)	(16,797)	(47,543)
Issuance costs paid on debt	(9,173)	(9,173)	(18,346)
Net cash used by capital and financing activities	<u>(915,260)</u>	<u>(611,362)</u>	<u>(1,526,622)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Interest on cash and investments	<u>5,318</u>	<u>9,639</u>	<u>14,957</u>
Net cash provided by investing activities	<u>5,318</u>	<u>9,639</u>	<u>14,957</u>
Net increase (decrease) in cash and cash equivalents	476,814	(515,279)	(38,465)
Cash and cash equivalents - beginning	<u>3,734,801</u>	<u>5,116,327</u>	<u>8,851,128</u>
Cash and cash equivalents - ending	<u>\$ 4,211,615</u>	<u>\$ 4,601,048</u>	<u>\$ 8,812,663</u>
Reconciliation of income from operations to net cash provided by operating activities:			
Income from operations	\$ 2,141,900	\$ 177,205	\$ 2,319,105
Adjustments to reconcile income from operations to net cash provided by operating activities:			
Depreciation	1,345,075	148,373	1,493,448
Change in assets and liabilities			
Decrease (increase) in:			
Accounts receivable	(58,381)	(3,741)	(62,122)
Due from other governments	(2,034,588)	(19,779)	(2,054,367)
Increase (decrease) in:			
Accounts payable	(27,182)	42,212	15,030
Accrued liabilities	(21,038)	14,665	(6,373)
Accrued interest	5,788	2,263	8,051
Due to other funds	46,603	12,427	59,030
Compensated absences	11,617	3,315	14,932
Other post employment benefits	14,392	10,964	25,356
Net cash provided by operating activities	<u>\$ 1,424,186</u>	<u>\$ 387,904</u>	<u>\$ 1,812,090</u>

See notes to basic financial statements.

CITY OF BATAVIA, NEW YORK
STATEMENT OF NET POSITION -
FIDUCIARY FUNDS
MARCH 31, 2015

	<u>Private Purpose Trusts</u>	<u>Agency</u>
ASSETS:		
Cash and cash equivalents	\$ -	\$ 121,383
Cash and cash equivalents - restricted	<u>21,327</u>	<u>-</u>
Total assets	<u>\$ 21,327</u>	<u>\$ 121,383</u>
LIABILITIES:		
Agency liabilities	\$ -	\$ 121,383
Total liabilities	<u>-</u>	<u>121,383</u>
NET POSITION:		
Restricted trust funds	<u>21,327</u>	<u>-</u>
Total liabilities and net position	<u>\$ 21,327</u>	<u>\$ 121,383</u>

See notes to basic financial statements.

CITY OF BATAVIA, NEW YORK
STATEMENT OF CHANGES IN NET POSITION -
FIDUCIARY FUND
FOR THE YEAR ENDED MARCH 31, 2015

	<u>Private Purpose Trusts</u>
ADDITIONS:	
Interest	\$ 65
Total additions	<u>65</u>
Change in net position	65
Net position - beginning	<u>21,262</u>
Net position - ending	<u>\$ 21,327</u>

CITY OF BATAVIA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Batavia (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Council (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.

A. DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities presents a comparison between direct expenses and direct revenues 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. Direct or program revenues include fees, fines and charges paid by the recipients of goods or services offered by the programs. Operating grants include program-specific and discretionary grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as direct revenues, including property taxes, non-property taxes, investment earnings, and general state aid are presented as general revenues.

B. REPORTING ENTITY

The City reports related organizations under the guidance of the Governmental Accounting Standards Board. The Standards define the primary government, and redefines and establishes the criteria for which potential component units are included in the reporting entity. The Standards also define financial accountability of the primary government as being determined on the basis of fiscal dependency, appointment of a voting majority of a governing Council, ability to impose its will or potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government.

According to GASB Statement No. 14, as amended by GASB Statement No. 61, a related organization of a primary government is defined as one in which the government appoints a voting majority of the board, but is not financially accountable for the organization. The City appoints a voting majority of the Batavia Housing Authority's board; however, no financial burden or benefit relationship exists between the City and the Authority. The Authority maintains and runs a senior citizens' housing unit within the City.

Joint Ventures - The City participates in various joint ventures with other local municipalities for the purpose of providing intermunicipal services. These activities are excluded from the financial statements of all participating municipalities.

The accompanying basic financial statements include only the operations of the City, since management has determined that there are no other organizations that meet the criteria for inclusion in the reporting entity of the City.

CITY OF BATAVIA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BASIS OF PRESENTATION

1. GOVERNMENT-WIDE FINANCIAL STATEMENTS

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

2. FUND FINANCIAL STATEMENTS

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

For the purposes of the Statement of Cash Flows - Enterprise Funds, the City considers cash to be all unrestricted and restricted cash accounts including demand accounts and certificates of deposit with an original maturity of generally three months or less.

The government reports the following major governmental funds:

General Fund - the principal operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund - used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.

The government reports the following major enterprise funds:

Sewer and Water Funds - used to account for operations that provide water and sewer services and are financed primarily by user charges.

Additionally, the government reports the following fund types:

The City maintains several nonmajor governmental funds comprised of the Special Grant, Mall Maintenance, Small Cities and Self Insurance Funds. The Special Grant Fund is used to account for community development block grants and other federal or state grants not required to be accounted for in other funds. The Mall Maintenance Fund is used to account for the maintenance of the Batavia City Centre. The Small Cities Fund is used to account for the activity of the City's New York State Small Cities Block Grant and U.S. Department of Housing and Urban Development programs. The Self Insurance Fund is used to account for workers' compensation insurance transactions for all funds of the City and is also used to account for the liability related to open workers' compensation claims from the period when the City was self insured for workers' compensation.

The Agency Funds and Private Purpose Trust Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governments. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Private Purpose Trust Funds are accounted for on the accrual basis.

CITY OF BATAVIA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within sixty days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary and private purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

CITY OF BATAVIA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. BUDGETARY INFORMATION

1. BUDGETARY BASIS OF ACCOUNTING

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, water fund, sewer fund, self insurance fund, mall maintenance fund and capital fund. The capital projects fund is appropriated on a project-length basis. Other special revenue funds and the permanent fund do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the city council or, in certain limited circumstances the City Manager. The legal level of budgetary control (e.g., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended March 31, 2015 expenditures exceeded appropriations in debt service by \$74,659. This is a result of debt issuance costs and interim interest on general obligation bonds which were refunded during the year. Overall expenditures did not exceed appropriations in the general fund.

F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

1. CASH AND CASH EQUIVALENTS

The City's cash and cash equivalents consists of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

2. RESTRICTED ASSETS

Certain assets are classified on the balance sheet as restricted because their use is limited. The proceeds of bond or bond anticipation note (BAN) sales can only be used for the stated purpose of the borrowing and are restricted specifically for that purpose.

CITY OF BATAVIA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. ACCOUNTS RECEIVABLE

Accounts receivables are carried at their net realizable value. Accounts are written-off as uncollectible after the likelihood of payment is considered remote by management. The allowance for uncollectible accounts has been established by management, using past history of uncollectible accounts. As of March 31, 2015, the provision for uncollectible accounts amounted to \$62,447 and \$34,926 in the community development and small cities grant funds, respectively.

4. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life.

Land and construction in progress are not depreciated. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 50,000	straight-line	25-50 years
Improvements	50,000	straight-line	10-50 years
Infrastructure	200,000	straight-line	25-50 years
Furniture and equipment	5,000	straight-line	3-20 years
Vehicles	20,000	straight-line	3-5 years

5. INSURANCE

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, personal injury liability, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. 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. Settled claims from these risks have not yet exceeded commercial insurance coverage for the past three fiscal years.

CITY OF BATAVIA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. At March 31, 2015, the City does not have items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

7. COMPENSATED ABSENCES

The City's labor agreements and City Council rules and regulations provide for sick and vacation leave. Upon retirement certain eligible employees qualify for paid medical and dental insurance premiums and/or payment for fractional values of unused sick leave. These payments are budgeted annually.

Consistent with GASB Statement No. 16, Accounting for Compensated Absences, an accrual for accumulated sick leave is included in compensated absences at year-end. The compensated absences liability is calculated based on the contractually negotiated rates in effect at year-end.

Compensated absences for governmental fund type employees are reported as a fund liability and as an expenditure in the government-wide financial statements. A portion of the compensated absences liability recognized is attributed to the value of sick leave converted to pay the employees' share of post-employment health insurance premiums. The compensated absences liability for the Governmental and Enterprise funds at the year-end totaled \$2,275,178 and \$385,981, respectively.

Payment of compensated absences recorded in the government-wide financial statements is dependent upon many factors; therefore timing of future payments are not readily determinable. However, management believes that sufficient resources will be made available for the payment of compensated absences when such payments become due.

8. POST EMPLOYMENT BENEFITS

In addition to providing compensated absence and retirement benefits, the City provides post employment health insurance to its retirees in accordance with provisions of the employment contracts negotiated between the City and the Batavia Firefighters Association, I.A.F.F Local 896, the Civil Service Employees Association, CSEA Local 819, the American Federation of State, County and Municipal Employees, AFSCME Local 3632, the Batavia Police Benevolent Association and non-union management. Substantially all employees in these bargaining units may become eligible for these benefits if they meet the retirement eligibility requirements under their contracts while working for the City. The City accounts for these benefits as described in Note 3.E.

CITY OF BATAVIA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. LONG-TERM LIABILITIES

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of serial bonds payable, the City's portion of debt issued by other governments on joint projects, installment purchase debt, other post employment benefits and compensated absences.

Long-term liabilities for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal, interest and other long-term benefits are reported as expenditures.

10. NET POSITION FLOW ASSUMPTION

Sometimes the government will fund outlays for a particular purpose from both restricted (i.e., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

11. FUND BALANCE FLOW ASSUMPTION

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City's policy that the City Council will assess the current financial condition of the City and then determine the order of application of expenditures to which fund balance classifications will be charged.

12. FUND BALANCE POLICIES

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

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

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

CITY OF BATAVIA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. REVENUES AND EXPENDITURES/EXPENSES

1. PROGRAM REVENUES

Amounts reported as *program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and, 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. PROPERTY TAXES

Real property taxes are levied upon budget adoption and become an enforceable lien on April 1st. Taxes are payable in two installments on May 1st and August 1st. The City assumes enforcement responsibility for all property taxes levied by the County on properties within the City. The City also enforces real property taxes of the Batavia City School District, which are unpaid at January 1st. The City pays the County and School District the full amount of the property taxes collected on their behalf. Any amounts which have been collected as of March 31st but have not yet been remitted to the School District are included in the account "Due to other governments".

In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end. The City is permitted by the New York State Constitution to levy taxes up to 2% of the most recent five-year average full valuation of taxable real property. Principal and interest on long-term debt related to Water and Sewer debt (if application filed with Office of State Comptroller) and budgetary appropriations for capital outlay are excludable. In the 2014-15 year, the five-year average full valuation was \$535,932,061 allowing for a maximum tax limit of \$10,718,641 (includes allowance exclusions). The City tax levy was \$5,045,741 for the year ended March 31, 2015.

3. PROPRIETARY FUNDS – OPERATING AND NONOPERATING REVENUES AND EXPENSES

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund and sewer fund are charges to customers for sales and services. The water fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

H. USE OF ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF BATAVIA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. FUTURE ACCOUNTING PRONOUNCEMENTS

As of March 31, 2015, the Governmental Accounting Standards Board (GASB) has issued both GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, which will be effective for the year ending March 31, 2016 and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which should be applied simultaneously with the provisions of Statement No. 68. These Statements would require the City to record the unfunded liability related to the Employees' Retirement System (ERS). As of March 31, 2015, ERS has not provided sufficient information related to this liability to determine whether it will have a material impact on the City's financial statements upon implementation.

The GASB has issued the following new statements:

- Statement No. 72, *Fair Value Measurement and Application*, which will be effective for the year ending March 31, 2017; and
- Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits Other than Pensions*, which will be effective for the year ending March 31, 2019.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. DEFICIT FUND EQUITY

At March 31, 2015 the capital projects fund, a major fund, has a deficit fund balance of \$32,994. It is not unusual for a capital projects fund, especially one that finances capital projects mainly by borrowings, to report a deficit. The reason for the deficit in this case is that the City issued bond anticipation notes (BANS), which do not qualify for treatment as a long-term liability. Accordingly, the BANS are reported as a fund liability in the capital projects fund balance sheet (rather than an inflow on the statement of revenues, expenditures, and changes in fund balances). When the cash from the BANS is spent, expenditures are reported and fund balance is reduced. Because the BANS are the main source of resources for the fund, the result is an overall fund deficit. This deficit will be eliminated as resources are obtained (e.g., from revenues, long-term debt issuances, and transfers in) to make the scheduled debt service principal payments on the BANS.

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. DEPOSITS AND INVESTMENTS

The City's investment policies are governed by state statutes. In addition, the City has its own written investment policy. City monies must be deposited in FDIC-insured commercial banks or trust companies located within the state. The City Manager is authorized to use interest bearing demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and obligations of the State of New York and its localities.

Collateral is required for demand deposits and certificates of deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and school districts.

The City's aggregate bank balances were fully collateralized at March 31, 2015.

CITY OF BATAVIA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$50,593 in the Capital Fund, from unexpended bond anticipation note proceeds and \$21,327 in the Private Purpose Trust Fund restricted for fire protection and assistance to citizens.

Investment and Deposit Policy

The City implemented Governmental Accounting Standards Council Statement No. 40, *Deposit and Investment Risk Disclosures*.

The City follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the City Manager.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The City's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The City's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The City's investment policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts.
- Certificates of deposit.
- Obligations of the United States Treasury and United States agencies.
- Obligations of New York State and its localities.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the City's investment policy, all deposits of the City including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 106% of the aggregate amount of deposits. The City restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by New York State and its localities.

B. RECEIVABLES

Significant revenues accrued by the City at March 31, 2015 include the following:

- a. State and Federal Receivables – represents amounts due primarily from New York State and the federal government. Amounts accrued at March 31, 2015 consist of:

Capital Fund:

Cedar Street reimbursement	\$ 84,239
Summit Street reimbursement	<u>19,814</u>
Total state and federal receivables	<u>\$ 104,053</u>

CITY OF BATAVIA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

- b. Due from Other Governments - represents amounts due primarily from the County of Genesee, New York, and other governmental entities. Amounts accrued at March 31, 2015, consist of:

<u>General Fund:</u>	
NYS sales tax	\$ 1,338,503
Fines and forfeitures	12,963
Total governmental activities due from other governments	<u>\$ 1,351,466</u>
<u>Water Fund:</u>	
City/County water agreement	<u>\$ 576,269</u>
<u>Sewer Fund:</u>	
Town of Batavia sewer agreement	<u>\$ 2,034,588</u>

C. CAPITAL ASSETS

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

Governmental Activities:

	Balance 04/01/14	Increases	Decreases	Balance 03/31/15
<u>Capital assets, not being depreciated:</u>				
Land	\$ 1,134,588	\$ -	\$ -	\$ 1,134,588
Construction work in progress	<u>8,438,237</u>	<u>2,696,277</u>	<u>1,057,593</u>	<u>10,076,921</u>
Total capital assets not being depreciated	<u>9,572,825</u>	<u>2,696,277</u>	<u>1,057,593</u>	<u>11,211,509</u>
<u>Capital assets, being depreciated:</u>				
Buildings and building improvements	9,781,357	324,548	-	10,105,905
Machinery, equipment & vehicles	5,850,719	294,475	204,598	5,940,596
Infrastructure	<u>3,789,051</u>	<u>300,000</u>	<u>-</u>	<u>4,089,051</u>
Total capital assets, being depreciated	<u>19,421,127</u>	<u>919,023</u>	<u>204,598</u>	<u>20,135,552</u>
<u>Less accumulated depreciation:</u>				
Buildings and building improvements	3,043,143	248,587	-	3,291,730
Machinery, equipment & vehicles	3,631,741	273,208	176,078	3,728,871
Infrastructure	<u>3,020,378</u>	<u>179,883</u>	<u>-</u>	<u>3,200,261</u>
Total accumulated depreciation	<u>9,695,262</u>	<u>701,678</u>	<u>176,078</u>	<u>10,220,862</u>
Total capital assets being depreciated, net	<u>9,725,865</u>	<u>217,345</u>	<u>28,520</u>	<u>9,914,690</u>
Governmental activities capital assets, net	<u>\$ 19,298,690</u>	<u>\$ 2,913,622</u>	<u>\$ 1,086,113</u>	<u>\$ 21,126,199</u>

Decreases in construction work in progress include economic stimulus projects which did not meet the City's capitalization threshold and a project transferred and placed into service in the Sewer Fund in the amounts of \$290,945 and \$141,666, respectively.

Depreciation expense was charged to the functions/programs of the governmental activities as follows:

Governmental activities:

General government	\$ 164,708
Police	47,813
Fire	65,759
Transportation	303,978
Culture and recreation	109,190
Home and community services	<u>10,230</u>
Total depreciation expense - governmental activities	<u>\$ 701,678</u>

CITY OF BATAVIA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Business-Type Activities:

	Balance 04/01/14	Increases	Decreases	Balance 03/31/15
<u>Capital assets, not being depreciated:</u>				
Land	\$ 41,500	\$ -	\$ -	\$ 41,500
Construction work in progress	<u>1,205,243</u>	<u>747,179</u>	<u>612,941</u>	<u>1,339,481</u>
Total capital assets not being depreciated	<u>1,246,743</u>	<u>747,179</u>	<u>612,941</u>	<u>1,380,981</u>
<u>Capital assets, being depreciated:</u>				
Buildings and building improvements	41,427,000	-	-	41,427,000
Machinery, equipment & vehicles	1,339,863	15,881	17,700	1,338,044
Infrastructure	<u>14,006,730</u>	<u>755,406</u>	<u>-</u>	<u>14,762,136</u>
Total capital assets, being depreciated	<u>56,773,593</u>	<u>771,287</u>	<u>17,700</u>	<u>57,527,180</u>
<u>Less accumulated depreciation:</u>				
Buildings and building improvements	24,119,427	1,043,299	-	25,162,726
Machinery, equipment & vehicles	658,414	90,538	17,200	731,752
Infrastructure	<u>5,997,239</u>	<u>359,611</u>	<u>-</u>	<u>6,356,850</u>
Total accumulated depreciation	<u>30,775,080</u>	<u>1,493,448</u>	<u>17,200</u>	<u>32,251,328</u>
Total capital assets, being depreciated - net	<u>25,998,513</u>	<u>(722,161)</u>	<u>500</u>	<u>25,275,852</u>
Business-type activities capital assets, net	<u>\$ 27,245,256</u>	<u>\$ 25,018</u>	<u>\$ 613,441</u>	<u>\$ 26,656,833</u>

Depreciation expense was charged to the business-type activities as follows:

Water	\$ 148,373
Sewer	<u>1,345,075</u>
Total depreciation expense – business-type activities	<u>\$ 1,493,448</u>

D. PENSION OBLIGATIONS

New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS) (the Systems)

PLAN DESCRIPTION

The City of Batavia participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS) (the 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 and 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 its 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, 110 State Street, Albany, NY 12244.

CITY OF BATAVIA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

FUNDING POLICY

The Systems are noncontributory except for employees who joined the Systems after July 27, 1976 who contribute 3.0% to 3.5% of their salary. With the exception of ERS tier V and VI employees, employees in the systems more than ten years are no longer required to contribute. In addition, employees contribution rates under ERS tier VI vary based on a sliding salary scale. For the New York State and Local Employees' Retirement System, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulated fund.

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

	<u>ERS</u>	<u>PFRS</u>
2015	\$ 649,211	\$1,213,742
2014	692,924	677,447
2013	606,689	1,156,334

The City's contributions made to the Systems were equal to 100% of the contributions required for each year. The City chose to prepay the required contributions by December 15, 2014 and received an overall discount of \$5,843 and \$10,923 for ERS and PFRS, respectively.

E. OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS (OPEB)

City of Batavia Retiree Medical Plan (the Plan)

PLAN DESCRIPTION

The City of Batavia (the City), administers the Plan as a single-employer defined benefit OPEB plan. The Plan provides for continuation of health insurance benefits for certain retirees and their spouses and can be amended by action of the City subject to applicable collective bargaining and employment agreements. The Plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

FUNDING POLICY

The obligations of the plan members, employers and other entities are established by action of the City pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement. The employer currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the City.

ACCOUNTING POLICY

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

ANNUAL OPEB COST AND NET OPEB OBLIGATION

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the City's net OPEB obligation to the Plan at March 31, 2015.

CITY OF BATAVIA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Annual required contribution (ARC)	\$ 818,303
Interest on OPEB obligation	121,451
Adjustment to ARC	<u>(175,588)</u>
OPEB expense	764,166
Contributions made	<u>(314,727)</u>
Increase in net OPEB obligation	449,439
Net OPEB obligation - beginning of year	<u>3,263,171</u>
Net OPEB obligation - end of year	<u>\$ 3,712,610</u>

Percentage of expense contributed 41.19%

The City's annual OPEB cost, contribution, percentage of OPEB cost contributed, and net post employment benefit obligation for the Plan for the current fiscal year ended March 31, 2015 and the two preceding years are as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 764,166	\$ 314,727	41.19%	\$3,712,610
2014	762,166	537,269	70.49%	3,263,171
2013	584,743	365,588	62.52%	3,712,610

FUNDED STATUS AND FUNDING PROGRESS

As of April 1, 2013, the most recent actuarial valuation, the actuarial accrued liability for benefits was \$9,225,643, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was not available, and the ratio of the unfunded actuarial accrued liability to the covered payroll was not available. The total post employment health insurance cost to the city for 33 retirees was \$314,727 for the year ended March 31, 2015.

Actuarial valuations for OPEB involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress presented immediately following the financial statements as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

METHODS AND ASSUMPTIONS

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

The April 1, 2013 actuarial valuation utilized the entry age actuarial cost method. The actuarial valuation included a 4.0 percent investment rate of return (net of administrative expenses), which is the expected short-term investment rate of the City's own assets, and an annual healthcare cost trend of 19 percent initially, reduced by decrements to an ultimate rate of 5 percent after 4 years for participants under age 65 and 7 percent initially reduced by decrements to an ultimate rate of 5 percent after 4 years for participants over age 65. Both rates included a 2.5 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period is not to exceed thirty years.

CITY OF BATAVIA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

ALLOCATION OF POST EMPLOYMENT BENEFITS

The City's allocation of their OPEB liability to the City's functions are as follows:

Governmental activities:	
General government	\$ 38,787
Police	134,011
Fire	145,759
Public safety	14,300
Transportation	48,652
Culture and recreation	33,484
Home and community service	<u>9,090</u>
Total governmental activities OPEB expense	<u>424,083</u>
Business-type activities:	
Home and community service	<u>25,356</u>
Total business-type activities OPEB expense	<u>25,356</u>
Total OPEB expense	\$ <u>449,439</u>

F. COMMITMENTS

ENCUMBRANCES

As discussed in Note 1.E.1, Budgetary Information, Budgetary Basis of Accounting, encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year-end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were \$258,739 in the General Fund.

COUNTY WATER AGREEMENT

During the year ended March 31, 2008, the City entered into an agreement with Genesee County whereby the County has assumed responsibility for the production, treatment, operation, maintenance and/or supply of municipal water. Under the terms of the agreement, the County has agreed to lease the City's water supply and treatment facilities for a term not to exceed 10 years. The agreement also calls for the transfer of title to, access to, and/or rights to the County for certain machinery and equipment used in connection with the water supply and treatment facility. In addition, the City entered into an operational agreement with the County to operate and maintain the facilities.

In exchange, the City has agreed to purchase water from the County on a wholesale basis. The City rate for city water customers rate in effect for the fiscal year ended March 31, 2014 was \$4.62 per 1,000 gallons for the first 300,000 gallons and \$3.85 per 1,000 gallons over 300,000 gallons. This rate is subject to adjustment on April 1st of each subsequent year. Subsequent to year end, these rates were increased to \$4.78 per 1,000 gallons.

CITY OF BATAVIA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

G. RISK MANAGEMENT

RISK FINANCING AND RELATED INSURANCE

Health Insurance Plan

The City independently self-insures costs related to an employee health insurance plan (the Plan). The Plan's objectives are to formulate, develop, and administer a health insurance program to obtain lower costs for coverage, and to develop a comprehensive loss control program. The Plan uses reinsurance agreements to reduce exposure to large losses on insured events. Reinsurance permits recovery of a portion of the losses from the reinsurer, although it does not discharge the liability of the Plan as a direct insurer of the risks reinsured.

Since actual claim costs depend on complex factors, the process of computing claim liabilities does not necessarily result in an exact amount. Such liabilities are based on the ultimate cost of claims (including future claim adjustment expenses) that have been incurred but not charged or credited to expense in the periods in which they are made. As of March 31, 2015, the City recorded liabilities in the amounts of \$153,610, \$14,960 and \$13,865 in the General, Water and Sewer Funds, respectively, for incurred but not reported insured events.

Workers' Compensation Plan

The City was previously independently self-insured for costs related to an employee workers' compensation plan (the Plan). However, during the fiscal year ended March 31, 2009, the City changed to a premium based plan. Any claims incurred during the period in which the City was independently self-insured continue to be the responsibility of the City. The formerly self-insured Plan's objectives were to formulate, develop, and administer a workers' compensation program to obtain lower costs for coverage, and to develop a comprehensive loss control program. The former Plan uses reinsurance agreements to reduce exposure to large losses on insured events. Reinsurance permits recovery of a portion of the losses from the reinsurer, although it does not discharge the liability of the Plan as a direct insurer of the risks reinsured.

Since actual claim costs depend on complex factors, the process of computing claim liabilities does not necessarily result in an exact amount. Such liabilities are based on the ultimate cost of claims (including future claim adjustment expenses) that have been incurred but not charged or credited to expense in the periods in which they are made. As of March 31, 2015, the City has recorded a liability for future costs associated with open claims of \$58,017. The City has not consulted an actuary and has not estimated a liability for incurred but not reported claim liabilities.

H. SHORT-TERM DEBT

The purpose of all of the short-time borrowings was to provide resources for various capital construction or improvement projects. The form of financing used in all cases was bond anticipation notes (BAN). The amounts issued for governmental activities are accounted for in the capital projects fund. The amounts issued for business-type activities relate to a single fund and are therefore reported in that single fund, the sewer enterprise fund.

State law requires that bond anticipation notes issued for capital purposes be converted to long-term obligations within five years after the original issue date, if not completely repaid. However, bond anticipation notes issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

CITY OF BATAVIA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

The schedule below details the changes in short-term capital borrowings during the year ended March 31, 2015:

	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Balance 04/1/14</u>	<u>Issued</u>	<u>Redemptions</u>	<u>Balance 03/31/15</u>
Governmental:						
Highway Improvements	2013	.55%	\$ 3,000,000	\$ -	\$3,000,000	\$ -
Highway Improvements	2014	1.00%	-	1,700,000	-	1,700,000
Total Governmental:			\$3,000,000	\$1,700,000	\$3,000,000	\$1,700,000
Business-Type Activities:						
Sanitary Sewer System Improvements	2013	.55%	\$ 700,000	\$ -	\$ 700,000	\$ -

I. LONG-TERM LIABILITIES

GENERAL OBLIGATION BONDS

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds outstanding at March 31, 2015 are as follows:

Governmental Activities

<u>Issue Description</u>	<u>Original Issue Date</u>	<u>Original Borrowing</u>	<u>Interest Rates to Maturity</u>	<u>Final Maturity</u>	<u>Outstanding Balance 03/31/15</u>
<u>General Obligation Bonds:</u>					
Dwyer and BID - Refunding	2011	\$ 1,200,000	2-3.125%	2020	\$ 800,000
City Centre	2005	3,580,000	4-5.000%	2036	-
City Centre - Refunding	2014	2,856,000	2-3.750%	2033	2,836,000
Various Projects	2005	1,795,000	4-5.000%	2021	660,000
					<u>\$4,296,000</u>

Business-Type Activities

<u>Issue Description</u>	<u>Original Issue Date</u>	<u>Original Borrowing</u>	<u>Interest Rates to Maturity</u>	<u>Final Maturity</u>	<u>Outstanding Balance 03/31/15</u>
<u>General Obligation Bonds:</u>					
State clean water and drinking water	1999	\$ 2,165,590	3.48-5.43%	2019	\$ 660,000
City Centre - Refunding	2014	714,000	2-3.750%	2033	709,000
					<u>\$1,369,000</u>

LEGAL DEBT MARGIN

There is a statutory debt limit applicable to Cities within New York State. The City is in compliance with this debt limit.

CITY OF BATAVIA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

CURRENT REFUNDING

The City issued \$3,570,000 in public improvement bonds with interest rates ranging from 2.00% to 3.75%. The proceeds were used to refund \$3,525,000 of outstanding 2005 Series A and B public improvement bonds which had an interest rate of 4.25%. The net proceeds of \$3,558,697 (including a \$80,425 premium and after payment of \$91,728 in underwriting fees and other issuance costs) were used to provide funds for the debt service payment on the refunded bonds. As a result, the liability for the 2005 Series A and B public improvement bonds has been removed from the statement of net position. The allocation of these public improvement bonds by fund is 80% General Fund, 10% Water Fund and 10% Sewer Fund.

The reacquisition price equated to the net carrying amount of the old debt therefore no additional amortization was considered necessary related to this transaction. The City refunded the 2005 Series A and B public improvement bonds to reduce its total debt service payments over 18 and 21 years, respectively, by \$392,765 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$303,207.

CHANGES IN LONG-TERM LIABILITIES

Changes in the government's long-term liabilities for the year ended March 31, 2015 are as follows:

	Balance 04/01/14	Additions	Reductions	Balance 03/31/15	Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation bonds	\$ 4,620,000	\$2,856,000	\$3,180,000	\$ 4,296,000	\$ 385,000
Unamortized premium	-	64,340	1,457	62,883	3,497
Total bonds payable	4,620,000	2,920,340	3,181,457	4,358,883	388,497
Due to other governments:					
Courthouse	270,750	-	86,250	184,500	90,000
Dwyer Stadium	191,328	-	5,000	186,328	5,000
Landfill	320,865	-	10,507	310,358	17,242
Total due to other governments	782,943	-	101,757	681,186	112,242
Installment purchase debt	614,618	-	67,028	547,590	70,422
Compensated absences	2,325,391	-	50,213	2,275,178	227,518
Net other post employment benefit obligation	2,921,101	424,083	-	3,345,184	-
Governmental activities long-term liabilities	<u>\$ 11,264,053</u>	<u>\$3,344,423</u>	<u>\$3,400,455</u>	<u>\$ 11,208,021</u>	<u>\$ 798,679</u>
Business-Type Activities					
Bonds Payable					
General obligation bonds	\$ 1,510,000	\$ 714,000	\$ 855,000	\$1,369,000	\$ 155,000
Unamortized premium	-	16,085	364	15,721	874
Total bonds payable	1,510,000	730,085	855,364	1,384,721	155,874
Installment purchase debt	367,012	-	50,462	316,550	52,117
Compensated absences	371,049	14,932	-	385,981	38,598
Net other post employment benefit obligation	342,070	25,356	-	367,426	-
Business-type activities long-term liabilities	<u>\$ 2,590,131</u>	<u>\$ 770,373</u>	<u>\$ 905,826</u>	<u>\$2,454,678</u>	<u>\$ 246,589</u>

CITY OF BATAVIA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

The debt service requirements for the government's bonds and installment purchase debt are as follows:

Governmental Activities

<u>Year ending</u> <u>May 31,</u>	<u>Bonds</u>		<u>Installment Purchase Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 385,000	\$ 140,125	\$ 70,422	\$ 10,090
2017	385,000	127,575	73,944	8,789
2018	363,000	115,475	77,597	7,422
2019	363,000	103,665	81,386	5,988
2020	362,000	91,930	81,687	4,485
2021-2025	934,000	336,815	162,554	4,496
2026-2030	816,000	217,152	-	-
2031-2035	652,000	63,000	-	-
2036	36,000	1,350	-	-
Total	<u>\$ 4,296,000</u>	<u>\$ 1,197,087</u>	<u>\$ 547,590</u>	<u>\$ 41,270</u>

<u>Year ending</u> <u>May 31,</u>	<u>Total Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 455,422	\$ 155,888
2017	458,944	141,080
2018	440,597	126,625
2019	444,386	112,630
2020	443,687	98,067
2021-2025	1,096,555	342,829
2026-2030	816,000	217,152
2031-2035	652,000	63,000
2036	36,000	1,350
Total	<u>\$ 4,843,591</u>	<u>\$ 1,258,621</u>

Business Activities

<u>Year ending</u> <u>May 31,</u>	<u>Bonds</u>		<u>Installment Purchase Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 155,000	\$ 30,161	\$ 52,117	\$ 5,673
2017	160,000	27,983	53,824	4,716
2018	162,000	25,562	55,585	3,728
2019	167,000	22,908	57,401	2,707
2020	173,000	20,028	42,744	1,652
2021-2025	176,000	82,360	54,879	1,518
2026-2030	204,000	54,288	-	-
2031-2035	163,000	15,752	-	-
2036	9,000	336	-	-
Total	<u>\$ 1,369,000</u>	<u>\$ 279,378</u>	<u>\$ 316,550</u>	<u>\$ 19,994</u>

CITY OF BATAVIA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Year ending May 31, _____	Total Business-Type Activities		Total Primary Government Debt	
	Principal	Interest	Principal	Interest
2016	\$ 207,117	\$ 35,834	\$ 662,539	\$ 191,722
2017	213,824	32,699	672,768	173,779
2018	217,585	56,290	658,182	182,915
2019	224,401	25,615	668,787	138,245
2020	215,744	21,680	659,431	119,747
2021-2025	230,879	83,878	1,327,433	426,707
2026-2030	204,000	54,288	1,020,000	271,440
2031-2035	163,000	15,752	815,000	78,752
2036	9,000	336	45,000	1,686
Total	\$ <u>1,685,550</u>	\$ <u>326,372</u>	\$ <u>6,529,140</u>	\$ <u>1,584,993</u>

J. FUND BALANCE

FUND BALANCE POLICY

The City adopted a formal spending policy, under the provisions of GASB Statement No. 54, stating the City Council will assess the current financial condition of the City and then determine the order of application of expenditures to which fund balance classifications will be charged.

DETAIL OF FUND BALANCES

As of March 31, 2015, fund balances were classified as follows:

	General	Capital	NonMajor Funds	Total
<u>Restricted:</u>				
Retirement contribution	\$ 422,999	\$ -	\$ -	\$ 422,999
Employee benefit accrued liability	28,212	-	-	28,212
Insurance	893,334	-	-	893,334
Capital projects	2,519,408	-	-	2,519,408
Repairs	85,957	-	-	85,957
Other-EMS	32,620	-	-	32,620
Small cities	-	-	164,313	164,313
Special Grant	-	-	397,525	397,525
<u>Committed:</u>				
Vibrant Batavia	86,946	-	-	86,946
Comprehensive plan	100,000	-	-	100,000
<u>Assigned:</u>				
Encumbrances-				
General government	78,994	-	-	78,994
Public safety	39,970	-	-	39,970
Transportation	37,339	-	-	37,339
Culture and recreation	34,807	-	-	34,807
Home and community	70,004	-	-	70,004
Economic assistance and opportunity	600	-	-	600
Fire equipment	200,000	-	-	200,000
DPW equipment	50,000	-	-	50,000
Dwyer Stadium	100,000	-	-	100,000
Facilities	300,000	-	-	300,000
Sidewalk	200,000	-	-	200,000
Administrative services equipment and software	25,000	-	-	25,000
Subsequent years' expenditures	275,000	-	-	275,000

CITY OF BATAVIA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

	<u>General</u>	<u>Capital</u>	<u>NonMajor Funds</u>	<u>Total</u>
Self insurance	-	-	390,463	390,463
Mall Maintenance	-	-	70,249	70,249
<u>Unassigned:</u>				
General Fund	1,556,092	-	-	1,556,092
Capital projects	-	(32,994)	-	(32,994)
Total	<u>\$7,137,282</u>	<u>\$ (32,994)</u>	<u>\$1,022,550</u>	<u>\$8,126,838</u>

K. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of March 31, 2015 is as follows:

Due from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital	General	\$ 804,264
Capital	Water	12,427
Capital	Sewer	46,603
General	Community Development	10,000
Total		<u>\$ 873,294</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

L. INTERFUND TRANSFERS

The composition of interfund transfers as of March 31, 2015 is as follows:

Interfund transfers:

	<u>General</u>	<u>Capital Projects</u>	<u>Water</u>	<u>Sewer</u>	<u>Total Transfers In</u>
General	\$ -	\$ 50,000	\$ 250,000	\$ -	\$ 300,000
Capital Projects	894,797	-	-	-	894,797
Community Development	125,000	-	-	-	125,000
Self-Insurance	378,940	-	51,460	37,430	467,830
Total Transfers Out	<u>\$ 1,398,737</u>	<u>\$ 50,000</u>	<u>\$ 301,460</u>	<u>\$ 37,430</u>	<u>\$ 1,787,627</u>

During the year, transfers were made per the adopted budget for various purposes.

M. CONTINGENCIES

The City participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the City's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

CITY OF BATAVIA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

N. LANDFILL CLOSURE COSTS

The City has been identified by the United States Environmental Protection Agency (EPA) as a responsible party which can be held liable for a portion of the long-term maintenance and operation of a landfill site in the Town of Batavia.

The cost for the long-term maintenance and operation of the landfill has been estimated to be approximately \$427,820. All parties designated as potentially responsible parties by the EPA participated in a Pilot Allocation Program. As a result of the Pilot Allocation Program, 75% of the long-term operation and maintenance costs have been allocated to the City, or \$310,358. As of March 31, 2015, a liability has been recorded in the Governmental activities funds for future maintenance and operation costs.

O. AUTHORIZED BUT UNISSUED DEBT

On March 9, 2015, the government authorized bond anticipation notes, and the conversion of said bond anticipation notes to general obligation bonds upon completion of the project, in the amount of \$4,050,000, which had not been issued as of March 31, 2015. These bond anticipation notes/general obligation bonds are to be designated to finance the construction or replacement of sanitary sewer improvements, the upgrading of sewage treatment facilities and the replacement of the city water treatment plant roof.

CITY OF BATAVIA, NEW YORK
SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTH PLAN
FOR THE YEAR ENDED MARCH 31, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
04/01/13	\$ -	\$ 9,225,643	\$ 9,225,643	0.00%	Not available	Not available
04/01/10	-	7,147,986	7,147,986	0.00%	Not available	Not available
04/01/08	-	9,222,599	9,222,599	0.00%	Not available	Not available

Schedule of Employer Contributions

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
March 31, 2013	818,303	365,858	44.71%
March 31, 2014	818,303	537,269	65.66%
March 31, 2015	818,303	314,727	38.46%

CITY OF BATAVIA, NEW YORK
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2015

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance From Modified Budget</u>
REVENUES:				
Real property taxes	\$ 5,045,741	\$ 5,045,741	\$ 4,936,970	\$ (108,771)
Real property tax items	236,730	236,730	333,195	96,465
Sales and other taxes	6,495,000	6,495,000	6,489,747	(5,253)
Departmental income	412,279	412,279	274,611	(137,668)
Use of money and property	49,340	49,340	59,625	10,285
Licenses and permits	79,775	79,775	71,214	(8,561)
Fines and forfeitures	37,124	37,124	127,994	90,870
Sale of property and compensation for loss	26,300	26,300	116,920	90,620
Miscellaneous local sources	76,670	321,670	542,169	220,499
Federal and state sources	2,279,375	2,411,219	2,320,034	(91,185)
Total revenues	<u>14,738,334</u>	<u>15,115,178</u>	<u>15,272,479</u>	<u>157,301</u>
EXPENDITURES:				
General government	2,553,604	2,029,208	1,714,492	314,716
Public safety	8,201,214	7,664,572	7,287,734	376,838
Health	18,870	18,240	17,224	1,016
Transportation	2,627,352	2,084,921	1,971,476	113,445
Economic assistance	20,000	72,197	59,609	12,588
Culture and recreation	992,845	921,847	827,867	93,980
Home and community services	393,570	358,850	207,179	151,671
Refuse and recycling	75,150	75,150	57,046	18,104
Employee health benefits	7,190	1,705,618	1,477,915	227,703
Debt service:				
Principal	493,279	513,279	513,278	1
Debt issuance costs	-	-	73,382	(73,382)
Interest	223,335	203,335	204,613	(1,278)
Total expenditures	<u>15,606,409</u>	<u>15,647,217</u>	<u>14,411,815</u>	<u>1,235,402</u>
Excess (deficit) of revenues over expenditures	(868,075)	(532,039)	860,664	1,392,703
OTHER FINANCING SOURCES (USES):				
Interfund transfers in	300,000	300,000	300,000	-
Interfund transfers out	(532,539)	(1,505,461)	(1,398,737)	106,724
Premium on refunding	-	-	64,340	64,340
Refunding of bond proceeds	-	-	2,856,000	2,856,000
Payment on refunding of bonds	-	-	(2,820,000)	(2,820,000)
Appropriated fund balance	1,100,614	1,737,500	-	(1,737,500)
Total other financing sources (uses)	<u>868,075</u>	<u>532,039</u>	<u>(998,397)</u>	<u>(1,530,436)</u>
Net change in fund balance	-	-	(137,733)	(137,733)
Fund balance - beginning of year	-	-	7,275,015	7,275,015
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,137,282</u>	<u>\$ 7,137,282</u>

SECTION B
SUPPLEMENTAL SCHEDULES

CITY OF BATAVIA, NEW YORK
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
MARCH 31, 2015

	Self Insurance	Mall Maintenance Fund	Small Cities Fund	Special Grant Fund	Total Non-Major Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 381,373	\$ 34,300	\$ 96,365	\$ 282,224	\$ 794,262
Accounts receivable	67,939	47,625	-	-	115,564
Loan receivables (net of allowance for uncollectible accounts)	-	-	67,948	130,941	198,889
Total assets	\$ 449,312	\$ 81,925	\$ 164,313	\$ 413,165	\$ 1,108,715
LIABILITIES:					
Accounts payable	\$ 832	\$ 11,490	\$ -	\$ 5,640	\$ 17,962
Accrued liabilities	58,017	186	-	-	58,203
Due to other funds	-	-	-	10,000	10,000
Total liabilities	\$ 58,849	\$ 11,676	\$ -	\$ 15,640	\$ 86,165
FUND BALANCES:					
Restricted	-	-	164,313	397,525	561,838
Assigned	390,463	70,249	-	-	460,712
Total fund balances	\$ 390,463	\$ 70,249	\$ 164,313	\$ 397,525	\$ 1,022,550
Total liabilities and fund balances	\$ 449,312	\$ 81,925	\$ 164,313	\$ 413,165	\$ 1,108,715

CITY OF BATAVIA, NEW YORK
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2015

	Self Insurance	Mall Maintenance Fund	Small Cities Fund	Special Grant Fund	Total Non-Major Governmental Funds
REVENUES:					
Special assessments	\$ -	\$ 199,110	\$ -	\$ -	\$ 199,110
Sale of property and compensation for loss	67,939	-	-	-	67,939
Use of money and property	821	298	1,202	4,930	7,251
Miscellaneous local sources	-	-	27,050	4,582	31,632
Federal and state sources	-	-	-	135,024	135,024
Total revenues	<u>68,760</u>	<u>199,408</u>	<u>28,252</u>	<u>144,536</u>	<u>440,956</u>
EXPENDITURES:					
General government	438,796	-	-	-	438,796
Economic assistance and opportunity	-	178,925	-	-	178,925
Home and community services	-	-	3,354	240,601	243,955
Employee benefits	28,783	-	-	-	28,783
Total expenditures	<u>467,579</u>	<u>178,925</u>	<u>3,354</u>	<u>240,601</u>	<u>890,459</u>
Excess (deficit) of revenues over expenditures	<u>(398,819)</u>	<u>20,483</u>	<u>24,898</u>	<u>(96,065)</u>	<u>(449,503)</u>
OTHER FINANCING SOURCES:					
Interfund transfers in	467,830	-	-	125,000	592,830
Total other financing sources	<u>467,830</u>	<u>-</u>	<u>-</u>	<u>125,000</u>	<u>592,830</u>
Net change in fund balances	69,011	20,483	24,898	28,935	143,327
Fund balances - beginning	321,452	49,766	139,415	368,590	879,223
Fund balances - ending	<u>\$ 390,463</u>	<u>\$ 70,249</u>	<u>\$ 164,313</u>	<u>\$ 397,525</u>	<u>\$ 1,022,550</u>

SECTION C
FEDERAL FINANCIAL ASSISTANCE

CITY OF BATAVIA, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2015

<u>Federal Grantor/Pass-Through</u>	<u>Federal</u>	<u>Pass-Through</u>	<u>Disbursements/</u>
<u>Grantor/Program Title</u>	<u>CFDA</u>	<u>Entity Identifying</u>	<u>Expenditures</u>
	<u>Number</u>	<u>Number</u>	
<u>U.S. Department of Transportation</u>			
<i>Pass-Through New York State:</i>			
Highway Planning and Construction	20.205	D032451	\$1,319,526
Highway Planning and Construction	20.205	D032449	<u>17,332</u>
			1,336,858
 <u>U.S. Department of Justice</u>			
<i>Passed through New York State:</i>			
Bulletproof Vest Partnership Program	16.607	2009BUBX09046584	3,875
 <u>U.S. Department of Homeland Security</u>			
<i>Direct Program:</i>			
Assistance to Firefighters Grant	97.044	EMW-2012-FO-04868	7,256
<i>Passed through New York State Division of Homeland Security and Emergency Services</i>			
Stafford Act – Federal Emergency Management Agency	97.036	037-04715-00	<u>44,057</u>
			51,313
 <u>U.S. Department of Housing and Urban Development</u>			
<i>Pass-Through New York State:</i>			
CDBG Housing Rehab	14.228	82HR44-13	13,565
Microenterprise 14 Business Grant	14.228	82MEI-114	<u>31</u>
			<u>13,596</u>
Total Expenditures of Federal Awards			<u>\$1,405,642</u>

See notes to Schedule of Expenditures of
Federal Awards.

CITY OF BATAVIA, NEW YORK
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2015

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards presents the activity of the federal financial assistance programs administered by the City of Batavia (the City), an entity as defined in Note 1 to the City's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Federal awards received directly from federal agencies as well as federal awards passed through from other government agencies are included in the schedule. Because the schedule presents only a selected portion of the operations of the City, it is not intended and does not present the financial position, changes in net assets, or cash flows of the City.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting. The amounts reported as federal expenditures were obtained from the City's financial reporting system, which is the source of the City's basic financial statements.

NOTE 3 - PASS-THROUGH GRANTOR

Some of the federal financial assistance received was passed-through departments of the State of New York.

NOTE 4 - MAJOR PROGRAM DETERMINATION

Major program determination is a risk based assessment which classifies programs as either a Type A program or a Type B program. All federal programs with expenditures exceeding the greater of 3% of the total federal awards or \$300,000 are considered Type A programs and all other programs are considered Type B programs. The Type B federal programs with expenditures which do not exceed the greater of .3% of the total federal awards or \$100,000 are considered insignificant and were not further evaluated. All other programs were then further assessed based on risk and major programs were selected.

SECTION D
INTERNAL CONTROL AND COMPLIANCE

**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**

INDEPENDENT AUDITOR'S REPORT

The President and Members of the Council of the City of Batavia
Batavia, 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 Batavia, New York (the 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, and have issued our report thereon dated October 2, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Freed Maxick CPAs, P.C.

Batavia, New York
October 2, 2015



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

INDEPENDENT AUDITOR'S REPORT

The President and Members of the Council of the City of Batavia
Batavia, New York

Report on Compliance for Each Major Federal Program

We have audited the City of Batavia, New York's (the City) compliance with the types of compliance requirements described in *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended March 31, 2015. The City'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'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'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 on the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City 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 is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City'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 our 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 the City'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-A133. Accordingly, this report is not suitable for any other purpose.

Freed Maxick CPAs, P.C.

Batavia, New York
October 2, 2015

CITY OF BATAVIA, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2015

I. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes √No
- Significant deficiency(ies) identified? Yes √No

Noncompliance material to financial statements noted? Yes √No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes √No
- Significant deficiency(ies) identified? Yes √No

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

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes √No

Identification of major programs:

CFDA Number(s)

20.205

Name of Federal Program or Cluster

Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs \$300,000

Auditee qualified as low-risk auditee? Yes √No

CITY OF BATAVIA, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2015
(Continued)

II. FINDINGS - FINANCIAL STATEMENT AUDIT

There were no financial statement findings noted in the current year.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

There were no findings or questioned costs related to federal awards noted in the current year.

CITY OF BATAVIA, NEW YORK
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2015

I. FINDINGS - FINANCIAL STATEMENT AUDIT

There were no financial statement findings noted in the fiscal year ended March 31, 2014.

II. FEDERAL AWARD FINDINGS AND QUESTIONED COST SECTION

There were no findings or questioned costs related to federal awards noted in the fiscal year ended March 31, 2014.

SECTION E
NYSDOT STATE SINGLE AUDIT PROGRAM

**REPORT ON COMPLIANCE AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE OVER STATE TRANSPORTATION ASSISTANCE EXPENDED
BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITOR'S REPORT

The President and Members of the Council of the City of Batavia
Batavia, New York

Report On Compliance For Each Major Federal Program

We have audited the City of Batavia, New York's, (the City) compliance with the types of compliance requirements described in the preliminary Draft Part 43 of the New York State Codification of Rules and Regulations (NYCRR) that could have a direct and material effect on the major state transportation assistance program tested for the year ended March 31, 2015. The program tested is identified in the summary of audit 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 major state transportation assistance program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major state transportation assistance program 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 Draft Part 43 of NYCRR. Those standards and Draft Part 43 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 the state transportation assistance program tested has occurred. An audit includes examining, on a test basis, evidence about the City'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 state transportation assistance program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major State Transportation Assistance Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state transportation assistance program for the year ended March 31, 2015.

Report on Internal Control Over Compliance

Management of the City 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's internal control over compliance with the types of requirements that could have a direct and material effect on its major state transportation assistance program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major state transportation assistance program and to test and report on the internal control over compliance in accordance with Draft Part 43 of NYCRR, 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 the City'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 state transportation assistance 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 state transportation assistance 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 state transportation assistance 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 Draft Part 43 of NYCRR. Accordingly, this report is not suitable for any other purpose.

Freed Maxick CPAs, P.C.

Batavia, New York
October 2, 2015

CITY OF BATAVIA, NEW YORK
SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED
FOR THE YEAR ENDED MARCH 31, 2015

<u>Grantor/Program Title</u>	<u>NYS Contract/Reference Number</u>	<u>Expenditures</u>
<u>U.S. Department of Transportation</u> <i>Passed through New York State Department of Transportation:</i>		
Consolidated Local Street and Highway Improvement Program (CHIPS)	-----	\$ <u>396,753</u>

CITY OF BATAVIA, NEW YORK
NOTES TO SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED
FOR THE YEAR ENDED MARCH 31, 2015

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of State Transportation Assistance Expended by the City of Batavia, New York, (the City) an entity as defined in Note 1 to the City's basic financial statements, presents the activity of all financial assistance programs provided by the New York State Department of Transportation.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying schedule of state transportation assistance expended is presented using the modified accrual basis of accounting.

CITY OF BATAVIA, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR STATE TRANSPORTATION ASSISTANCE
EXPENDED
FOR THE YEAR ENDED MARCH 31, 2015

I. SUMMARY OF AUDIT RESULTS

Internal control over State Transportation Assistance Expended:

- Material weakness(es) identified? Yes √ No
- Significant deficiency(ies) identified? Yes √ No

Type of auditor's report issued on compliance for program tested: Unmodified

Identification of State Transportation Assistance Program tested:

Name of Project

Consolidated Local Street and Highway Improvement Program (CHIPS)

II. COMPLIANCE FINDINGS AND QUESTIONED COSTS

No findings or questioned costs were noted in the current year.