

**CITY OF BATAVIA,  
NEW YORK**

*Basic Financial Statements, Required Supplementary  
Information, Supplementary Information, and  
Federal Awards Information for the Year Ended  
March 31, 2023 and Independent Auditors' Reports*



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## DRESCHER & MALECKI LLP

2721 Transit Road, Suite 111  
Elma, New York 14059  
Telephone: 716.565.2299  
Fax: 716.389.5178



### INDEPENDENT AUDITORS' REPORT

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

#### Report on the Audit of the Financial Statements

##### *Opinions*

We have audited 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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of March 31, 2023, 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.

##### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

##### *Responsibilities of Management for the Financial Statements*

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to 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 Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplemental Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards are 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 September 25, 2023 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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.

*Drescher & Malecki LLP*

September 25, 2023



**CITY OF BATAVIA, NEW YORK**  
**Management's Discussion and Analysis**  
**Year Ended March 31, 2023**

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As management of the City of Batavia, New York (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended March 31, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative. For comparative purposes, certain items for the prior year have been reclassified to conform with current year presentation.

**Financial Highlights**

- The assets and the deferred outflows of resources of the City's primary government exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$71,410,127 (*net position*). This consists of \$41,108,684 net investment in capital assets, \$15,841,996 restricted for specific purposes, and unrestricted net position of \$14,459,447.
- The City's total primary government net position increased by \$6,876,376 during the year ended March 31, 2023.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,540,411, an increase of \$1,804,176 in comparison with the prior year's fund balance of \$9,736,235.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$3,842,633 or approximately 20.9 percent of total General Fund expenditures and transfers out. This total amount is *available for spending* at the City's discretion and constitutes approximately 32.9 percent of the General Fund's total fund balance of \$11,673,346.
- The City's government activities' bonds payable decreased by \$283,700 during the year due to scheduled principal payments. Similarly, the City's business-type activities' bonds payable decreased by \$486,300 due to scheduled principal payments.

**Overview of the Financial Statements**

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

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

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

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

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

The government-wide financial statements can be found on pages 16-17 of this report.

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

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

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

The City maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Capital Projects Fund, which are presented as major funds. Data from the other two governmental funds are combined into a single, aggregate presentation. Individual fund data for both of those nonmajor funds is provided in the form of the combining schedules in the Supplementary Information section of this report.

The basic governmental fund financial statements can be found on pages 18-21 of this report.

**Proprietary funds**—The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its sewer, water, and city centre operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City’s various functions. The City uses internal service funds to account for the operation of self-insurance for workers’ compensation and health insurance programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Fund and Water Fund which are considered to be a major funds of the City, and the City Centre which is a nonmajor fund of the City. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

The proprietary fund financial statements can be found on pages 22-25 of this report.

**Fiduciary funds**—Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City’s own programs. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The City maintains two fiduciary funds, the Private Purpose Trust Fund and the Custodial Fund.

The fiduciary fund financial statements can be found on pages 26-27 of this report.

**Notes to the Financial Statements**—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 28-56 of this report.

**Other Information**—In addition to the basic financial statements and the accompanying notes, this report also presents *Required Supplementary Information* concerning the City’s net pension liability/(asset), the City’s progress in funding its obligation to provide post-employment benefits (“OPEB”) to its employees, and the City’s budgetary comparison for the General Fund. Required Supplementary Information and related notes to the Required Supplementary Information can be found on pages 57-64 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the Required Supplementary Information in the Supplementary Information section of this report on pages 65-69.

Finally, the Federal Awards information can be found on pages 70-79 of this report.

## **Government-wide Financial Analysis**

As noted earlier, net position over time may serve as a useful indicator of a government’s financial position. In the case of the City’s primary government, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$71,410,127 at the close of the most recent fiscal year, as compared to \$64,533,751 at the close of the fiscal year ended March 31, 2022.

Table 1, shown below, presents condensed statements of net position as of March 31, 2023 and March 31, 2022.

**Table 1—Condensed Statements of Net Position—Primary Government**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>March 31,</u>		<u>March 31,</u>		<u>March 31,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Current assets	\$ 23,852,705	\$ 15,650,116	\$ 26,954,824	\$ 22,761,995	\$ 50,807,529	\$ 38,412,111
Noncurrent assets	27,746,174	24,291,868	26,110,910	26,914,800	53,857,084	51,206,668
Total assets	<u>51,598,879</u>	<u>39,941,984</u>	<u>53,065,734</u>	<u>49,676,795</u>	<u>104,664,613</u>	<u>89,618,779</u>
Deferred outflows of resources	<u>10,145,831</u>	<u>12,538,436</u>	<u>1,050,567</u>	<u>1,456,609</u>	<u>11,196,398</u>	<u>13,995,045</u>
Current liabilities	9,241,016	3,825,817	814,180	729,133	10,055,196	4,554,950
Noncurrent liabilities	11,016,869	13,924,595	5,904,335	6,589,895	16,921,204	20,514,490
Total liabilities	<u>20,257,885</u>	<u>17,750,412</u>	<u>6,718,515</u>	<u>7,319,028</u>	<u>26,976,400</u>	<u>25,069,440</u>
Deferred inflows of resources	<u>12,994,695</u>	<u>12,261,250</u>	<u>4,479,789</u>	<u>1,749,383</u>	<u>17,474,484</u>	<u>14,010,633</u>
Net position:						
Net investment in capital assets	20,907,808	21,888,857	20,200,876	20,991,998	41,108,684	42,880,855
Restricted	8,191,098	6,405,359	7,650,898	7,523,624	15,841,996	13,928,983
Unrestricted	(606,776)	(5,825,458)	15,066,223	13,549,371	14,459,447	7,723,913
Total net position	<u>\$ 28,492,130</u>	<u>\$ 22,468,758</u>	<u>\$ 42,917,997</u>	<u>\$ 42,064,993</u>	<u>\$ 71,410,127</u>	<u>\$ 64,533,751</u>

The largest portion of the City’s net position, \$41,108,684, reflects its net investment in capital assets (such as land, buildings, machinery and equipment, and infrastructure), net of accumulated depreciation/amortization, less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens. Accordingly, these assets are not available for future spending. Although the City’s investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City’s net position, \$15,841,996, represents resources that are subject to external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

The remaining balance of the City’s primary government net position, \$14,459,447, is considered to be unrestricted net position and may be used to meet the City’s ongoing operations.

Table 2, as presented on the following page, shows the changes in net position for the years ended March 31, 2023 and March 31, 2022.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	Year Ended March 31,		Year Ended March 31,		Year Ended March 31,	
	2023	2022	2023	2022	2023	2022
Program revenues:						
Charges for services	\$ 1,243,801	\$ 825,122	\$ 7,220,719	\$ 7,435,183	\$ 8,464,520	\$ 8,260,305
Operating grants and contributions	884,050	655,378	2,447,740	3,020,549	3,331,790	3,675,927
Capital grants and contributions	3,473,905	164,752	284,484	-	3,758,389	164,752
General revenues	18,462,180	16,432,291	252,244	25,374	18,714,424	16,457,665
Total revenues	<u>24,063,936</u>	<u>18,077,543</u>	<u>10,205,187</u>	<u>10,481,106</u>	<u>34,269,123</u>	<u>28,558,649</u>
Program expenses	<u>18,878,393</u>	<u>17,274,035</u>	<u>8,514,354</u>	<u>7,585,861</u>	<u>27,392,747</u>	<u>24,859,896</u>
Transfers	<u>837,829</u>	<u>601,680</u>	<u>(837,829)</u>	<u>(601,680)</u>	<u>-</u>	<u>-</u>
Change in net position	6,023,372	1,405,188	853,004	2,293,565	6,876,376	3,698,753
Net position—beginning	<u>22,468,758</u>	<u>21,063,570</u>	<u>42,064,993</u>	<u>39,771,428</u>	<u>64,533,751</u>	<u>60,834,998</u>
Net position—ending	<u>\$ 28,492,130</u>	<u>\$ 22,468,758</u>	<u>\$ 42,917,997</u>	<u>\$ 42,064,993</u>	<u>\$ 71,410,127</u>	<u>\$ 64,533,751</u>

**Governmental activities**—Overall revenues of governmental activities increased 33.1 percent from the prior year. The increase was primarily the result of increases in capital grants and contributions related to transportation related federal and state aid, combined with an increase in real property taxes and other tax items as well as sales tax revenues. Total expenses increased 9.3 percent from the prior year, which is primarily attributable to increases in public safety related to salary and benefit fits in addition to increases in transportation for repairs and maintenance costs.

A summary of sources of revenues for the years ended March 31, 2023 and March 31, 2022 is presented in Table 3 below.

**Table 3—Summary of Sources of Revenues – Governmental Activities**

	Year Ended March 31,		Increase/(Decrease)	
	2023	2022	Dollar (\$)	Percent (%)
Program revenues:				
Charges for services	\$ 1,243,801	\$ 825,122	\$ 418,679	50.7
Operating grants and contributions	884,050	655,378	228,672	34.9
Capital grants and contributions	3,473,905	164,752	3,309,153	2,008.6
Real property taxes and other tax items	7,117,307	6,125,748	991,559	16.2
Nonproperty taxes	8,188,047	7,346,707	841,340	11.5
Use of money and property	416,503	103,913	312,590	300.8
Miscellaneous	257,122	468,902	(211,780)	(45.2)
State aid—unrestricted	<u>2,483,201</u>	<u>2,387,021</u>	<u>96,180</u>	<u>4.0</u>
Total revenues	<u>\$ 24,063,936</u>	<u>\$ 18,077,543</u>	<u>\$ 5,986,393</u>	<u>33.1</u>

The City’s most significant sources of revenues for the year ended March 31, 2023 were nonproperty taxes of \$8,188,047, or 34.0 percent of total revenues, real property taxes and other tax items of \$7,117,307, or 29.6 percent of total revenues, and capital grants and contributions of \$3,473,905, or 14.4 percent of total revenues. For the year ended March 31, 2022, the City’s most significant sources of revenues were nonproperty taxes of \$7,346,707, or 40.6 percent of total revenues, real property taxes and other tax items of \$6,125,748, or 33.9 percent of total revenues, and state aid—unrestricted of \$2,387,021, or 13.2 percent of total revenues.

A summary of program expenses for the years ended March 31, 2023 and March 31, 2022 is presented below in Table 4.

**Table 4 – Summary of Program Expenses – Governmental Activities**

	Year Ended March 31,		Increase/(Decrease)	
	2023	2022	Dollars (\$)	Percent (%)
General government support	\$ 2,628,325	\$ 2,448,623	\$ 179,702	7.3
Public safety	10,497,475	9,780,341	717,134	7.3
Health	23,081	22,797	284	1.2
Transportation	2,976,065	2,356,777	619,288	26.3
Economic assistance and opportunity	213,993	327,567	(113,574)	(34.7)
Culture and recreation	913,445	836,267	77,178	9.2
Home and community services	1,551,563	1,424,856	126,707	8.9
Interest and other fiscal charges	74,446	76,807	(2,361)	(3.1)
Total expenses	<u>\$ 18,878,393</u>	<u>\$ 17,274,035</u>	<u>\$ 1,604,358</u>	9.3

The City’s most significant expenses for the year ended March 31, 2023 were public safety of \$10,497,475, or 55.6 percent of total expenses, transportation of \$2,976,065 or 15.8, percent of total expenses, and general government support of \$2,628,325, or 13.9 percent of total expenses. For the year ended March 31, 2022, the most significant expenses were public safety of \$9,780,341, or 56.6 percent of total expenses, general government support of \$2,448,623, or 14.2 percent of total expenses, and transportation of \$2,356,777, or 13.64 percent of total expenses.

**Business-type activities**—Business-type activities (the Sewer Fund, Water Fund, and City Centre Fund) increased the City’s net position by \$853,004.

A summary of sources of revenues and expenses for the City’s business-type activities for the years ended March 31, 2023 and 2022 is presented in Table 5 on the following page.

**Table 5 – Summary of Sources of Revenues and Expenses – Business-type Activities**

	Year Ended March 31,		Increase/(Decrease)	
	2023	2022	Dollars (\$)	Percent (%)
<b>Operating revenues:</b>				
Charges for services	\$ 7,220,719	\$ 7,435,183	\$ (214,464)	(2.9)
County water agreement charges	1,617,407	1,463,899	153,508	10.5
Rental of real property	550,000	550,000	-	-
Other operating revenues	280,333	486,647	(206,314)	(42.4)
State sources	-	520,003	(520,003)	(100.0)
Total operating revenues	<u>\$ 9,668,459</u>	<u>\$ 10,455,732</u>	<u>\$ (787,273)</u>	(7.5)
<b>Operating expenses:</b>				
Salaries, wages, and employee benefits	1,719,252	1,847,984	(128,732)	(7.0)
Claims and contractual expenses	4,712,549	3,729,206	983,343	26.4
Depreciation	1,943,749	1,859,042	84,707	4.6
Total operating expenses	<u>\$ 8,375,550</u>	<u>\$ 7,436,232</u>	<u>\$ 939,318</u>	12.6

At March 31, 2023, the most significant source of revenues relating to the City’s business-type activities is charges for services, including sewer and water rents. Total revenue relating to the City’s business-type activities decreased 7.5 percent from the year ended March 31, 2022, primarily due to a decrease in state sources revenue.

Total expenses increased by \$939,318, or 12.6 percent. This increase is primarily related increases in claims and contractual expenses in both Sewer and Water Funds related to certain repairs and maintenance and related contractual costs.

**Financial Analysis of the Governmental Funds**

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

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

At March 31, 2023, the City’s governmental funds reported combined ending fund balances of \$11,540,411, an increase of \$1,804,176 in comparison with the prior year. Approximately 28.8 percent, or \$3,322,461, of this fund balance constitutes *unassigned fund balance* which is available for spending at the City’s discretion. The remainder of fund balance is *restricted, committed, or assigned* to indicate that it is 1) restricted for particular purposes, \$6,926,843, 2) committed to a particular purpose, \$103,354, or 3) assigned for particular purposes, \$1,187,753.

The General Fund is the chief operating fund of the City. At March 31, 2023, the unassigned fund balance of the General Fund was \$3,322,461, while the total fund balance increased to \$11,673,346. As a measure of the General Fund’s liquidity, it may be useful to compare both the unassigned and total fund balances to total fund expenditures and transfers out. Unassigned fund balance represents approximately 20.9 percent of total General Fund expenditures and transfers out, while total fund balance represents approximately 63.6 percent of that same amount. The total fund balance of the General Fund increased by \$2,296,987 during the current fiscal year, primarily due to higher than anticipated non-property tax items related to sales tax combined with higher than anticipated other tax items revenue related to foreclosures.

The City’s Capital Projects Fund ending fund balance deficit was \$520,172 at March 31, 2023. During the year ended March 31, 2023, the fund balance decreased \$484,576 primarily due to an increase in capital outlay. The deficit will be eliminated as resources are obtained (e.g., from revenues, long-term debt issuances, and transfers in).

**Proprietary Funds**—The City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position of the business-type activities at March 31, 2023 totaled \$42,917,997. The Sewer Fund net position increased by \$265,832, the Water Fund net position increased by \$506,441, and the City Centre net position increased by \$80,731. Operating revenue for all three funds exceeded operating expenses. Net position of the internal service fund increased \$636,040, primarily as a result of operating transfers made to the fund.

**General Fund Budgetary Highlights**

The City’s General Fund budget generally contains budget amendments during the year. The budget is allowed to be amended upward (increased) for prior year’s encumbrances since the funds were allocated under the previous year’s budget, and the City has appropriately assigned an equal amount of fund balance at year-end for this purpose. Furthermore, the budget is allowed to be amended upward (increased) for additional current year appropriations supported by an increase in budgeted revenues. A budgetary comparison schedule within the required supplementary information section of this report has been provided to demonstrate compliance with their budget.

A summary of the General Fund results of operations for the year ended March 31, 2023 is presented below in Table 6.

**Table 6—General Fund Budget**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues and other financing sources	\$ 17,302,809	\$ 17,965,780	\$ 20,656,529	\$ 2,690,749
Expenditures and other financing uses	18,212,354	19,027,299	18,359,542	667,757
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (909,545)	\$ (1,061,519)	\$ 2,296,987	\$ 3,358,506

**Original budget compared to final budget**—During the year, the budget is modified, primarily to reflect the acceptance of new state and federal grants.

**Final budget compared to actual results**—The General Fund had a favorable variance from final budgetary appropriations of \$667,757 and a variance in General Fund revenues and other financing sources of \$2,690,749. The most significant variances were realized in non-property tax items related to higher than anticipated sales tax revenue and other tax items related to interest and penalties collected on taxes.

### Capital Assets and Debt Administration

**Capital assets**—The City’s investment in capital assets for its governmental activities and business-type activities as of March 31, 2023, amounted to \$52,702,812 (net of accumulated depreciation/amortization). This investment in capital assets includes land, construction in progress, buildings and building improvements, machinery, equipment and vehicles, infrastructure, and right-to-use assets. All depreciable capital assets were depreciated by taking their historical cost, less any residual value, and dividing by the estimated life.

Capital assets, net of accumulated depreciation/amortization, for the governmental activities and business-type activities, at the years ended March 31, 2023 and 2022 are presented in Table 7 below:

**Table 7—Summary Capital Assets (Net of Accumulated Depreciation/Amortization)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	March 31,		March 31,		March 31,	
	2023	2022	2023	2022	2023	2022
Land	\$ 1,134,886	\$ 1,134,886	\$ 41,500	\$ 41,500	\$ 1,176,386	\$ 1,176,386
Construction in progress	4,570,757	1,096,102	761,157	909,378	5,331,914	2,005,480
Building and building improvements	5,154,455	5,288,395	9,324,588	10,236,146	14,479,043	15,524,541
Machinery, equipment and vehicles	3,146,380	3,123,549	2,140,473	2,211,727	5,286,853	5,335,276
Infrastructure	12,795,184	13,648,936	13,368,786	13,516,049	26,163,970	27,164,985
Right-to-use asset	264,646	-	-	-	264,646	-
Total	<u>\$ 27,066,308</u>	<u>\$ 24,291,868</u>	<u>\$ 25,636,504</u>	<u>\$ 26,914,800</u>	<u>\$ 52,702,812</u>	<u>\$ 51,206,668</u>

Additional information on the City’s capital assets can be found in Note 4 to the financial statements.

**Long-term liabilities**—At March 31, 2023, the City’s bonds payable totaled \$2,053,100 for governmental activities as compared to the prior year’s total of \$2,336,800. The bonds payable for business-type activities at March 31, 2023, totaled \$5,426,900 as compared to the prior year’s total of \$5,913,200. Total primary government long-term liabilities decreased by \$3,593,286 primarily as a result of a decrease in the net pension liability and other postemployment benefits obligation.

**Table 8—Summary of Long-Term Liabilities**

	Governmental Activities		Business-type Activities		Total Primary Government	
	March 31,		March 31,		March 31,	
	2023	2022	2023	2022	2023	2022
Serial bonds	\$ 2,053,100	\$ 2,336,800	\$ 5,426,900	\$ 5,913,200	\$ 7,480,000	\$ 8,250,000
Premium on serial bonds	34,909	38,406	8,728	9,602	43,637	48,008
Lease liability	264,646	27,805	-	-	264,646	27,805
Due to other governments	214,004	236,110	-	-	214,004	236,110
Compensated absences	2,269,793	1,709,396	265,625	305,585	2,535,418	2,014,981
OPEB obligation	5,211,267	6,575,362	203,082	355,645	5,414,349	6,931,007
Net pension liability	969,150	3,000,716	-	5,863	969,150	3,006,579
Total	<u>\$ 11,016,869</u>	<u>\$ 13,924,595</u>	<u>\$ 5,904,335</u>	<u>\$ 6,589,895</u>	<u>\$ 16,921,204</u>	<u>\$ 20,514,490</u>

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

### **Economic Factors and Next Year's Budgets and Rates**

The following is a description of both short and long-term factors the City will deal with in the future:

Over the past several years, the City has experienced flat State aid, increases in state retirement costs, and retiree healthcare costs. In addition, the imposition of the Property Tax Cap (the "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 combination significantly hampers the City's ability to fund core and additional services.

After COVID-19, interest rates and material costs have continued to rise without the offset of rising revenue. The City of Batavia has to increase the tax base through building and residential improvements to keep pace with rising costs and inflation. This makes future commercial and industrial redevelopment a major priority for the foreseeable future; specifically, Brownfield Redevelopment, throughout the City's Central Corridor.

Funding of reserves and maintaining level debt is critical to the continued financial success of the City. Residents expect a high-level of service at a low General Fund tax rate and it is incumbent on the City to provide the highest quality service at the lowest price for our residents and businesses.

A balanced approach to the City budget needs to include strong initiatives that contain costs, but also a strategic direction that will improve quality of life. Growth in tax base and resident income are critical to supporting municipal services, as well as improved quality of life for all City residents.

*General Fund Revenue* – An increase in revenues in the General Fund was realized in fiscal year 22/23 which related to an increase in property tax and sales tax revenue. Intergovernmental aid was received by the City in the amount of \$394,240 from the County as an additional aid distribution, and is not anticipated in the future. General Fund interest this year was up \$137,570 from last year.

In 2020 the City and County entered into a 40-year sales tax revenue sharing agreement. The agreement formalized the percentage share of County sales tax to be distributed to the City at 14%. During 22/23 the City collected \$8.12M in sales tax, a growth of \$840,000 from FY 21/22. Sales tax is the largest percentage of revenue of the General Fund Revenue in the City budget at approximately 41%.

Property tax typically shows little to no growth year over year and the City faces a higher risk of deferring capital expenditures, cutting services and increasing taxes if we cannot continue to grow our tax base.

The adoption of the Cap has significantly hinders the City's ability to levy the necessary funds to support services. It is a cap of 2% or inflation, whichever is lowest. The City continues to support changes to State Legislation that abolishes the Cap to increase our ability to pay for government services that residents desire.

The inability to increase property tax also restricts the ability to recruit and retain professional staff in all positions of the organization. Competing with private sector wages and work from home continues to be a major challenge for the City.

Efforts to grow the tax base in the City include incentivizing building rehabilitation with Main Street grants, the Downtown Revitalization Initiative (DRI), the Brownfield Opportunity Area (BOA), and new housing and neighborhood revitalization initiatives.

Reserve funding – Funding reserves for future equipment, infrastructure and facility improvements is critical in avoiding increased tax burdens in future years. In the fiscal year ending March 31, 2023, the City utilized just over \$955,936 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 plan. The City Manager and Department Heads annually update capital improvement plans for anticipated major purchases. These plans are essential to maintaining a safe financial position for the City.

Facilities – The City’s Strategic Plan includes creating capital plans for the facilities and equipment. Capital plans for Dwyer, McCarthy Ice Arena, the Bureau of Maintenance, Fire Station, and City Centre have identified approximately \$9M of needed improvements. The Mall Roof Project Phase I and II was completed in 2022 at a cost of \$935,000. The Fire Station and Bureau of Maintenance (BOM) facility improvement project (Phase I) is underway at a cost of \$1.98M. Mall silo demolition and re-construction will begin next year at an estimated \$1.2M and the Ice Rink will see a major \$2.65M investment for an ice chiller system that is original to the rink.

The City will need to revisit facility improvements and continue to build facility reserves to maintain a safe and healthy workplace for employees.

Police Station – The City was awarded a \$2.5M Congressional Direct Funding Grant in January 2023 along with a USDA financing loan package (25 year bond at 3.75% interest) of \$13M to construct the new police facility. The City is currently working with USDA to finalize the bid package to USDA and have construction start in the Spring of 2024. The current Police Department and Headquarters, constructed in 1855 as a private residence, is out-of-date, and inefficiently suited for a modern-day Police Department to properly serve the community. The current facility does not adhere to the Americans with Disabilities Act and requires significant capital costs for ongoing infrastructure maintenance. The City’s goal is to avoid any increases in City property taxes related to the construction of the facility using level debt.

NYS Retirement – Retirement expenses continues to rise each year, and over the past few years the City has needed to budget for retirement reserves to balance the general fund budget. In FY 22/23 the City budgeted to utilize \$110,000 in retirement reserves. The actual expense was \$84,640. In FY 23/24 the City did not budget to use retirement reserves, however actual retirement costs can come in higher than estimated.

Healthcare Costs – On average, for the past five years, the City’s healthcare costs have increased approximately 8-10% per year. Historically, the City’s ability to maintain healthcare makes it financially feasible to remain self-insured. The City will need to conduct a cost benefit analysis of funding a self-insured plan or transitioning to a market place healthcare plan.

Retiree Healthcare Costs – Retiree healthcare will continue to increase in the future. The total post-employment health insurance cost to the City for 36 retirees was \$490,918 for the year ending March 31, 2023. While this is a slight 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 in the event of a high claim.

The City’s actuarial liability for post-employment benefits, as of March 31, 2023 is \$5,414,349 reduced from \$6,931,007 last year. This is all an unfunded liability. Previous labor negotiations have reduced the liability of future retiree health costs, and the long-term liability will continue to decrease. These post-employment benefits are a double edged sword as they can be helpful for municipalities’ efforts in recruitment and retention of employees.

Union Contracts – The contract for both The International Association of Fire Fighters (IAFF) and American Federation of State, County, and Municipal Employees (AFSCME) expire March 31, 2024. The City’s negotiations will be focused on recruiting and retaining employees, balancing future benefit packages for City employees and maintaining services for City taxpayers.

Taxable Assessed Value – Additional revenue is created when the overall value of commercial and residential properties increases. The City historically enjoys a modest 1.5% average annual growth in its property tax base. With the 2022 assessment roll the City saw a \$68 million (11.9%) increase in taxable assessed value, due to a City-wide increase in commercial and residential property values.

Growth in taxable property value is attributed to economic development and residential construction improvements, as well as the recent sellers’ market.

Economic development projects in the City are poised to increase. The City is returning brownfield sites to productive commercial property, and moving tax foreclosed residential and commercial properties back into the private sector. These projects will further improve the City’s taxable assessed values, create new jobs, and generate new market rate housing options.

The taxable assessed property values increased by \$68.7 million for FY23/24. There are approximately 5,700 properties in the City of Batavia that support the City’s General Fund operating budget. Property taxes make up 34% of the City’s total budget.

Sewer Fund - The City’s Sewer Fund continues to see a healthy net position of \$28.5M with cash and cash equivalents at \$13.5M. Depreciation annually ranges from \$1.3- \$1.5M. New revenue to the Sewer Fund includes unbridled growth of HP Hood (a Town of Batavia sewer customer) which has pushed the Town beyond their agreed capacity. Capacity negotiations are taking place now with the Town and by the end of 2023 a new purchase capacity agreement is anticipated to be in place.

The City continues to focus on the current health of the Wastewater Treatment Plant (WWTP) and will be studying the potential to grow in the future. The City will be completing a Headwork’s Analysis Study in 2023 and preparing for sludge removal in pond A2.

Water Fund – The City’s Water Fund has a net position of \$13.2M with cash and cash equivalents at \$7.2M. Depreciation at 3/31/23 was calculated at \$279,373. The Water Fund encompasses retail water as well as the Water Treatment Plant (WTP) operations. Planning in this Fund has become difficult as the WTP was scheduled to be decommissioned years ago as the County pursued Phase 3 Water. Over \$4M in WTP improvements are underway now to ensure the plant can continue to run for another 5 to 10 years while the County continues to pursue Phase 3 Water.

### **Requests for Information**

This financial report is designed to provide a general overview of the City’s finances for all those with an interest in the City’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Manager’s Office, City of Batavia, One Batavia City Centre, Batavia, New York 14020.

# BASIC FINANCIAL STATEMENTS



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**CITY OF BATAVIA, NEW YORK**  
**Statement of Net Position**  
**March 31, 2023**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,332,170	\$ 13,317,975	\$ 17,650,145
Restricted cash and cash equivalents	12,682,995	7,660,215	20,343,210
Receivables (net of allowance for uncollectibles):			
Property taxes	1,263,747	-	1,263,747
Accounts	245,644	2,576,675	2,822,319
Loans	163,772	-	163,772
Leases	325,018	2,812,675	3,137,693
Intergovernmental receivables	4,806,492	620,151	5,426,643
Internal balances	32,867	(32,867)	-
Net pension asset	679,866	474,406	1,154,272
Capital assets not being depreciated/amortized	5,705,643	802,657	6,508,300
Capital assets, net of accumulated depreciation/amortization	<u>21,360,665</u>	<u>24,833,847</u>	<u>46,194,512</u>
Total assets	<u>51,598,879</u>	<u>53,065,734</u>	<u>104,664,613</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows—relating to pensions	9,422,447	1,022,377	10,444,824
Deferred outflows—relating to OPEB	<u>723,384</u>	<u>28,190</u>	<u>751,574</u>
Total deferred outflows of resources	<u>10,145,831</u>	<u>1,050,567</u>	<u>11,196,398</u>
<b>LIABILITIES</b>			
Accounts payable	631,145	743,256	1,374,401
Accrued liabilities	453,973	61,607	515,580
Intergovernmental payables	603,846	-	603,846
Other liabilities	1,194,941	-	1,194,941
Unearned revenue	1,507,111	9,317	1,516,428
Bond anticipation notes	4,850,000	-	4,850,000
Noncurrent liabilities:			
Due within one year	581,083	521,237	1,102,320
Due within more than one year	<u>10,435,786</u>	<u>5,383,098</u>	<u>15,818,884</u>
Total liabilities	<u>20,257,885</u>	<u>6,718,515</u>	<u>26,976,400</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue—leases	325,018	2,812,675	3,137,693
Deferred inflows—relating to pensions	11,673,591	1,628,297	13,301,888
Deferred inflows—relating to OPEB	<u>996,086</u>	<u>38,817</u>	<u>1,034,903</u>
Total deferred inflows of resources	<u>12,994,695</u>	<u>4,479,789</u>	<u>17,474,484</u>
<b>NET POSITION</b>			
Net investment in capital assets	20,907,808	20,200,876	41,108,684
Restricted for:			
Retirement and employee benefits	1,790,758	-	1,790,758
Insurance	376,408	-	376,408
Capital projects	5,728,836	7,650,898	13,379,734
Other	267,386	-	267,386
Repairs	27,710	-	27,710
Unrestricted	<u>(606,776)</u>	<u>15,066,223</u>	<u>14,459,447</u>
Total net position	<u>\$ 28,492,130</u>	<u>\$ 42,917,997</u>	<u>\$ 71,410,127</u>

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

**CITY OF BATAVIA, NEW YORK**  
**Statement of Activities**  
**Year Ended March 31, 2023**

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government support	\$ 2,628,325	\$ 898,557	\$ 20,000	\$ -	\$ (1,709,768)	\$ -	\$ (1,709,768)
Police	5,709,895	57,865	31,380	-	(5,620,650)	-	(5,620,650)
Fire	4,378,864	-	14,930	-	(4,363,934)	-	(4,363,934)
Public safety	408,716	226,138	-	-	(182,578)	-	(182,578)
Health	23,081	15,865	-	-	(7,216)	-	(7,216)
Transportation	2,976,065	8,333	625,932	3,413,676	1,071,876	-	1,071,876
Economic assistance and opportunity	213,993	-	-	-	(213,993)	-	(213,993)
Culture and recreation	913,445	20,397	19,978	60,229	(812,841)	-	(812,841)
Home and community services	1,449,283	16,646	171,830	-	(1,260,807)	-	(1,260,807)
Refuse and recycling	102,280	-	-	-	(102,280)	-	(102,280)
Interest and other fiscal charges	74,446	-	-	-	(74,446)	-	(74,446)
Total governmental activities	<u>18,878,393</u>	<u>1,243,801</u>	<u>884,050</u>	<u>3,473,905</u>	<u>(13,276,637)</u>	<u>-</u>	<u>(13,276,637)</u>
Business-type activities:							
Sewer	3,590,972	3,820,519	10,973	118,287	-	358,807	358,807
Water	4,745,608	3,174,148	2,429,726	166,197	-	1,024,463	1,024,463
City Centre	177,774	226,052	7,041	-	-	55,319	55,319
Total business-type activities	<u>8,514,354</u>	<u>7,220,719</u>	<u>2,447,740</u>	<u>284,484</u>	<u>-</u>	<u>1,438,589</u>	<u>1,438,589</u>
Total primary government	<u>\$ 27,392,747</u>	<u>\$ 8,464,520</u>	<u>\$ 3,331,790</u>	<u>\$ 3,758,389</u>	<u>(13,276,637)</u>	<u>1,438,589</u>	<u>(11,838,048)</u>
General revenues and transfers:							
Real property taxes and other tax items					7,117,307	-	7,117,307
Nonproperty taxes					8,188,047	-	8,188,047
Use of money and property					416,503	252,244	668,747
Sale of property and compensation for loss					58,681	-	58,681
Miscellaneous					198,441	-	198,441
State aid—unrestricted					2,483,201	-	2,483,201
Transfers					837,829	(837,829)	-
Total general revenues and transfers					<u>19,300,009</u>	<u>(585,585)</u>	<u>18,714,424</u>
Change in net position					6,023,372	853,004	6,876,376
Net position—beginning					<u>22,468,758</u>	<u>42,064,993</u>	<u>64,533,751</u>
Net position—ending					<u>\$ 28,492,130</u>	<u>\$ 42,917,997</u>	<u>\$ 71,410,127</u>

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

**CITY OF BATAVIA, NEW YORK**  
**Balance Sheet—Governmental Funds**  
**March 31, 2023**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,088,705	\$ -	\$ 243,465	\$ 4,332,170
Restricted cash and cash equivalents	8,433,954	1,772,257	-	10,206,211
Receivables (net of allowance for uncollectibles):				
Property taxes	1,263,747	-	-	1,263,747
Accounts	110,551	-	-	110,551
Loans	-	-	163,772	163,772
Leases	325,018	-	-	325,018
Intergovernmental receivables	1,999,258	2,807,234	-	4,806,492
Due from other funds	32,867	-	-	32,867
Total assets	<u>\$ 16,254,100</u>	<u>\$ 4,579,491</u>	<u>\$ 407,237</u>	<u>\$ 21,240,828</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 360,969	\$ 249,663	\$ 20,000	\$ 630,632
Accrued liabilities	188,129	-	-	188,129
Intergovernmental payables	603,846	-	-	603,846
Other liabilities	1,194,941	-	-	1,194,941
Unearned revenues	1,507,111	-	-	1,507,111
Bond anticipation notes	-	4,850,000	-	4,850,000
Total liabilities	<u>3,854,996</u>	<u>5,099,663</u>	<u>20,000</u>	<u>8,974,659</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue—property taxes	400,740	-	-	400,740
Unavailable revenue—leases	325,018	-	-	325,018
Total deferred outflows of resources	<u>725,758</u>	<u>-</u>	<u>-</u>	<u>725,758</u>
<b>FUND BALANCES (DEFICIT)</b>				
Restricted	6,926,843	-	-	6,926,843
Committed	103,354	-	-	103,354
Assigned	800,516	-	387,237	1,187,753
Unassigned	3,842,633	(520,172)	-	3,322,461
Total fund balances (deficit)	<u>11,673,346</u>	<u>(520,172)</u>	<u>387,237</u>	<u>11,540,411</u>
Total liabilities and fund balances (deficit)	<u>\$ 16,254,100</u>	<u>\$ 4,579,491</u>	<u>\$ 407,237</u>	<u>\$ 21,240,828</u>

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

**CITY OF BATAVIA, NEW YORK**  
**Reconciliation of the Balance Sheet—Governmental Funds**  
**to the Government-wide Statement of Net Position**  
**March 31, 2023**

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Amounts reported for governmental activities in the statement of net position (page 16) are different because:

Total fund balances—governmental funds (page 18)		\$ 11,540,411
Net pension assets are not financial resources and, therefore, are not reported in the funds.		679,866
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$46,797,267 and the accumulated depreciation is \$19,730,959.		27,066,308
Uncollected property taxes are not available to pay for current period expenditures and, therefore, are deferred inflows of resources in funds.		400,740
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows related to employer contributions	\$ 1,570,675	
Deferred outflows related to experience, changes of assumptions, investment earnings, and changes in proportion	7,851,772	
Deferred inflows of resources related to pensions	<u>(11,673,591)</u>	(2,251,144)
Deferred outflows and inflows of resources related to other postemployment benefits ("OPEB") are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to OPEB	\$ 723,384	
Deferred inflows of resources related to OPEB	<u>(996,086)</u>	(272,702)
Internal service funds are used by management to charge the costs of managing health insurance and workers' compensation to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.		2,374,127
Net accrued interest expense for serial bonds is not reported in the funds.		(28,607)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The effects of these items are:		
Serial bonds	\$ (2,053,100)	
Premium on serial bonds	(34,909)	
Lease liability	(264,646)	
Due to other governments	(214,004)	
Compensated absences	(2,269,793)	
OPEB obligation	(5,211,267)	
Net pension liability	<u>(969,150)</u>	<u>(11,016,869)</u>
Total net position—governmental activities		<u>\$ 28,492,130</u>

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

**CITY OF BATAVIA, NEW YORK**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances (Deficit)—Governmental Funds**  
**Year Ended March 31, 2023**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Real property taxes	\$ 6,100,402	\$ -	\$ -	\$ 6,100,402
Other tax items	997,665	-	-	997,665
Non-property tax items	8,188,047	-	-	8,188,047
Departmental income	384,970	-	-	384,970
Intergovernmental revenue	394,240	-	-	394,240
Use of money and property	324,260	44,976	1,733	370,969
Licenses and permits	226,656	-	-	226,656
Fines and forfeitures	57,865	-	-	57,865
Sale of property and compensation for loss	58,681	-	-	58,681
Miscellaneous	116,835	-	10,032	126,867
State aid	3,178,629	1,155,668	171,830	4,506,127
Federal aid	16,792	2,318,237	-	2,335,029
Total revenues	<u>20,045,042</u>	<u>3,518,881</u>	<u>183,595</u>	<u>23,747,518</u>
<b>EXPENDITURES</b>				
Current:				
General government support	2,246,157	-	-	2,246,157
Police	4,607,656	-	-	4,607,656
Fire	4,204,784	-	-	4,204,784
Public safety	342,165	-	-	342,165
Health	19,323	-	-	19,323
Transportation	2,344,575	-	-	2,344,575
Economic assistance and opportunity	179,149	-	-	179,149
Culture and recreation	690,467	-	-	690,467
Home and community services	200,054	-	191,830	391,884
Refuse and recycling	85,626	-	-	85,626
Debt service:				
Principal	374,776	-	-	374,776
Interest	80,859	-	-	80,859
Capital outlay	-	4,193,227	-	4,193,227
Total expenditures	<u>15,375,591</u>	<u>4,193,227</u>	<u>191,830</u>	<u>19,760,648</u>
Excess (deficiency) of revenues over expenditures	<u>4,669,451</u>	<u>(674,346)</u>	<u>(8,235)</u>	<u>3,986,870</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	283,570	198,338	-	481,908
Transfers out	(2,983,951)	(8,568)	-	(2,992,519)
Leases issued	327,917	-	-	327,917
Total other financing sources (uses)	<u>(2,372,464)</u>	<u>189,770</u>	<u>-</u>	<u>(2,182,694)</u>
Net change in fund balances	2,296,987	(484,576)	(8,235)	1,804,176
Fund balances (deficit)—beginning	<u>9,376,359</u>	<u>(35,596)</u>	<u>395,472</u>	<u>9,736,235</u>
Fund balances (deficit)—ending	<u>\$ 11,673,346</u>	<u>\$ (520,172)</u>	<u>\$ 387,237</u>	<u>\$ 11,540,411</u>

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

**CITY OF BATAVIA, NEW YORK**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances (Deficit)—Governmental Funds to the Government-wide Statement of Activities**  
**Year Ended March 31, 2023**

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Amounts reported for governmental activities in the statement of activities (page 17) are different because:

Net change in fund balances—total governmental funds (page 20) \$ 1,804,176

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital asset additions	\$ 4,705,178	
Depreciation expense	<u>(1,930,738)</u>	2,774,440

Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 19,240

Net differences between pension contributions recognized on the fund financial statements and the government-wide financial statements are as follows:

Direct pension contributions	\$ 1,074,397	
Cost of benefits earned net of employee contributions	<u>(187,169)</u>	887,228

Deferred outflows and deferred inflows relating to OPEB result for actuarial changes in the census, changes in medical premiums that are different than expected healthcare cost trend rates, and changes in assumptions and other inputs. These amounts are shown net of current year amortizations and are shown as follows:

Changes of assumptions	\$ (245,664)	
Differences between expected and actual experience	<u>(731,164)</u>	(976,828)

Internal service funds are used by management to charge the costs of managing health insurance and workers' compensation to individual funds. The net expense of certain activities of internal service funds is reported within governmental activities. 636,040

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. 2,916

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:

Repayment of serial bonds	\$ 283,700	
Amortization of premium on serial bonds	3,497	
Leases issued	(327,917)	
Repayment of leases	91,076	
Repayment of amounts due to other governments	22,106	
Change in compensated absences	(560,397)	
Change in total OPEB obligation	<u>1,364,095</u>	<u>876,160</u>

Change in net position of governmental activities \$ 6,023,372

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

**CITY OF BATAVIA, NEW YORK**  
**Statement of Net Position—Proprietary Funds**  
**March 31, 2023**

	Business-type Activities				Governmental Activities
	Major Funds		Nonmajor Fund	Total	Internal Service
	Sewer	Water	City Centre		
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 9,360,322	\$ 3,758,459	\$ 199,194	\$ 13,317,975	\$ -
Restricted cash and cash equivalents	4,182,208	3,478,007	-	7,660,215	2,476,784
Receivables	1,119,816	1,441,174	15,685	2,576,675	135,093
Intergovernmental receivables	2,451	617,700	-	620,151	-
Current portion of leases receivable	-	444,099	-	444,099	-
Total current assets	<u>14,664,797</u>	<u>9,739,439</u>	<u>214,879</u>	<u>24,619,115</u>	<u>2,611,877</u>
Noncurrent assets:					
Noncurrent portion of leases receivable	-	2,368,576	-	2,368,576	-
Net pension asset	196,342	263,982	14,082	474,406	-
Capital assets, not being depreciated	169,670	574,390	58,597	802,657	-
Capital assets, being depreciated	17,049,959	6,845,958	937,930	24,833,847	-
Total noncurrent assets	<u>17,415,971</u>	<u>10,052,906</u>	<u>1,010,609</u>	<u>28,479,486</u>	<u>-</u>
Total assets	<u>32,080,768</u>	<u>19,792,345</u>	<u>1,225,488</u>	<u>53,098,601</u>	<u>2,611,877</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows—relating to pensions	423,130	568,900	30,347	1,022,377	-
Deferred outflows—relating to OPEB	15,447	12,743	-	28,190	-
Total deferred outflows of resources	<u>438,577</u>	<u>581,643</u>	<u>30,347</u>	<u>1,050,567</u>	<u>-</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	37,087	685,739	20,430	743,256	513
Accrued liabilities	34,530	27,077	-	61,607	237,237
Due to other funds	13,963	17,959	945	32,867	-
Unearned revenues	-	9,317	-	9,317	-
Total current liabilities	<u>85,580</u>	<u>740,092</u>	<u>21,375</u>	<u>847,047</u>	<u>237,750</u>
Noncurrent assets:					
Due within one year	318,130	203,107	-	521,237	-
Due within more than one year	2,881,847	2,501,251	-	5,383,098	-
Total noncurrent liabilities	<u>3,199,977</u>	<u>2,704,358</u>	<u>-</u>	<u>5,904,335</u>	<u>-</u>
Total liabilities	<u>3,285,557</u>	<u>3,444,450</u>	<u>21,375</u>	<u>6,751,382</u>	<u>237,750</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue—leases	-	2,812,675	-	2,812,675	-
Deferred inflows—relating to pensions	681,043	889,735	57,519	1,628,297	-
Deferred inflows—relating to OPEB	21,270	17,547	-	38,817	-
Total deferred inflows of resources	<u>702,313</u>	<u>3,719,957</u>	<u>57,519</u>	<u>4,479,789</u>	<u>-</u>
<b>NET POSITION</b>					
Net investment in capital assets	14,214,865	4,989,484	996,527	20,200,876	-
Restricted	4,182,208	3,468,690	-	7,650,898	1,264,255
Unrestricted	10,134,402	4,751,407	180,414	15,066,223	1,109,872
Total net position	<u>\$ 28,531,475</u>	<u>\$ 13,209,581</u>	<u>\$ 1,176,941</u>	<u>\$ 42,917,997</u>	<u>\$ 2,374,127</u>

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

**CITY OF BATAVIA, NEW YORK**  
**Statement of Revenues, Expenses and Changes in**  
**Net Position—Proprietary Funds**  
**Year Ended March 31, 2023**

	<b>Business-type Activities</b>				<b>Governmental</b>
	<b>Major Funds</b>		<b>Nonmajor</b>	<b>Total</b>	<b>Internal</b>
	<b>Sewer</b>	<b>Water</b>	<b>Fund</b>		<b>Service</b>
			<b>City Centre</b>		
<b>OPERATING REVENUES</b>					
Charges for services	\$ 3,820,519	\$ 3,174,148	\$ 226,052	\$ 7,220,719	\$ 180,070
County water agreement charges	-	1,617,407	-	1,617,407	-
Rental of real property	-	550,000	-	550,000	-
Other operating revenues	10,973	262,319	7,041	280,333	71,574
Total operating revenues	<u>3,831,492</u>	<u>5,603,874</u>	<u>233,093</u>	<u>9,668,459</u>	<u>251,644</u>
<b>OPERATING EXPENSES</b>					
Salaries, wages, and employee benefits	716,006	928,176	75,070	1,719,252	-
Claims and contractual expenses	1,183,665	3,479,257	49,627	4,712,549	3,009,578
Depreciation	1,611,299	279,373	53,077	1,943,749	-
Total operating expenses	<u>3,510,970</u>	<u>4,686,806</u>	<u>177,774</u>	<u>8,375,550</u>	<u>3,009,578</u>
Operating income (loss)	<u>320,522</u>	<u>917,068</u>	<u>55,319</u>	<u>1,292,909</u>	<u>(2,757,934)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment income	180,765	69,138	2,341	252,244	45,534
Interest expense	(80,002)	(58,802)	-	(138,804)	-
Federal sources	118,287	166,197	-	284,484	-
Total nonoperating revenues (expenses)	<u>219,050</u>	<u>176,533</u>	<u>2,341</u>	<u>397,924</u>	<u>45,534</u>
Income (loss) before transfers	539,572	1,093,601	57,660	1,690,833	(2,712,400)
Transfers in	-	-	55,981	55,981	3,348,440
Transfers out	<u>(273,740)</u>	<u>(587,160)</u>	<u>(32,910)</u>	<u>(893,810)</u>	<u>-</u>
Change in net position	265,832	506,441	80,731	853,004	636,040
Net position—beginning	<u>28,265,643</u>	<u>12,703,140</u>	<u>1,096,210</u>	<u>42,064,993</u>	<u>1,738,087</u>
Net position—ending	<u>\$ 28,531,475</u>	<u>\$ 13,209,581</u>	<u>\$ 1,176,941</u>	<u>\$ 42,917,997</u>	<u>\$ 2,374,127</u>

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

**CITY OF BATAVIA, NEW YORK**  
**Statement of Cash Flows—Proprietary Funds**  
**Year Ended March 31, 2023**

	<b>Business-type Activities</b>				<b>Governmental Activities</b>
	<b>Major Funds</b>		<b>Nonmajor Fund</b>	<b>Total</b>	<b>Internal Service</b>
	<b>Sewer</b>	<b>Water</b>	<b>City Centre</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 3,741,608	\$ 4,960,619	\$ 227,411	\$ 8,929,638	\$ 39,211
Payments to suppliers for goods and services	(1,202,300)	(3,397,642)	(31,909)	(4,631,851)	(3,070,881)
Payments to employees for services	(807,285)	(1,174,835)	(76,834)	(2,058,954)	-
Other operating revenue	10,722	262,319	7,041	280,082	-
Net cash provided by (used for) operating activities	<u>1,742,745</u>	<u>650,461</u>	<u>125,709</u>	<u>2,518,915</u>	<u>(3,031,670)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Loans from (to) other funds	796,845	(1,784)	(97)	794,964	-
Transfers from (to) other funds	(273,740)	(587,160)	23,071	(837,829)	3,348,440
Net cash provided by (used for) noncapital financing activities	<u>523,105</u>	<u>(588,944)</u>	<u>22,974</u>	<u>(42,865)</u>	<u>3,348,440</u>
<b>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets	(93,087)	(412,041)	(160,325)	(665,453)	-
Principal payments on debt	(303,050)	(183,250)	-	(486,300)	-
Interest paid on debt	(83,300)	(61,095)	-	(144,395)	-
Other nonoperating capital revenue	118,287	166,197	-	284,484	-
Net cash (used for) capital and financing activities	<u>(361,150)</u>	<u>(490,189)</u>	<u>(160,325)</u>	<u>(1,011,664)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest on cash and cash equivalents	180,765	69,138	2,341	252,244	45,534
Net cash provided by investing activities	<u>180,765</u>	<u>69,138</u>	<u>2,341</u>	<u>252,244</u>	<u>45,534</u>
Net increase (decrease) in cash and cash equivalents	2,085,465	(359,534)	(9,301)	1,716,630	362,304
Cash and cash equivalents—beginning	11,457,065	7,596,000	208,495	19,261,560	2,114,480
Cash and cash equivalents—ending	<u>\$ 13,542,530</u>	<u>\$ 7,236,466</u>	<u>\$ 199,194</u>	<u>\$ 20,978,190</u>	<u>\$ 2,476,784</u>

(continued)

**CITY OF BATAVIA, NEW YORK**  
**Statement of Cash Flows—Proprietary Funds**  
**Year Ended March 31, 2023**

(concluded)

	Business-type Activities				Governmental Activities
	Major Funds		Nonmajor Fund	Total	Internal Service
	Sewer	Water	City Centre		
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>					
Operating income (loss)	\$ 320,522	\$ 917,068	\$ 55,319	\$ 1,292,909	\$ (2,757,934)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Depreciation expense	1,611,299	279,373	53,077	1,943,749	-
(Increase) decrease in receivables	(76,460)	(306,915)	1,359	(382,016)	(130,983)
(Increase) in intergovernmental receivables	(2,451)	(74,021)	-	(76,472)	-
Decrease in deferred outflows—relating to pensions	150,449	224,546	12,165	387,160	-
Decrease in deferred outflows—relating to OPEB	5,319	13,563	-	18,882	-
(Decrease) increase in accounts payable	(18,635)	81,615	17,718	80,698	(61,303)
(Decrease) in accrued liabilities	-	-	-	-	(81,450)
(Decrease) increase in unearned revenue	(251)	9,317	-	9,066	-
(Decrease) increase in deferred inflows—relating to pensions	(27,171)	(89,955)	5,028	(112,098)	-
Increase in deferred inflows—relating to OPEB	17,305	12,524	-	29,829	-
Increase (decrease) in compensated absences	7,162	(42,424)	(4,698)	(39,960)	-
(Decrease) in net pension liability	(198,728)	(267,282)	(14,259)	(480,269)	-
(Decrease) in total OPEB liability	(45,615)	(106,948)	-	(152,563)	-
Total adjustments	<u>1,422,223</u>	<u>(266,607)</u>	<u>70,390</u>	<u>1,226,006</u>	<u>(273,736)</u>
Net cash provided by (used for) operating activities	<u>\$ 1,742,745</u>	<u>\$ 650,461</u>	<u>\$ 125,709</u>	<u>\$ 2,518,915</u>	<u>\$ (3,031,670)</u>

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

**CITY OF BATAVIA, NEW YORK**  
**Statement of Fiduciary Net Position**  
**March 31, 2023**

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	<b>Private Purpose Fund</b>	<b>Custodial Fund</b>
<b>ASSETS</b>		
Restricted cash and cash equivalents	\$ 21,837	\$ 23,497
Total assets	<u>21,837</u>	<u>23,497</u>
<b>NET POSITION</b>		
Restricted for private purposes	<u>\$ 21,837</u>	<u>\$ 23,497</u>

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

**CITY OF BATAVIA, NEW YORK**  
**Statement of Changes in Fiduciary Net Position**  
**Year Ended March 31, 2023**

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	<b>Private Purpose Fund</b>	<b>Custodial Fund</b>
<b>ADDITIONS</b>		
Interest income	\$ 7	\$ 8
Miscellaneous revenue	-	2,217
Total additions	7	2,225
<b>DEDUCTIONS</b>		
Funds distributed to other entities	-	7,615
Total deductions	-	7,615
Change in fiduciary net position	7	(5,390)
Net position—beginning	21,830	28,887
Net position—ending	\$ 21,837	\$ 23,497

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

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**CITY OF BATAVIA, NEW YORK**  
**Notes to the Financial Statements**  
**Year Ended March 31, 2023**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

***Description of Government-Wide Financial Statements***

The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. 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 for support. Likewise, the primary government is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The City reports no component units.

***Financial Reporting Entity***

The City was incorporated in 1915. It is governed by the Charter of the City of Batavia, the General City Law and other laws of the State of New York and various local laws and ordinances. The City Council is the legislative body, establishing City policies, while the City Manager is the administrator designated to carry out the directives of the Council. The City Council consists of three Council persons at-large and six Council members elected by the ward. The Council members serve four year terms.

***Related Organization***—Although the following organization is related to the City, it is not included in the City reporting entity.

The City manager appoints a voting majority of the Batavia Housing Authority’s Board (the “Housing Authority”); however, no financial burden or benefit relationship exists between the City and the Housing Authority. The Housing Authority maintains and runs a senior citizens’ housing unit within the City.

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.

***Basis of Presentation—Government-wide Financial Statements***

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments and charges between the City’s various functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

### ***Basis of Presentation—Fund Financial Statements***

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

The City reports the following major governmental funds:

- *General Fund*—This fund constitutes the primary operating fund of the City and includes all operations not required to be recorded in other funds. The principal source of revenue for the General Fund is real property taxes.
- *Capital Projects Fund*—This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities. The principal source of revenue for the Capital Projects Fund are federal and state grants, bond proceeds, and transfers from the City's operating funds.

The City reports the following major enterprise funds:

- *Sewer Fund*—This fund is used to account for operations that provide sewer services. The principal revenue source is user charges.
- *Water Fund*—This fund is used to account for operations that provide water services. The principal revenue source is user charges.

Additionally, the City reports the following fund types:

- *Internal Service Funds*—The Internal Service Funds account for the operations that provide services to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The City's internal service fund is used to account for the City's workers' compensation insurance and health insurance activity.
- *Fiduciary Funds*—These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Trust funds account for resources received and disbursements made in accordance with trust agreements or applicable legislative enactments for each particular fund. Fiduciary funds include the *Custodial Fund* and the *Private Purpose Trust Fund*.

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

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are recorded 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.

### ***Measurement Focus and Basis of Accounting***

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, other postemployment benefits, claims and judgments, and pensions, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

The proprietary funds and fiduciary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

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

***Cash and Cash Equivalents***—Cash and cash equivalents include cash on hand, demand deposits, time deposits and short-term, highly liquid investments which are readily convertible to known amounts of cash and have a maturity date within three months or less of the City’s fiscal year end.

***Restricted Cash and Cash Equivalents***—Represent cash restricted for capital projects, amounts to support restricted net position, unearned revenues, and amounts held on behalf of others.

**Receivables**—Receivables are recorded and revenues are recognized as earned. Allowances are recorded when appropriate.

**Net Pension Asset**—The City reported assets for its proportionate share of the net pension asset for the Employees’ Retirement System. Refer to Note 7 for additional information related to the City’s net pension asset.

**Capital Assets**—Capital assets, which include land, construction in progress, buildings and building improvements, machinery, equipment and vehicles, right-to-use assets and infrastructure are reported in the applicable governmental activities or business-type activities in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Right-to-use lease assets were initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs and are amortized on a straight-line basis over their useful lives.

Land and construction in progress are not depreciated/amortized. The other capital assets and right-to-use assets of the City are depreciated using the straight line method over the estimated useful lives presented below:

Assets	Years	Capitalization Threshold
Infrastructure	25 - 50	\$ 200,000
Buildings	25 - 50	50,000
Improvements	10 - 50	50,000
Furniture and equipment	3 - 20	5,000
Vehicles	3 - 5	20,000
Right-to-use assets	3 - 15	100,000

The *capital outlays* character classification is employed only for expenditures reported in the Capital Projects Fund. Routine capital expenditures in other funds are included in the appropriate functional category (i.e., purchase of new transportation equipment as part of *expenditures–transportation*). At times, amounts reported as *capital outlays* in the Capital Projects Fund will also include non-capitalized, project-related costs (i.e., furnishings).

**Unearned Revenue**—Certain cash receipts have not met the revenue recognition criteria for government-wide or fund financial statement purposes. In addition, at March 31, 2023, the City reported unearned revenues in the General Fund of \$1,185,391 for unspent American Rescue Plan Act funds.

***Deferred Outflows/Inflows of Resources***—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At March 31, 2023, the City has two items that qualify for reporting in this category that are reported in the government-wide financial statements. The first item represents the effect of the net change in the City’s proportion of the collective net pension liability/(asset), and the difference during the measurement period between the City’s contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense and any contributions made to the pension systems subsequent to the measurement date. The second item represents the effects of the change in the City’s proportion of the collective OPEB liability and difference during the measurement period between certain employer’s contributions and its proportionate share of the total of certain contributions from employees included in the collective OPEB liability.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At March 31, 2023, the City has four items that qualify for reporting in this category. Two items are reported in the government-wide financial statements. The first item represents the net change in the City’s proportion of the collective net pension liability/(asset) and the difference during the measurement periods between the City’s contribution and its proportionate share of the total contributions to the pension system not included in the pension expense. The second item represents the effects of the change in the City’s proportion of the collective OPEB liability and difference during the measurement period between certain employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective OPEB liability. Additionally, the City’s governmental fund financial statements and government-wide financial statement also report unavailable revenues related lease payments which represent resources that have been received before timing requirements have been met. The final item, reported within the governmental fund financial statements represents unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

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

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

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

The committed fund balance classification included 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 City that can, by adoption of a resolution 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 to remove or revise the limitation.

The City has adopted a formal fund balance policy in which it shall strive to attain and maintain an adequate fund balance in its General Fund to provide flexibility and to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures), to ensure stable tax rates, to provide for one-time opportunities and to retain favorable credit ratings. The City will endeavor to maintain unassigned fund balances in its General Fund of fifteen to twenty-five percent of regular General Fund operating expenditures. This amount provides the liquidity necessary to accommodate the City's uneven cash flow, which is inherent in its periodic tax collection schedule, and to respond to contingent liabilities.

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 has by resolution authorized the City Manager to assign fund balance. The City 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.

### ***Revenues and Expenses/Expenditures***

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

***Proprietary Funds Operating and Nonoperating Revenues and Expenses***—Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a propriety fund's principal ongoing operations. The principal operating revenues for the proprietary funds include charges for services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

***Property Taxes***—Real property taxes are levied upon budget adoption and become an enforceable lien on April 1<sup>st</sup>. Taxes are payable in two installments on May 1<sup>st</sup> and August 1<sup>st</sup>. The City assumes enforcement responsibility for all property taxes levied by Genesee County on properties within the City. The City also enforces real property taxes of the Batavia City School District (the "District"), which are unpaid at January 1<sup>st</sup>. The City pays the County the entire levy in two installments and the District the full amount of the property taxes collected on their behalf on a monthly basis. Any amounts which have been collected as of March 31<sup>st</sup> but have not yet been remitted to the District are included as amounts 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 the fiscal 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.

**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. 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 postemployment health insurance premiums. The compensated absences liability for the governmental activities and business-type activities at the year-end totaled \$2,269,793 and \$265,625, respectively.

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

**Pensions**—The City is mandated by New York State law to participate in the New York State Local Employees’ Retirement System (“ERS”) and the New York State Police and Fire Retirement System (“PFRS”). For purposes of measuring the net pension liability/(asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 6.

**Other Postemployment Benefits**—In addition to providing pension benefits, the City provides health insurance coverage and/or payments for fractional values of unused sick leave for certain retired employees at the time of retirement as discussed in Note 7.

#### **Other**

**Estimates**—The preparation of the financial statements in conformity with accounting principles generally accepted in the United States required management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred outflows of resources and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expense/expenditures during the reporting period. Actual results could differ from those estimates.

**Adoption of New Accounting Pronouncements**— During the year ended March 31, 2023, the City implemented Governmental Accounting Standards Board (“GASB”) Statements No. 87, *Leases*, and No. 93, *Replacement of Interbank Offered Rates*. GASB Statement No. 87 better meets the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB Statement No. 93 addresses those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate (“IBOR”). The implementation of GASB Statements No. 87 and 93 did not have a material impact on the City’s financial position or results from operations.

***Future Impacts of Accounting Pronouncements***—The City has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; No. 96, *Subscription-Based Information Technology Arrangements*; and No. 99, *Omnibus 2022* effective for the year ending March 31, 2024, and No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*; and No. 101, *Compensated Absences* effective for the year ending March 31, 2025. The City is, therefore, unable to disclose the impact that adopting GASB Statements No. 94, 96, 99, 100 and 101 will have on its financial position and results of operations when such statements are adopted.

### ***Stewardship, Compliance and Accountability***

***Legal Compliance—Budgets***—The City follows these procedures in establishing most of the budgetary data reflected in the financial statements:

- No later than January 15<sup>th</sup>, the Budget Officer/City Manager submits a tentative budget to the City Council for the fiscal year commencing the following April 1<sup>st</sup>. The tentative budget includes proposed expenditures and the proposed means of financing for all funds except the Capital Projects Fund and the fiduciary funds.
- After public hearings are conducted to obtain taxpayer comments, no later than March 20<sup>th</sup>, the City Council adopts the budget.
- All modifications of the budget must be approved by the City Council, however, the Budget Officer/City Manager is authorized to transfer certain budgeted amounts within departments.
- Budgets are prepared for Enterprise funds to establish the estimated contributions required from other funds and to control expenditures.
- During the fiscal year, the City Council can legally amend the operating budgets and is empowered to implement supplemental appropriations. Budget amendments are required for departmental budgetary control. All budget amendments require City Council approval.

***Deficit Fund Balances***—At March 31, 2023, the Capital Projects Fund reported a deficit fund balance of \$520,172. The deficit is primarily caused by the City’s issued bond anticipated 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 BAN 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 and interest payments on the BANs.

## **2. CASH AND CASH EQUIVALENTS**

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

Cash, cash equivalents and investments at March 31, 2023 are as follows:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Petty cash (uncollateralized)	\$ 400	\$ -	\$ -	\$ 400
Deposits	<u>17,014,765</u>	<u>20,978,190</u>	<u>45,334</u>	<u>38,038,289</u>
Total	<u>\$ 17,015,165</u>	<u>\$ 20,978,190</u>	<u>\$ 45,334</u>	<u>\$ 38,038,689</u>

**Deposits**—All deposits are carried at fair value and are classified by custodial risk at March 31, 2023 as follows:

	Bank Balance	Carrying Amount
FDIC insured	\$ 25,632,481	\$ 25,632,481
Uninsured:		
Collateral held by pledging bank's agent in the City's name	<u>14,485,267</u>	<u>12,405,808</u>
Total deposits	<u>\$ 40,117,748</u>	<u>\$ 38,038,289</u>

**Custodial Credit Risk—Deposits**—In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. At March 31, 2023, all uninsured bank deposits were fully collateralized with securities held by the pledging financial institution’s trust department or agent in the City’s name.

**Restricted Cash and Cash Equivalents**—The City’s primary government reports cash restricted for capital projects, amounts to support restricted net position, unearned revenues and amounts held on behalf of others as restricted cash and cash equivalents. At March 31, 2023, the City’s governmental activities and business-type activities report restricted cash and cash equivalents totaling \$12,682,995 and \$7,660,215, respectively. The City also reports restricted cash of \$45,334 for cash that is restricted for purposes of the Fiduciary Funds.

**Concentration of 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: 1) interest bearing demand accounts, 2) certificates of deposit, 3) obligations of the United States Treasury and United States agencies, and 4) obligations of New York State and its localities.

**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.

### 3. RECEIVABLES

Major revenues accrued by the City at March 31, 2023 consisted of the following:

**Property Taxes Receivable**—At March 31, 2023, the General Fund reported taxes receivable of \$1,427,291, net of an allowance for doubtful accounts of \$163,544.

**Accounts Receivable**—Accounts receivable and the respective allowance for doubtful accounts, of the City at March 31, 2023 consisted of the following:

Governmental funds:		
General Fund:		
Insurance recoveries	\$ 4,893	
Franchise fees	49,133	
Miscellaneous billings	47,130	
Other	9,395	<u>110,551</u>
Total governmental funds		<u>\$ 110,551</u>
Proprietary funds:		
Sewer Fund:		
Sewer rents	\$ 1,113,103	
Interest	1,763	
Other	4,950	<u>1,119,816</u>
Water Fund:		
Water rents	\$ 1,257,455	
Interest	1,462	
Other	182,257	<u>1,441,174</u>
City Centre Fund:		
Other		<u>15,685</u>
Internal Service Fund		
Interest	\$ 532	
Other	134,561	<u>135,093</u>
Total proprietary funds		<u>\$ 2,711,768</u>

**Loans Receivable**—Represent outstanding loans made by the City related to certain loan programs. At March 31, 2023, the City reports outstanding loans receivable of \$163,772.

**Leases Receivable**—During the year ended March 31, 2023, the City began recognizing the leases of properties to third parties. The leases have original maturities ranging from five to eleven years and the City receives variable annual payments. The City recognized \$493,789 in lease revenue and \$129,790 in interest revenue during the current fiscal year related to these leases. As of March 31, 2023, the City’s receivable for lease payments for governmental activities and business-type activities were \$325,018 and \$2,812,675, respectively. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of March 31, 2023, the balance of the deferred inflow of resources governmental activities and business-type activities was \$325,018 and \$2,812,675, respectively.

**Intergovernmental Receivables**—Represents amounts due from other units of government, such as Federal, New York State, County of Genesee or other local governments. Intergovernmental receivables at March 31, 2023 are shown on the following page.

Governmental funds:			
General Fund:			
Sales tax	\$ 1,813,419		
Fines and forfeitures	5,757		
Other	<u>180,082</u>	\$	<u>1,999,258</u>
Capital Projects Fund:			
State aid - highway	\$ 2,741,967		
State aid - other	<u>65,267</u>		<u>2,807,234</u>
Total governmental funds		\$	<u><u>4,806,492</u></u>
Proprietary funds:			
Sewer Fund:			
Other		\$	<u>2,451</u>
Water Fund:			
County water agreement			<u>617,700</u>
Total proprietary funds		\$	<u><u>620,151</u></u>

#### 4. CAPITAL ASSETS

**Governmental activities**—Capital asset activity for the City’s governmental activities for the year ended March 31, 2023 is as follows:

	Balance 4/1/2022	Increases	Decreases	Balance 3/31/2023
Capital assets, not being depreciated/amortized:				
Land	\$ 1,134,886	\$ -	\$ -	\$ 1,134,886
Construction in progress	<u>1,096,102</u>	<u>3,485,594</u>	<u>(10,939)</u>	<u>4,570,757</u>
Total capital assets, not being depreciated/amortized	<u>2,230,988</u>	<u>3,485,594</u>	<u>(10,939)</u>	<u>5,705,643</u>
Capital assets, being depreciated/amortized				
Buildings and building improvements	10,370,899	125,112	-	10,496,011
Machinery, equipment and vehicles	7,673,103	470,308	(42,270)	8,101,141
Infrastructure	21,859,369	307,186	-	22,166,555
Right-to-use assets	<u>-</u>	<u>327,917</u>	<u>-</u>	<u>327,917</u>
Total capital assets, being depreciated/amortized	<u>39,903,371</u>	<u>1,230,523</u>	<u>(42,270)</u>	<u>41,091,624</u>
Less accumulated depreciation/amortization for:				
Buildings and building improvements	(5,082,504)	(259,052)	-	(5,341,556)
Machinery, equipment and vehicles	(4,549,554)	(447,477)	42,270	(4,954,761)
Infrastructure	(8,210,433)	(1,160,938)	-	(9,371,371)
Right-to-use assets	<u>-</u>	<u>(63,271)</u>	<u>-</u>	<u>(63,271)</u>
Total accumulated depreciation/amortization	<u>(17,842,491)</u>	<u>(1,930,738)</u>	<u>42,270</u>	<u>(19,730,959)</u>
Total capital assets, being depreciated/amortized, net	<u>22,060,880</u>	<u>(700,215)</u>	<u>-</u>	<u>21,360,665</u>
Total capital assets, net	<u>\$ 24,291,868</u>	<u>\$ 2,785,379</u>	<u>\$ (10,939)</u>	<u>\$ 27,066,308</u>

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

General government support	\$ 273,210
Public safety	206,054
Transportation	359,507
Culture and recreation	88,683
Home and community service	<u>1,003,284</u>
Total	<u>\$ 1,930,738</u>

**Business-type activities**—Capital asset activity for the City’s business-type activities for the year ended March 31, 2023 is as follows:

	Balance 4/1/2022	Increases	Decreases	Balance 3/31/2023
Capital assets, not being depreciated:				
Land	\$ 41,500	\$ -	\$ -	\$ 41,500
Construction in progress	<u>909,378</u>	<u>444,145</u>	<u>(592,366)</u>	<u>761,157</u>
Total capital assets, not being depreciated	<u>950,878</u>	<u>444,145</u>	<u>(592,366)</u>	<u>802,657</u>
Capital assets, being depreciated				
Buildings and building improvements	42,898,983	234,150	-	43,133,133
Machinery, equipment and vehicles	3,715,995	174,394	(85,915)	3,804,474
Infrastructure	<u>23,243,287</u>	<u>427,505</u>	<u>-</u>	<u>23,670,792</u>
Total capital assets, being depreciated	<u>69,858,265</u>	<u>836,049</u>	<u>(85,915)</u>	<u>70,608,399</u>
Less accumulated depreciation for:				
Buildings and building improvements	(32,662,837)	(1,145,708)	-	(33,808,545)
Machinery, equipment and vehicles	(1,504,268)	(223,273)	63,540	(1,664,001)
Infrastructure	<u>(9,727,238)</u>	<u>(574,768)</u>	<u>-</u>	<u>(10,302,006)</u>
Total accumulated depreciation	<u>(43,894,343)</u>	<u>(1,943,749)</u>	<u>63,540</u>	<u>(45,774,552)</u>
Total capital assets, being depreciated, net	<u>25,963,922</u>	<u>(1,107,700)</u>	<u>(22,375)</u>	<u>24,833,847</u>
Total capital assets, net	<u>\$ 26,914,800</u>	<u>\$ (663,555)</u>	<u>\$ (614,741)</u>	<u>\$ 25,636,504</u>

Depreciation expense was charged to the functions and programs of the business-type activities as follows:

Sewer	\$ 1,611,299
Water	279,373
City Centre	<u>53,077</u>
Total	<u>\$ 1,943,749</u>

## 5. ACCRUED LIABILITIES

Accrued liabilities reported by the City’s governmental funds at March 31, 2023 were as follows:

	General Fund
Salary and employee benefits	<u>\$ 188,129</u>

## 6. PENSION PLANS

### *Plan Descriptions and Benefits Provided*

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

The Systems are noncontributory, except for employees who joined the ERS after July 27, 1976 who contribute three percent (3.0%) of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS), who generally contribute three percent (3.0%) to three and one half percent (3.5%) of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers’ contributions based on salaries paid during the System’s fiscal year ending March 31.

**Pension Liabilities/(Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**—At March 31, 2023, the City reported the following liabilities for its proportionate share of the net pension liabilities/(assets) for PFRS and ERS. The net pension liabilities/(assets) were measured as of March 31, 2022. The total pension liabilities used to calculate the net pension liabilities/(assets) were determined by actuarial valuations as of April 1, 2021, with update procedures used to roll forward the total net pension liabilities to the measurement date. The City’s proportion of the net pension liabilities/(assets) were based on projections of the City’s long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the System in reports provided to the City.

	Governmental Activities		Business-type
	PFRS	ERS	Activities
	ERS		
Measurement date	March 31, 2022		
Net pension liability/(asset)	\$ 969,150	\$ (679,866)	\$ (474,406)
City's portion of the Plan's total net pension liability	0.1706117%	0.0580340%	0.0831680%

For the year ended March 31, 2023, the City recognized pension expenses of \$671,170, \$7,738, and \$5,399, respectively, for PFRS, ERS – Governmental activities, and ERS – Business-type activities. At March 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources shown below:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	Governmental Activities		Business-type Activities	Governmental Activities		Business-type Activities
	PFRS	ERS	ERS	PFRS	ERS	ERS
Differences between expected and actual experiences	\$ 522,476	\$ 51,487	\$ 35,927	\$ -	\$ 66,782	\$ 46,599
Changes of assumptions	5,800,574	1,134,620	791,729	-	19,145	13,360
Net difference between projected and actual earnings on pension plan investments	-	-	-	8,143,393	2,226,276	1,536,222
Changes in proportion and differences between the City's contributions and proportionate share of contributions	325,414	17,201	12,003	1,171,970	46,025	32,116
City contributions subsequent to the measurement date	<u>1,308,823</u>	<u>261,852</u>	<u>182,718</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 7,957,287</u>	<u>\$ 1,465,160</u>	<u>\$ 1,022,377</u>	<u>\$ 9,315,363</u>	<u>\$ 2,358,228</u>	<u>\$ 1,628,297</u>

City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/(asset) in the year ending March 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending March 31,	Governmental Activities		Business-type Activities
	PFRS	ERS	ERS
2024	\$ (633,670)	\$ (188,914)	\$ (131,823)
2025	(862,171)	(260,016)	(181,437)
2026	(2,078,204)	(582,792)	(406,668)
2027	981,818	(123,198)	(68,710)
2028	(74,672)	-	-

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

	PFRS	ERS
Measurement date	March 31, 2022	March 31, 2022
Actuarial valuation date	April 1, 2021	April 1, 2021
Interest rate	5.90%	5.90%
Salary scale	6.20%	4.40%
Decrement tables	April 1, 2015- March 31, 2020	April 1, 2015- March 31, 2020
Inflation rate	2.70%	2.70%
Cost-of-living adjustments	1.40%	1.40%

Annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System’s experience with adjustments for mortality improvements based on Society of Actuaries’ Scale MP-2020. The actuarial assumptions used in the April 1, 2020 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

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

	PFRS and ERS	
	Target Allocation	Long-Term Expected Real Rate of Return
Measurement date	March 31, 2022	
Asset class:		
Domestic equities	32.0 %	3.3 %
International equities	15.0	5.9
Private equity	10.0	6.5
Real estate	9.0	5.0
Opportunistic/absolute return strategy	3.0	4.1
Credit	4.0	3.8
Real assets	3.0	5.6
Fixed income	23.0	0.0
Cash	1.0	(1.0)
Total	<u>100 %</u>	

**Discount Rate**—The discount rate used to calculate the total pension liabilities was 5.9%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Proportionate Share of the Net pension liability/(asset) to the Discount Rate Assumption**—The chart below presents the City’s proportionate share of the net pension liability/(asset) calculated using the discount rate of 5.9%, as well as what the City’s proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is one percentage-point lower (4.9%) or one percentage-point higher (6.9%) than the current assumption.

	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
Governmental activities:			
Employer's proportionate share of the net pension liability/(asset)—PFRS	\$ 10,780,301	\$ 969,150	\$ (7,151,877)
Employer's proportionate share of the net pension liability/(asset)—ERS	\$ 1,749,967	\$ (679,866)	\$ (2,712,304)
Business-type activities:			
Employer's proportionate share of the net pension liability/(asset)—ERS	\$ 1,221,115	\$ (474,406)	\$ (1,892,627)

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

	(Dollars in Thousands)		
	PFRS	ERS	Total
Valuation date	April 1, 2021	April 1, 2021	
Employers' total pension liability	\$ 42,237,292	\$ 223,874,888	\$ 266,112,180
Plan fiduciary net position	41,669,250	232,049,473	273,718,723
Employers' net pension liability/(asset)	\$ 568,042	\$ (8,174,585)	\$ (7,606,543)
System fiduciary net position as a percentage of total pension liability	98.7%	103.7%	102.9%

## 7. OTHER POSTEMPLOYMENT BENEFITS (“OPEB”) OBLIGATION

**Plan Description**—The City administers a Retiree Medical Plan (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 standalone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

The City provides postemployment 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, City and Municipal Employees, AFSCME Local 3632, and the Batavia Police Benevolent Association. Substantially all employees become eligible for these benefits if they meet the retirement eligibility requirements under their contracts while working for the City.

**Employees Covered by Benefit Terms**—At March 31, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	35
Inactive employees entitled to but not receiving benefit payments	6
Active employees	<u>60</u>
Total	<u>101</u>

Under GASB Statement No. 75, the total OPEB liability represents the sum of expected future benefit payments which may be attributed to past service (or “earned”), discounted to the end of the fiscal year using the current discount rate. The total OPEB liability is analogous to the Unfunded Actuarial Accrued Liability (“UAAL”) under GASB Statement No. 45.

### **Total OPEB Liability**

The City’s total OPEB liability of \$5,211,267 and \$203,082 for governmental activities and business-type activities, respectively, was measured as of March 31, 2023, and was determined by an actuarial valuation as of April 1, 2022.

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

In the April 1, 2022 actuarial valuation, the Entry Age Normal Method, over a level percent of pay, was used. The single discount rate changed from 2.83% effective March 31, 2022, to 3.78% effective March 31, 2023. The salary scale was 3.00% and the interest rate was 2.50% for the fiscal year ending March 31, 2023. The initial healthcare rate as of April 1, 2022 was 7.750%, while the ultimate healthcare cost trend rate is 4.037%.

**Changes in the Total OPEB Liability**—The following table presents the changes to the total OPEB liability during the fiscal year, by source:

	Total OPEB Liability	
	Governmental Activities	Business-type Activities
Balance at March 31, 2022	\$ 6,575,362	\$ 355,645
Changes for the year:		
Service cost	91,878	2,566
Interest	155,177	6,302
Difference between expected and actual experience	(189,931)	(97,474)
Changes of assumptions	(726,937)	(33,650)
Benefit payments	(694,282)	(30,307)
Net changes	(1,364,095)	(152,563)
Balance at March 31, 2023	\$ 5,211,267	\$ 203,082

**Sensitivity of the Total OPEB Liability to the Change in the Discount Rate and Healthcare Cost Trend Rate**—The discount rate assumption can have an impact on the OPEB liability. The following table presents the effect a 1% change in the discount rate assumption would have on the OPEB liability:

	1% Decrease (2.78%)	Current Discount Rate (3.78%)	1% Increase (4.78%)
Total OPEB liability—governmental activities	\$ 5,437,965	\$ 5,211,267	\$ 4,990,425
Total OPEB liability—business-type activities	211,916	203,082	194,476

**Additionally**, healthcare costs can be subject to considerable volatility over time. The following table presents the effect on the OPEB liability of a 1% change in the initial (7.750%)/ultimate (4.037%) healthcare cost trend rates:

	1% Decrease (6.750%/3.037%)	Healthcare Cost Trend Rates (7.750%/4.037%)	1% Increase (8.750%/5.037%)
Total OPEB liability—governmental activities	\$ 4,896,931	\$ 5,211,267	\$ 5,555,039
Total OPEB liability—business-type activities	190,833	203,082	216,479

**Funding Policy**—Authorization for the City to pay a portion of retiree health insurance premiums was enacted through various union contracts as specified above, which were ratified by the City Council. The City recognizes the cost of providing these benefits by expensing the annual insurance premiums when invoiced by the health insurance provider. City governmental activities contributions equaled \$694,282 for the fiscal year ended March 31, 2023. For the year ended March 31, 2023, the City’s governmental activities and business-type activities recognized OPEB expense of \$255,471 and \$(22,000), respectively. The City’s contributions to the OPEB plan are based on negotiated contracts with four bargaining units, as discussed in Note 14. Any amendments to the employer’s contributions are subject to the collective bargaining agreements.

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***—The City reports deferred inflows and deferred outflows of resources due to actuarial gains due to plan experience or changes in assumptions and other inputs. The table below presents the City’s deferred inflows and deferred outflows of resources at March 31, 2023.

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Differences between expected and actual experience	\$ 223,176	\$ 8,697	\$ 710,835	\$ 27,701
Changes of assumptions	500,208	19,493	285,251	11,116
Total	<u>\$ 723,384</u>	<u>\$ 28,190</u>	<u>\$ 996,086</u>	<u>\$ 38,817</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending March 31,	Governmental Activities	Business-type Activities
2024	\$ 21,610	\$ 842
2025	21,610	842
2026	21,610	842
2027	22,378	872
Thereafter	185,494	7,229

## 8. RISK MANAGEMENT

**Health insurance**—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.

Third party insurance is maintained by the City with a stop loss for the health insurance Plan in the amount of \$150,000 per event for the Plan’s fiscal year.

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, 2023, the City recorded a liability in the amount of \$140,178 within the self- insurance fund for incurred but not reported insured events.

Changes in the reported health insurance liability since March 31, 2021 is as follows:

Year Ended March 31	Liability Beginning of Year	Claims and Adjustments	Claim Payments	Liability Ending of Year
2023	\$ 150,054	\$ 2,071,675	\$ (2,081,551)	\$ 140,178
2022	152,435	2,203,077	(2,205,458)	150,054

**Workers' compensation**—The City is independently self-insured for costs related to an employee workers' compensation plan (the Plan). The self-insured Plan's objectives are to formulate, develop, and administer a workers' compensation program to obtain lower costs for coverage, and to develop a comprehensive loss control program.

Third party insurance is maintained by the City with a stop loss for the workers' compensation Plan in the amount of \$750,000 per event for the Plan's fiscal year.

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, 2023, the City has recorded a liability for future costs associated with open claims of \$97,059. The City has not consulted an actuary and has not estimated a liability for incurred but not reported claim liabilities. Claim activity consists of open claims being revalued and payment on claims.

Changes in the reported workers' compensation liability since March 31, 2021 are as follows:

Year Ended March 31	Liability Beginning of Year	Claims and Adjustments	Claim Payments	Liability Ending of Year
2023	\$ 168,633	\$ 129,906	\$ (201,480)	\$ 97,059
2022	252,850	199,920	(284,137)	168,633

## 9. LEASE LIABILITY

The City is a lessee for a noncancellable lease of various property and equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements for governmental and business-type activities. The City recognizes lease liabilities with an initial, individual value of \$100,000 or more. At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rates charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease terms include the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

During the current year, the City entered into long-term, lease agreements as the lessee for the acquisition and use of various property and equipment. As a result of the implementation of the GASB Statement No. 87, *Leases*, the City now reports those as lease liabilities. As of March 31, 2023, the value of the lease liabilities was \$264,646 for governmental activities. The leases have interest rates ranging from 0.15% - 1.79%. The value of the right-to-use lease assets as of the end of the current fiscal year was \$327,917 and had accumulated amortization of \$63,271 for governmental activities.

The future principal and interest payments as of March 31, 2023, were as follows:

Year Ending March 31,	Governmental Activities	
	Principal	Interest
2024	\$ 64,407	\$ 4,562
2025	65,563	2,623
2026	66,739	2,228
2027	67,937	1,031
Total	<u>\$ 264,646</u>	<u>\$ 10,444</u>

## 10. SHORT-TERM DEBT

Liabilities for bond anticipation notes (“BANs”) are generally accounted for in the Capital Projects Fund. Principal payments on BANs must be made annually. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. A summary of the City’s short-term debt for the fiscal year ended March 31, 2023 follows:

Description	Interest Rate	Maturity Date	Balance 4/1/2022	Issued	Redeemed	Balance 3/31/2023
Capital Projects Fund:						
Various capital projects	1.79%	4/27/2023	\$ -	\$ 4,850,000	\$ -	\$ 4,850,000
Total			<u>\$ -</u>	<u>\$ 4,850,000</u>	<u>\$ -</u>	<u>\$ 4,850,000</u>

## 11. LONG-TERM OBLIGATIONS

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

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

The City’s outstanding long-term liabilities include serial bonds, premiums on serial bonds, lease liabilities, long-term amounts due to other governments, compensated absences, other postemployment benefits (“OPEB”) obligation, and net pension liability. The serial bonds of the City are secured by its general credit and revenue raising powers, as per State statute.

The table below is a summary of changes in the City’s long-term debt for the year ended March 31, 2023.

	Balance 4/1/2022	Additions	Deletions	Balance 3/31/2023	Due Within One Year
<b>Governmental activities:</b>					
Serial bonds	\$ 2,336,800	\$ -	\$ 283,700	\$ 2,053,100	\$ 286,200
Premiums on serial bonds	38,406	-	3,497	34,909	3,497
Lease liability	27,805	327,917	91,076	264,646	64,407
Due to other governments	236,110	-	22,106	214,004	-
Compensated absences*	1,709,396	560,397	-	2,269,793	226,979
OPEB obligation	6,575,362	247,055	1,611,150	5,211,267	-
Net pension liability*	3,000,716	-	2,031,566	969,150	-
Total governmental activities	<u>\$ 13,924,595</u>	<u>\$ 1,135,369</u>	<u>\$ 4,043,095</u>	<u>\$ 11,016,869</u>	<u>\$ 581,083</u>
<b>Business-type activities:</b>					
Serial bonds	\$ 5,913,200	\$ -	\$ 486,300	\$ 5,426,900	\$ 493,800
Premiums on serial bonds	9,602	-	874	8,728	874
Compensated absences*	305,585	-	39,960	265,625	26,563
OPEB obligation	355,645	8,868	161,431	203,082	-
Net pension liability*	5,863	-	5,863	-	-
Total business-type activities	<u>\$ 6,589,895</u>	<u>\$ 8,868</u>	<u>\$ 694,428</u>	<u>\$ 5,904,335</u>	<u>\$ 521,237</u>

\*Additions/reductions to the net pension liability and compensated absences are shown net of additions/reductions.

**Serial Bonds**—The City issues general obligation bonds to provide funds for the acquisition, construction, and renovation of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 5 to 30 years.

A default will have occurred if the payment of principal or interest are not paid when due and payable. The City does not have any lines of credit.

A summary of additions and payments of the City's bond indebtedness for the year ended March 31, 2023 is shown below:

Description	Original Issue Amount	Year of Issue/ Maturity	Interest Rate	Balance 4/1/2022	Increases	Decreases	Balance 3/31/2023
<b>Governmental activities:</b>							
City Centre - refunding	\$ 2,856,000	2014/2033	2.0-3.75%	\$ 1,940,000	\$ -	\$ 144,000	\$ 1,796,000
CAT Loader	195,500	2018/2025	1.10-4.15%	120,000	-	30,000	90,000
ERP Software	305,000	2020/2024	2.0%	207,500	-	102,500	105,000
VAC Truck	75,600	2020/2031	2.0%	69,300	-	7,200	62,100
Total governmental activities				<u>\$ 2,336,800</u>	<u>\$ -</u>	<u>\$ 283,700</u>	<u>\$ 2,053,100</u>
<b>Business-type activities:</b>							
<b>Sewer Fund:</b>							
City Centre - refunding	\$ 357,000	2014/2033	2.0-3.75%	\$ 242,500	\$ -	\$ 18,000	\$ 224,500
Washington Ave, Sludge Removal, Roof	2,825,000	2017/2033	2.0-3.0%	2,165,000	-	180,000	1,985,000
Vine and Elm Street Water Projects	614,600	2017/2033	2.25-3.0%	515,000	-	25,000	490,000
ERP Software	152,500	2020/2024	2.0%	103,750	-	51,250	52,500
VAC Truck	302,400	2020/2031	2.0%	277,200	-	28,800	248,400
<b>Water Fund:</b>							
City Centre - refunding	357,000	2014/2033	2.0-3.75%	242,500	-	18,000	224,500
Washington Ave, Sludge Removal, Roof	151,000	2017/2033	2.0-3.0%	110,000	-	10,000	100,000
Vine and Elm Street Water Projects	785,400	2017/2033	2.25-3.0%	660,000	-	35,000	625,000
ERP Software	152,500	2020/2024	2.0%	103,750	-	51,250	52,500
VAC Truck	42,000	2020/2031	2.0%	38,500	-	4,000	34,500
South Main Street Water	546,006	2020/2041	2.0%	525,000	-	25,000	500,000
Union Street Water	970,676	2020/2041	2.0%	930,000	-	40,000	890,000
Total business-type activities				<u>\$ 5,913,200</u>	<u>\$ -</u>	<u>\$ 486,300</u>	<u>\$ 5,426,900</u>

**Legal Debt Margin**—The City is subject to a debt limit that is 7.0 percent of the five-year average of the full valuation of taxable real property. At March 31, 2023, that amount was \$44,966,636. As of March 31, 2023, the total outstanding debt applicable to the limit was \$5,053,500, which is 11.2% of the total limit.

**Premiums on Serial Bonds**—The City previously issued serial bonds and refunding bonds which received bond premiums. The premiums are being amortized on a straight-line basis over the life of the bonds. The total unamortized bond premium at March 31, 2023 was \$34,909 and \$8,728 for governmental activities and business-type activities, respectively.

**Lease Liability**—As described in Note 10, the City has entered into long-term leases for equipment. The outstanding balance at March 31, 2023 was \$264,646 in governmental activities.

**Due to Other Governments**—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 operations of a landfill site in the Town of Batavia. All parties designated as potentially responsible parties by the EPA participated in a Pilot Allocation Program. As a result of this program, 75% of the long-term operation and maintenance costs have been allocated to the City and are owed to the Town. At March 31, 2023, the City reports a liability of \$214,004.

**Compensated Absences**—As explained in Note 1, the liability for compensated absences, which totals \$2,269,793 for governmental activities and \$265,625 for business-type activities, represents amounts relating to sick and personal leave for employees. Payments of these liabilities are dependent on many factors (including retirement, termination, or employees leaving service) and, therefore, timing of future payments of such is not readily available. The City has estimated that \$226,979 and \$26,563 for governmental activities and business-type activities, respectively, will be paid in the next fiscal year.

**OPEB Obligation**—As explained in Note 8, the City provides health insurance coverage for retirees. The long-term OPEB liability is estimated to be \$5,211,267 and \$203,082 for governmental activities and business-type activities, respectively, as of March 31, 2023.

**Net pension liability**—The City reports a liability for its proportionate share of the net pension liability for the Police and Fire Retirement System. The total net pension liability at March 31, 2023 is estimated to be \$969,150 in governmental activities. Refer to Note 7 for additional information related to the City’s net pension liability.

The following is a maturity schedule of the City’s indebtedness:

Year Ending March 31,	Governmental Activities							Total
	Serial Bonds	Premium on Serial Bonds	Lease Liability	Due to Other Governments	Compensated Absences	OPEB Obligation	Net Pension Liability	
2024	\$ 286,200	\$ 3,497	\$ 64,407	\$ -	\$ 226,979	\$ -	\$ -	\$ 581,083
2025	185,200	3,497	65,563	-	-	-	-	254,260
2026	185,200	3,497	66,739	-	-	-	-	255,436
2027	168,100	3,497	67,937	-	-	-	-	239,534
2028	172,100	3,497	-	-	-	-	-	175,597
2029-2033	948,300	17,424	-	-	-	-	-	965,724
2034-2038	108,000	-	-	-	-	-	-	108,000
2039 and thereafter	-	-	-	214,004	2,042,814	5,211,267	969,150	8,437,235
<b>Total</b>	<b>\$ 2,053,100</b>	<b>\$ 34,909</b>	<b>\$ 264,646</b>	<b>\$ 214,004</b>	<b>\$ 2,269,793</b>	<b>\$ 5,211,267</b>	<b>\$ 969,150</b>	<b>\$ 11,016,869</b>

Year Ending March 31,	Business-type Activities					Total
	Serial Bonds	Premium on Serial Bonds	Compensated Absences	OPEB Obligation		
2024	\$ 493,800	\$ 874	\$ 26,563	\$ -	\$ 521,237	
2025	389,800	874	-	-	390,674	
2026	404,800	874	-	-	405,674	
2027	411,900	874	-	-	412,774	
2028	422,900	874	-	-	423,774	
2029-2033	2,161,700	4,358	-	-	2,166,058	
2034-2038	872,000	-	-	-	872,000	
2039-2043	270,000	-	-	-	270,000	
2044 and thereafter	-	-	239,062	203,082	442,144	
<b>Total</b>	<b>\$ 5,426,900</b>	<b>\$ 8,728</b>	<b>\$ 265,625</b>	<b>\$ 203,082</b>	<b>\$ 5,904,335</b>	

The interest requirements for the City's outstanding serial bonds are as follows:

Year Ending March 31,	Governmental	Business-type	Total
	Activities	Activities	
2024	\$ 65,212	\$ 133,164	\$ 198,376
2025	58,669	123,237	181,906
2026	52,850	114,114	166,964
2027	47,159	104,541	151,700
2028	41,626	94,627	136,253
2029-2033	110,559	300,036	410,595
2034-2038	6,075	90,130	96,205
2039-2043	-	8,466	8,466
Total	<u>\$ 382,150</u>	<u>\$ 968,315</u>	<u>\$ 1,350,465</u>

## 12. NET POSITION AND FUND BALANCE

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

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

### Governmental activities:

Capital assets, net of accumulated depreciation		\$ 27,066,308
Related debt:		
Serial bonds	\$ (2,053,100)	
Bond anticipation notes	(4,850,000)	
Premiums on serial bonds	(34,909)	
Lease liability	<u>(264,646)</u>	(7,202,655)
Unspent proceeds from debt		<u>1,044,155</u>
Net investment in capital assets		<u>\$ 20,907,808</u>

### Business-type activities:

Capital assets, net of accumulated depreciation		\$ 25,636,504
Related debt:		
Serial bonds	\$ (5,426,900)	
Premiums on serial bonds	<u>(8,728)</u>	<u>(5,435,628)</u>
Net investment in capital assets		<u>\$ 20,200,876</u>

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

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. At March 31, 2023, the City reported no nonspendable fund balance.

In the fund financial statements, restricted fund balances are amounts with external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions and enabling legislation. Restricted fund balances maintained by the City at March 31, 2023 are presented as follows:

	General Fund
Retirement contributions	\$ 290,623
Employee benefits	235,880
Insurance	376,408
Capital projects	5,728,836
Business improvement district	225,630
Repairs	27,710
Other	41,756
Total restricted fund balance	<u>\$ 6,926,843</u>

- **Retirement Contributions**—Represents funds set aside for any upcoming retirement contributions required of the City.
- **Employee Benefits**—Represents funds set aside for compensated absences payouts required of the City.
- **Insurance**—Represents funds set aside for medical and liability claims.
- **Capital Projects**—Represents funds to be used for future construction, reconstruction and/or acquisition of capital improvements and equipment.
- **Debt Service**—Represents funds from the General Fund to be used for future debt payments.
- **Business Improvement District**—Represents amounts accumulated for the purpose of future spending on the City’s business improvement District.
- **Repairs**—Represents funds which can only be used for repairs of Dwyer Stadium.
- **Other**—Represents amounts restricted for the following purposes: police (\$5,159), drug asset forfeiture (\$1,154), non-state external EMS program (\$25,898), wing-ding (\$9,188) and public broadcasting (\$357).

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by formal action of the City’s highest level of decision-making authority (City Council). Committed fund balances maintained by the City as of March 31, 2023 are presented below:

- **K-9**—Represents funds accumulated to be used for K-9 purposes within the City. At March 31, 2023, the City has committed \$13,354 within the General Fund for this purpose.
- **Creek Park**—Represents funds accumulated for environmental work the City’s Creek Park site. At March 31, 2023, the City has committed \$15,000 within the General Fund for this purpose.

- **Rezoning**—Represents funds accumulated for the completion of rezoning activities associated with and recommended by the City’s comprehensive plan. At March 31, 2023, the City has committed \$75,000 within the General Fund to this purpose.

In the fund financial statements, assigned amounts are subject to a purpose constraint that represents an intended use established by the City Council, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balances represents the residual amount of fund balance. Assigned fund balances maintained by the City at March 31, 2023 are presented as follows:

	General Fund	Nonmajor Funds	Total
Subsequent year's expenditures	\$ 454,000	\$ -	\$ 454,000
Encumbrances	301,902	-	301,902
Subdivision contractor	39,689	-	39,689
Parks	1,399	-	1,399
Memorial bricks	3,526	-	3,526
Specific use	-	387,237	387,237
Total assigned fund balance	<u>\$ 800,516</u>	<u>\$ 387,237</u>	<u>\$ 1,187,753</u>

- **Assigned to Subsequent Year’s Expenditure**—Represents funds to be used to assist in supporting the subsequent year authorized appropriations.
- **Assigned to Encumbrances**—Represents amounts related to unperformed contracts for goods and services.
- **Assigned to Subdivision Contractor**—Represents amounts related to fund balance designated to be used for specific purpose related to certain subdivisions within the City.
- **Assigned to Parks**— Represents fund balance designated to be used for specific purpose related to the City’s parks.
- **Assigned to Memorial Bricks**—Represents fund balance designated to be used for future spending related to memorial bricks within the City.
- **Assigned to Specific Use**—Represents remaining fund balance of the special revenue funds designated to be used for that funds’ specific purpose.

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 expenditure to which fund balance classifications will be charged.

### 13. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are short-term in nature and exist because of temporary advances or payments made on behalf of other funds. Transfers are used primarily (1) to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) to move residual cash from closed projects, and (3) move cash to fund capital projects. The City had the following interfund balances and interfund transfers as of and for the year ended March 31, 2023:

Fund	Interfund		Transfers	
	Receivable	Payable	In	Out
Governmental Funds:				
General Fund	\$ 32,867	\$ -	\$ 283,570	\$ 2,983,951
Capital Projects Fund	-	-	198,338	8,568
Proprietary Funds:				
Sewer Fund	-	13,963	-	273,740
Water Fund	-	17,959	-	587,160
City Centre Fund	-	945	55,981	32,910
Internal Service Fund	-	-	3,348,440	-
Total	<u>\$ 32,867</u>	<u>\$ 32,867</u>	<u>\$ 3,886,329</u>	<u>\$ 3,886,329</u>

### 14. LABOR RELATIONS

The majority of City employees are represented by four bargaining units. The Police Benevolent Association has a contract through March 31, 2026, the International Association of Fire Fighters and AFSCME have contracts through March 31, 2024, and the CSEA has a contract through March 31, 2027.

### 15. COMMITMENTS

**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. Open encumbrances are reported as an assignment of fund balance since such commitments will be honored through budget appropriations in the subsequent year. The City considers encumbrances to be significant for amounts that are encumbered in excess of \$50,000. As of March 31, 2023, the City had the following significant encumbrances:

Description	Amount
Professional services	\$ 791,681
Engineering services	370,112
Architect services	262,500
Engineering services	161,783
Engineering services	149,064
Architect services	145,514
Consulting services	115,202
Consulting services	111,200
Truck purchase	82,840
Consulting services	74,845
Architect services	62,400

## 16. TAX ABATEMENTS

The City is subject to programs entered into by the Genesee Industrial Economic Development Agency d/b/a the Genesee County Economic Development Center (the “GCEDA”). These programs have the stated purpose of increasing business activity and employment in the region. Economic development agreements are entered into by the GCEDA and incentives may include property tax abatements of any new property tax revenue realized from the increased assessed value of any incentivized project from the investment of private capital. The abatement agreements include a stipulated reduction pursuant to the limits set forth in State statute and rules. In the future, these new revenues will increase periodically until the project is taxed at full assessed value. Assuming the GCEDA incentivized projects would have been completed absent tax abatement, the unrealized property tax revenue is \$129,044. However, during the 2022-2023 fiscal year, the City collected \$49,335 related to these new incentivized projects.

## 17. CONTINGENCIES

**Litigation**—The City is a defendant in various litigation under Article 7 of the Real Property Tax law of the State of New York to review tax assessments. While the City vigorously defends assessments, likelihood of success is on a case-by-case basis, and is dependent upon many factors including market values and appraised amounts. No potential amount or potential range of loss is determinable. However, management believes that level of such potential loss, if any, would be immaterial and no provisions have been made within the financial statements. Other various legal actions are pending against the City. The outcome of these matters is not presently determinable, but in the opinion of management, the ultimate liability will not have a material adverse effect on the City’s financial condition or results of operation.

**Grants**—In the normal course of operations, the City receives grant funds from various Federal and State agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed expenditures resulting from such audits could become a liability of the governmental funds. While the amount of any expenditures which may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

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

## 18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 25, 2023, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

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## REQUIRED SUPPLEMENTARY INFORMATION



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

	Year Ended March 31,								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Measurement date	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
City's proportion of the net pension liability	0.1706117%	0.1723669%	0.1539512%	0.1659880%	0.1529920%	0.1433166%	0.1513918%	0.1488400%	0.1488400%
City's proportionate share of the net pension liability	<u>\$ 969,150</u>	<u>\$ 2,992,766</u>	<u>\$ 8,228,594</u>	<u>\$ 2,783,724</u>	<u>\$ 1,546,377</u>	<u>\$ 2,970,454</u>	<u>\$ 4,482,389</u>	<u>\$ 409,696</u>	<u>\$ 619,635</u>
City's covered payroll	\$ 5,246,220	\$ 5,054,368	\$ 5,223,214	\$ 5,034,218	\$ 5,009,124	\$ 4,722,442	\$ 4,432,386	\$ 4,182,948	\$ 4,612,109
City's proportionate share of the net pension liability as a percentage of its covered payroll	18.5%	59.2%	157.5%	55.3%	30.9%	62.9%	101.1%	9.8%	13.4%
Plan fiduciary net position as a percentage of the total pension liability	98.7%	95.8%	84.9%	95.1%	96.9%	93.5%	90.2%	111.5%	100.7%

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

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

	Year Ended March 31,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 1,308,823	\$ 1,312,633	\$ 1,164,277	\$ 1,094,552	\$ 1,091,470	\$ 1,532,230	\$ 1,023,988	\$ 877,335	\$ 1,213,742	\$ 677,447
Contributions in relation to the contractually required contribution	<u>(1,308,823)</u>	<u>(1,312,633)</u>	<u>(1,164,277)</u>	<u>(1,094,552)</u>	<u>(1,091,470)</u>	<u>(1,532,230)</u>	<u>(1,023,988)</u>	<u>(877,335)</u>	<u>(1,213,742)</u>	<u>(677,447)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 5,351,416	\$ 5,246,220	\$ 5,054,368	\$ 5,223,214	\$ 5,034,218	\$ 5,009,124	\$ 4,722,442	\$ 4,432,386	\$ 4,182,948	\$ 4,612,109
Contributions as a percentage of covered payroll	24.5%	25.0%	23.0%	21.0%	21.7%	30.6%	21.7%	19.8%	29.0%	14.7%

**CITY OF BATAVIA, NEW YORK**  
**Schedule of the City's Proportionate Share of the Net Pension Liability/(Asset)—**  
**Employees' Retirement System**  
**Last Nine Fiscal Years\***

	Year Ended March 31,								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Measurement date	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Plan fiduciary net position as a percentage of the total pension liability	103.7%	100.0%	86.4%	96.3%	98.2%	94.7%	90.7%	97.7%	97.2%
<b>Governmental activities:</b>									
City's proportion of the net pension liability/(asset)	0.05803404%	0.0653454%	0.0600409%	0.0663953%	0.0611969%	0.0573267%	0.0620707%	0.0610245%	0.0595360%
City's proportionate share of the net pension liability/(asset)	<u>\$ (679,866)</u>	<u>\$ 7,950</u>	<u>\$ 2,216,200</u>	<u>\$ 604,259</u>	<u>\$ 288,047</u>	<u>\$ 832,262</u>	<u>\$ 1,512,950</u>	<u>\$ 293,288</u>	<u>\$ 398,963</u>
City's covered payroll	\$ 3,847,662	\$ 2,149,320	\$ 2,330,224	\$ 2,194,908	\$ 2,170,521	\$ 2,151,735	\$ 2,071,670	\$ 2,136,992	\$ 1,981,507
City's proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	-17.7%	0.4%	95.1%	27.5%	13.3%	38.7%	73.0%	13.7%	20.1%
<b>Business-type activities:</b>									
City's proportion of the net pension liability/(asset)	0.0831680%	0.0886058%	0.099103%	0.0995927%	0.0917951%	0.0859899%	0.0893211%	0.0878155%	0.0893040%
City's proportionate share of the net pension liability/(asset)	<u>\$ (474,406)</u>	<u>\$ 5,863</u>	<u>\$ 1,416,914</u>	<u>\$ 402,840</u>	<u>\$ 192,032</u>	<u>\$ 554,842</u>	<u>\$ 1,051,373</u>	<u>\$ 203,811</u>	<u>\$ 265,975</u>
City's covered payroll	\$ 1,581,389	\$ 1,424,541	\$ 1,489,814	\$ 1,463,274	\$ 1,447,019	\$ 1,434,491	\$ 1,439,636	\$ 1,485,034	\$ 1,321,003
City's proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	-30.0%	0.4%	95.1%	27.5%	13.3%	38.7%	73.0%	13.7%	20.1%

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

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

	Year Ended March 31,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Governmental activities:</b>										
Contractually required contribution	\$ 261,852	\$ 344,138	\$ 330,804	\$ 312,675	\$ 313,284	\$ 447,544	\$ 307,048	\$ 361,554	\$ 389,527	\$ 399,124
Contributions in relation to the contractually required contribution	<u>(261,852)</u>	<u>(344,138)</u>	<u>(330,804)</u>	<u>(312,675)</u>	<u>(313,284)</u>	<u>(447,544)</u>	<u>(307,048)</u>	<u>(361,554)</u>	<u>(389,527)</u>	<u>(399,124)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,221,546	\$ 2,210,702	\$ 2,180,056	\$ 2,292,021	\$ 2,194,906	\$ 2,170,523	\$ 2,115,873	\$ 2,071,668	\$ 2,173,217	\$ 1,902,246
Contributions as a percentage of covered payroll	11.8%	15.6%	15.2%	13.6%	14.3%	20.6%	14.5%	17.5%	17.9%	21.0%
<b>Business-type activities</b>										
Contractually required contribution	\$ 182,718	\$ 253,797	\$ 211,498	\$ 208,450	\$ 208,857	\$ 298,363	\$ 213,373	\$ 251,250	\$ 259,684	\$ 293,800
Contributions in relation to the contractually required contribution	<u>(182,718)</u>	<u>(253,797)</u>	<u>(211,498)</u>	<u>(208,450)</u>	<u>(208,857)</u>	<u>(298,363)</u>	<u>(213,373)</u>	<u>(251,250)</u>	<u>(259,684)</u>	<u>(293,800)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,550,179	\$ 1,629,990	\$ 1,393,805	\$ 1,528,017	\$ 1,463,276	\$ 1,447,017	\$ 1,470,353	\$ 1,439,638	\$ 1,448,809	\$ 1,400,264
Contributions as a percentage of covered payroll	11.8%	15.6%	15.2%	13.6%	14.3%	20.6%	14.5%	17.5%	17.9%	21.0%

**CITY OF BATAVIA, NEW YORK**  
**Schedule of Changes in the City's Total OPEB Liability and Related Ratios**  
**Last Five Fiscal Years\***

	Governmental Activities				
	March 31,				
	2023	2022	2021	2020	2019
<b>Total OPEB Liability</b>					
Service cost	\$ 91,878	\$ 149,706	\$ 118,948	\$ 126,838	\$ 118,033
Interest	155,177	155,725	129,625	201,010	200,389
Change of benefit terms	-	-	419,807	-	-
Changes in assumptions	(726,937)	(114,706)	469,707	320,232	61,447
Differences between expected and actual experience	(189,931)	-	304,080	-	-
Benefit payments	(694,282)	(651,567)	(642,695)	(550,473)	(483,245)
Net change in total OPEB liability	(1,364,095)	(460,842)	799,472	97,607	(103,376)
Total OPEB liability—beginning	6,575,362	7,036,204	6,236,732	6,139,125	6,242,501
Total OPEB liability—ending	<u>\$ 5,211,267</u>	<u>\$ 6,575,362</u>	<u>\$ 7,036,204</u>	<u>\$ 6,236,732</u>	<u>\$ 6,139,125</u>
<b>Plan Fiduciary Net Position</b>					
Contributions—employer	\$ 694,282	\$ 651,567	\$ 434,815	\$ 550,473	\$ 483,245
Benefit payments	(694,282)	(651,567)	(434,815)	(550,473)	(483,245)
Net change in plan fiduciary net position	-	-	-	-	-
Plan fiduciary net position—beginning	-	-	-	-	-
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's net OPEB liability—ending	<u>\$ 5,211,267</u>	<u>\$ 6,575,362</u>	<u>\$ 7,036,204</u>	<u>\$ 6,236,732</u>	<u>\$ 6,139,125</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%	0.0%	0.0%
Covered-employee payroll	\$ 4,308,621	\$ 4,178,673	\$ 4,719,427	\$ 4,432,964	\$ 4,719,427
Total OPEB liability as a percentage of covered-employee payroll	120.9%	157.4%	149.1%	140.7%	130.1%

(continued)

**CITY OF BATAVIA, NEW YORK**  
**Schedule of Changes in the City's Total OPEB Liability and Related Ratios**  
**Last Five Fiscal Years\***

(concluded)

	Business-type Activities				
	March 31,				
	2023	2022	2021	2020	2019
<b>Total OPEB Liability</b>					
Service cost	\$ 2,566	\$ 11,891	\$ 6,253	\$ 6,022	\$ 5,535
Interest	6,302	8,686	44,351	13,706	29,922
Change of benefit terms	-	-	22,070	-	-
Changes in assumptions	(33,650)	(16,051)	24,693	15,204	2,882
Differences between expected and actual experience	(97,474)	-	15,986	-	-
Benefit payments	(30,307)	(39,310)	(33,787)	(26,135)	(22,662)
Net change in total OPEB liability	(152,563)	(34,784)	79,566	8,797	15,677
Total OPEB liability—beginning	355,645	390,429	310,863	302,066	286,389
Total OPEB liability—ending	<u>\$ 203,082</u>	<u>\$ 355,645</u>	<u>\$ 390,429</u>	<u>\$ 310,863</u>	<u>\$ 302,066</u>
<b>Plan Fiduciary Net Position</b>					
Contributions—employer	\$ 30,307	\$ 39,310	\$ 33,787	\$ 26,135	\$ 22,662
Benefit payments	(30,307)	(39,310)	(33,787)	(26,135)	(22,662)
Net change in plan fiduciary net position	-	-	-	-	-
Plan fiduciary net position—beginning	-	-	-	-	-
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's net OPEB liability—ending	<u>\$ 203,082</u>	<u>\$ 355,645</u>	<u>\$ 390,429</u>	<u>\$ 310,863</u>	<u>\$ 302,066</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%	0.0%	0.0%
Covered-employee payroll	\$ 1,157,605	\$ 1,025,420	\$ 1,158,118	\$ 1,087,822	\$ 1,158,118
Total OPEB liability as a percentage of covered-employee payroll	17.5%	34.7%	33.7%	28.6%	26.1%

\*Information prior to the year ended March 31, 2019 is not available.

The notes to the Required Supplementary Information are an integral part of this schedule.

**CITY OF BATAVIA, NEW YORK**  
**Schedule of Revenues, Expenditures and Change in Fund Balance—**  
**Budget and Actual—General Fund**  
**Year Ended March 31, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Real property taxes	\$ 6,008,798	\$ 6,008,798	\$ 6,100,402	\$ 91,604
Other tax items	232,232	232,232	997,665	765,433
Non-property tax items	7,227,000	7,227,000	8,188,047	961,047
Departmental income	339,370	339,370	384,970	45,600
Intergovernmental	-	-	394,240	394,240
Use of money and property	91,787	91,787	324,260	232,473
Licenses and permits	98,700	98,700	226,656	127,956
Fines and forfeitures	67,000	67,000	57,865	(9,135)
Sale of property and compensation for loss	4,000	4,000	58,681	54,681
Miscellaneous	108,970	108,970	116,835	7,865
State aid	2,518,475	3,037,278	3,178,629	141,351
Federal aid	3,560	147,728	16,792	(130,936)
Total revenues	<u>16,699,892</u>	<u>17,362,863</u>	<u>20,045,042</u>	<u>2,682,179</u>
<b>EXPENDITURES</b>				
Current:				
General government support	2,606,188	2,614,063	2,246,157	367,906
Public safety	8,589,031	9,286,422	9,154,605	131,817
Health	20,060	20,273	19,323	950
Transportation	2,414,190	2,522,291	2,344,575	177,716
Economic assistance and opportunity	285,328	134,011	179,149	(45,138)
Culture and recreation	745,638	751,028	690,467	60,561
Home and community service	416,650	416,280	285,680	130,600
Debt service:				
Principal	375,084	374,780	374,776	4
Interest	80,555	80,859	80,859	-
Total expenditures	<u>15,532,724</u>	<u>16,200,007</u>	<u>15,375,591</u>	<u>824,416</u>
Excess (deficiency) of revenues over expenditures	<u>1,167,168</u>	<u>1,162,856</u>	<u>4,669,451</u>	<u>3,506,595</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	275,000	275,000	283,570	8,570
Transfers out	(2,679,630)	(2,827,292)	(2,983,951)	(156,659)
Leases issued	327,917	327,917	327,917	-
Total other financing sources (uses)	<u>(2,076,713)</u>	<u>(2,224,375)</u>	<u>(2,372,464)</u>	<u>(148,089)</u>
Net change in fund balance*	(909,545)	(1,061,519)	2,296,987	3,358,506
Fund balance—beginning	<u>9,376,359</u>	<u>9,376,359</u>	<u>9,376,359</u>	<u>-</u>
Fund balance—ending	<u>\$ 8,466,814</u>	<u>\$ 8,314,840</u>	<u>\$ 11,673,346</u>	<u>\$ 3,358,506</u>

\*The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance, a re-appropriation of prior year encumbrances and use of restricted fund balance.

The notes to the required supplementary information are an integral part of this schedule.

**CITY OF BATAVIA, NEW YORK**  
**Notes to the Required Supplementary Information**  
**Year Ended March 31, 2023**

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**1. OPEB LIABILITY**

*Changes of Assumptions*—Changes of assumptions reflect the effects of changes in the long-term bond rate, the mortality rate, and the healthcare cost trend rate. The long-term bond rate is based on the Fidelity General Obligation 20-Year AA Municipal Bond Index rate as of the measurement date, which increased from 2.83% at March 31, 2022, to 3.78% at March 31, 2023. Mortality improvement scales were updated from MP-2020 to MP-2021. Finally, the healthcare cost trend rate has an initial rate of 7.750% and an ultimate rate of 4.037%

**2. BUDGETARY INFORMATION**

*Budgetary Basis of Accounting*—Annual budgets are adopted on a basis consistent with generally accepted accounting principles in the United States of America for all governmental funds, with the exception of the Capital Projects Fund. This fund is appropriated on a project-length basis; appropriations are approved through City Council resolution at the project's inception and lapse upon completion/termination of the project.

The appropriated budget is prepared by fund, function, and department. Amendments and transfers of appropriations require the approval of the City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the object classification.

Actual results of operations presented in accordance with GAAP and the City's accounting policies do not recognize encumbrances and restricted fund balance as expenditures until the period in which the actual goods or services are received and a liability is incurred. Encumbrances are only reported on the balance sheet of the governmental funds included within restricted, committed or assigned fund balance.

*Excess of Expenditures over Appropriations*—For the year ended March 31, 2023, the City had budgetary expenditures in excess of the final budget amount within economic assistance and opportunity of \$45,138 pertaining to the Business Improvement District expenditures and within transfers out of \$156,659 relating to unanticipated transfers.

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## SUPPLEMENTARY INFORMATION



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**CITY OF BATAVIA, NEW YORK**  
**Combining Balance Sheet—Nonmajor Governmental Funds**  
**March 31, 2023**

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	<b>Special Revenue</b>		<b>Total</b>
	<b>Small Cities</b>	<b>Special Grant</b>	<b>Nonmajor Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 31,026	\$ 212,439	\$ 243,465
Receivables:			
Loans	18,540	145,232	163,772
Total assets	\$ 49,566	\$ 357,671	\$ 407,237
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 20,000	\$ 20,000
Total liabilities	-	20,000	20,000
<b>FUND BALANCES</b>			
Assigned	49,566	337,671	387,237
Total fund balances	49,566	337,671	387,237
Total liabilities and fund balances	\$ 49,566	\$ 357,671	\$ 407,237

**CITY OF BATAVIA, NEW YORK**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances—Nonmajor Governmental Funds**  
**Year Ended March 31, 2023**

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	Special Revenue		Total Governmental Funds
	Small Cities	Special Grant	
<b>REVENUES</b>			
Use of money and property	\$ 256	\$ 1,477	\$ 1,733
Miscellaneous	8,152	1,880	10,032
State aid	-	171,830	171,830
Total revenues	8,408	175,187	183,595
<b>EXPENDITURES</b>			
Current:			
Home and community service	-	191,830	191,830
Total expenditures	-	191,830	191,830
Net change in fund balances	8,408	(16,643)	(8,235)
Fund balances—beginning	41,158	354,314	395,472
Fund balances—ending	\$ 49,566	\$ 337,671	\$ 387,237

**CITY OF BATAVIA, NEW YORK**  
**Combining Statement of Net Position—Internal Service Funds**  
**March 31, 2023**

---

	<b>Health Insurance</b>	<b>Worker's Compensation</b>	<b>Total</b>
<b>ASSETS</b>			
Restricted cash and cash equivalents	\$ 1,032,430	\$ 1,444,354	\$ 2,476,784
Receivables	134,801	292	135,093
Total assets	1,167,231	1,444,646	2,611,877
<b>LIABILITIES</b>			
Accounts payable	513	-	513
Accrued liabilities	140,178	97,059	237,237
Total liabilities	140,691	97,059	237,750
<b>NET POSITION</b>			
Restricted	570,440	693,815	1,264,255
Unrestricted	456,100	653,772	1,109,872
Total net position	\$ 1,026,540	\$ 1,347,587	\$ 2,374,127

**CITY OF BATAVIA, NEW YORK**  
**Combining Statement of Revenues, Expenses, and**  
**Changes in Net Position—Internal Service Funds**  
**Year Ended March 31, 2023**

	<u>Health Insurance</u>	<u>Worker's Compensation</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 180,070	\$ -	\$ 180,070
Other operating revenues	<u>-</u>	<u>71,574</u>	<u>71,574</u>
Total operating revenues	<u>180,070</u>	<u>71,574</u>	<u>251,644</u>
<b>OPERATING EXPENSES</b>			
Claims and contractual expenses	<u>2,808,098</u>	<u>201,480</u>	<u>3,009,578</u>
Total operating expenses	<u>2,808,098</u>	<u>201,480</u>	<u>3,009,578</u>
Operating (loss)	<u>(2,628,028)</u>	<u>(129,906)</u>	<u>(2,757,934)</u>
<b>NONOPERATING REVENUES</b>			
Investment income	<u>22,311</u>	<u>23,223</u>	<u>45,534</u>
Total nonoperating revenues	<u>22,311</u>	<u>23,223</u>	<u>45,534</u>
(Loss) before transfers	(2,605,717)	(106,683)	(2,712,400)
Transfers in	<u>3,080,690</u>	<u>267,750</u>	<u>3,348,440</u>
Change in net position	474,973	161,067	636,040
Net position—beginning	<u>551,567</u>	<u>1,186,520</u>	<u>1,738,087</u>
Net position—ending	<u>\$ 1,026,540</u>	<u>\$ 1,347,587</u>	<u>\$ 2,374,127</u>

**CITY OF BATAVIA, NEW YORK**  
**Combining Statement of Cash Flows—Internal Service Funds**  
**Year Ended March 31, 2023**

	<b>Health Insurance</b>	<b>Worker's Compensation</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 39,332	\$ (121)	\$ 39,211
Payments to suppliers for goods and services	<u>(2,869,401)</u>	<u>(201,480)</u>	<u>(3,070,881)</u>
Net cash (used for) operating activities	<u>(2,830,069)</u>	<u>(201,601)</u>	<u>(3,031,670)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	<u>3,080,690</u>	<u>267,750</u>	<u>3,348,440</u>
Net cash provided by noncapital financing activities	<u>3,080,690</u>	<u>267,750</u>	<u>3,348,440</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on cash and cash equivalents	<u>22,311</u>	<u>23,223</u>	<u>45,534</u>
Net cash provided by investing activities	<u>22,311</u>	<u>23,223</u>	<u>45,534</u>
Net increase in cash and cash equivalents	272,932	89,372	362,304
Cash and cash equivalents—beginning	<u>759,498</u>	<u>1,354,982</u>	<u>2,114,480</u>
Cash and cash equivalents—ending	<u>\$ 1,032,430</u>	<u>\$ 1,444,354</u>	<u>\$ 2,476,784</u>
	<b>Health Insurance</b>	<b>Worker's Compensation</b>	<b>Total</b>
<b>Reconciliation of operating loss to net cash (used for) operating activities:</b>			
Operating loss	\$ (2,628,028)	\$ (129,906)	\$ (2,757,934)
Adjustments to reconcile operating loss to net cash (used for) operating activities			
(Increase) in receivables	(130,862)	(121)	(130,983)
(Decrease) in accounts payable	(61,303)	-	(61,303)
(Decrease) in accrued liabilities	<u>(9,876)</u>	<u>(71,574)</u>	<u>(81,450)</u>
Total adjustments	<u>(202,041)</u>	<u>(71,695)</u>	<u>(273,736)</u>
Net cash (used for) operating activities	<u>\$ (2,830,069)</u>	<u>\$ (201,601)</u>	<u>\$ (3,031,670)</u>

# FEDERAL AWARDS INFORMATION



**CITY OF BATAVIA, NEW YORK**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended March 31, 2023**

Federal Grantor/Pass-through Grantor Program or Cluster Title (1a)	Federal Assistance Listing Number (1b)	Pass-Through Entity Identifying Number (1c)	Passed Through to Sub- recipients	Total Federal Expenditures (1d)
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</b>				
Passed through New York State Community Planning and Development:				
Community Development Block Grants/State Programs and Non-entitlement Grants in Hawaii	14.228	N/A	\$ -	\$ 67,120
<b>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			<u>-</u>	<u>67,120</u>
<b>U.S. DEPARTMENT OF JUSTICE:</b>				
Direct Program:				
The Bulletproof Vest Partnership	16.607	N/A	-	1,862
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>			<u>-</u>	<u>1,862</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION:</b>				
Direct Program:				
<i>Highway Safety Cluster</i>				
State and Community Highway Safety	20.600	N/A	-	2,256
<i>Total Highway Safety Cluster</i>			<u>-</u>	<u>2,256</u>
Passed through New York State Department of Transportation:				
<i>Highway Planning and Construction Cluster</i>				
Highway Planning and Construction	20.205	N/A	-	2,400,034
<i>Total Highway Planning and Construction Cluster</i>			<u>-</u>	<u>2,400,034</u>
<b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</b>			<u>-</u>	<u>2,402,290</u>
<b>U.S. DEPARTMENT OF THE TREASURY</b>				
Direct Program:				
Cornonavirus State and Local Recovery Funds	21.207	N/A	-	223,388
<b>TOTAL U.S. DEPARTMENT OF THE TREASURY</b>			<u>-</u>	<u>223,388</u>
<b>NORTHERN BORDER REGIONAL COMMISSION</b>				
Direct Program:				
Northern Border Regional Development	90.601	N/A	-	901
<b>TOTAL NORTHERN BORDER REGIONAL COMMISSION</b>			<u>-</u>	<u>901</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY:</b>				
Direct Program:				
Assistance to Firefighters Grant	97.044	N/A	-	10,398
Homeland Security Grant Program	97.067	N/A	-	2,276
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>			<u>-</u>	<u>12,674</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS (1e)</b>			<u>\$ -</u>	<u>\$ 2,708,235</u>

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**CITY OF BATAVIA, NEW YORK**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ended March 31, 2023**

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**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the City of Batavia, New York (the “City”) under programs of the federal government for the year ended March 31, 2023. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (“CFR”) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City. The following notes were identified on the Schedule.

- (a) Includes all federal award programs of the City of Batavia, New York.
- (b) Source: Federal Assistance Listing Numbers, previously known as Catalog of Federal Domestic Assistance.
- (c) Pass-through entity identifying numbers are presented where available.
- (d) Prepared under accounting principles generally accepted in the United States of America and includes all federal award programs.
- (e) A reconciliation to the financial statements is available.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance. Pass-through entity identifying numbers are presented where available.

**3. INDIRECT COSTS**

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

\* \* \* \* \*

## DRESCHER & MALECKI LLP

2721 Transit Road, Suite 111  
Elma, New York 14059  
Telephone: 716.565.2299  
Fax: 716.389.5178



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 25, 2023.

#### **Report on 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") as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of 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 were not identified.

## **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Drescher & Malecki LLP*

September 25, 2023

**DRESCHER & MALECKI LLP**

2721 Transit Road, Suite 111  
Elma, New York 14059  
Telephone: 716.565.2299  
Fax: 716.389.5178



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

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

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the City of Batavia, New York's (the "City") compliance with the types of compliance requirements identified as subject to audit in the 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, 2023. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Drescher & Malecki LLP*

September 25, 2023



**CITY OF BATAVIA, NEW YORK**  
**Schedule of Findings and Questioned Costs**  
**Year Ended March 31, 2023**

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**Section I. SUMMARY OF AUDITORS' RESULTS**

**Financial Statements:**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes \_\_\_\_\_  No

Significant deficiency(ies) identified? \_\_\_\_\_ Yes \_\_\_\_\_  None reported

Noncompliance material to the financial statements noted? \_\_\_\_\_ Yes \_\_\_\_\_  No

**Federal Awards:**

Internal control over major federal programs:

Material weakness(es) identified? \_\_\_\_\_ Yes \_\_\_\_\_  No

Significant deficiency(ies) identified? \_\_\_\_\_ Yes \_\_\_\_\_  None reported

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

Any audit findings disclosed that are required to be reported  
in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ Yes \_\_\_\_\_  No

Identification of major federal programs:

<u>ALN(s)</u>	<u>Name of Federal Program or Cluster</u>
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20.205	Highway Planning and Construction
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Dollar threshold used to distinguish between Type A and Type B programs? \$ 750,000

Auditee qualified as low-risk auditee? \_\_\_\_\_  Yes \_\_\_\_\_ No

**CITY OF BATAVIA, NEW YORK**  
**Schedule of Findings and Questioned Costs**  
**Year Ended March 31, 2023**

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**Section II. FINANCIAL STATEMENT FINDINGS**

No findings noted.

**Section III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No findings noted.

**CITY OF BATAVIA, NEW YORK**  
**Summary Schedule of Prior Year Audit Findings**  
**Year Ended March 31, 2023**  
**(Follow-up of March 31, 2022 Findings)**

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No findings were reported.

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