

**AUDITED  
BASIC FINANCIAL STATEMENTS**

# **CITY OF BATAVIA, NEW YORK**

---

**MARCH 31, 2020**

***\*\*THIS PAGE INTENTIONALLY LEFT BLANK\*\****

**CITY OF BATAVIA, NEW YORK**  
**TABLE OF CONTENTS**

---

	<b><u>Page</u></b>
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-20
<b>Basic Financial Statements:</b>	
Statement of Net Position	21
Statement of Activities	22-23
Balance Sheet – Governmental Funds	24-25
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	26
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	27
Statement of Net Position – Enterprise Funds	28
Statement of Revenues, Expenses and Changes in Net Position – Enterprise Funds	29
Statement of Cash Flows – Enterprise Funds	30
Statement of Fiduciary Net Position – Fiduciary Funds	31
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	32
Notes to Basic Financial Statements	33-60
<b>Required Supplementary Information:</b>	
Schedule of the City's Proportionate Share of Net Pension Liability – Employees' and Police and Fire Retirement Systems	61
Schedule of the City's Pension Contributions – Employees' and Police and Fire Retirement Systems	62
Schedule of Changes in the City's Total OPEB Liability and Related Ratios	63
Budgetary Comparison Schedule for the General Fund	64
Budgetary Comparison Schedule for the Self Insurance Fund	65
Notes to Required Supplementary Information	66

**CITY OF BATAVIA, NEW YORK**  
**TABLE OF CONTENTS (Continued)**

---

**Page**

**SUPPLEMENTARY INFORMATION**

Combining Balance Sheet – Nonmajor Governmental Funds	67
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	68

**FEDERAL FINANCIAL ASSISTANCE**

Schedule of Expenditures of Federal Awards	69
Notes to Schedule of Expenditures of Federal Awards	70

**INTERNAL CONTROL AND COMPLIANCE**

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	71-72
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance	73-74
Schedule of Findings and Questioned Costs	75-76

## **FINANCIAL SECTION**

*\*\*THIS PAGE INTENTIONALLY LEFT BLANK\*\**

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Batavia, New York (the City), as of and for the year ended March 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City, as of March 31, 2020, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As stated in Note 1, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities* for their year ended March 31, 2020. Our opinions are not modified with respect to this matter.

**Other Matters***Required Supplementary Information*

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

*Other 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 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*, and the supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2020 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.

*Freed Maxick CPAs, P.C.*

Batavia, New York  
September 16, 2020



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

### **City of Batavia, New York**

### **Fiscal Year ended March 31, 2020**

This section of City of Batavia, New York's (the City) annual financial report presents its discussion and analysis of the City's financial performance during the fiscal year ended March 31, 2020. Please read it in conjunction with the City's financial statements, which immediately follow this section. **ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF DOLLARS, UNLESS OTHERWISE INDICATED.**

#### **Preliminary Summary**

In the fiscal year ending March 31, 2020, the City continued to maintain a healthy and stable financial position. For the eighth consecutive year the City has maintained a positive unassigned fund balance. Despite challenges such as a slow property tax base growth and state mandates (i.e. the property tax cap), the City continues to diligently commit one-time surplus funds to restricted fund balance reserves for future capital investments.

While reviewing the attached financial statements, it is important to understand the achievements over the past year that have helped the City improve its financial stability. These points include:

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

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

#### **Financial Highlights**

- In the current year, there was an excess of revenues over expenditures of \$2,006,835 prior to transfers to the City's self-funded insurance at March 31, 2020. After net transfers out to other financing sources in the amount of \$2,787,736, there was a negative net change in fund balance of \$780,901. Factors contributing to the general fund's net change in fund balance were the City recognizing City Center property as an asset, a disability retirement settlement payment and several high value health insurance claims.

- The City utilized over \$1 million of reserve and committed funding for capital equipment replacement, facility improvements, sidewalk improvements, health care expenses and information technology software and hardware projects in the fiscal year ending March 31, 2020. The City also budgeted \$114,327 to further build reserves for anticipated liabilities/costs in future years, as well as assigning \$1.3 million in fund balance to reserves at the end of 2019 fiscal year.
- The City's Purchasing Manual revisions, adopted Fund Balance Policy, Investment Policy and the increase in financial reporting to the City Council, supports the City's commitment to strong fiscal planning.

### **Overview of the Financial Statements**

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

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

Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others.

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

**Figure A-1**

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

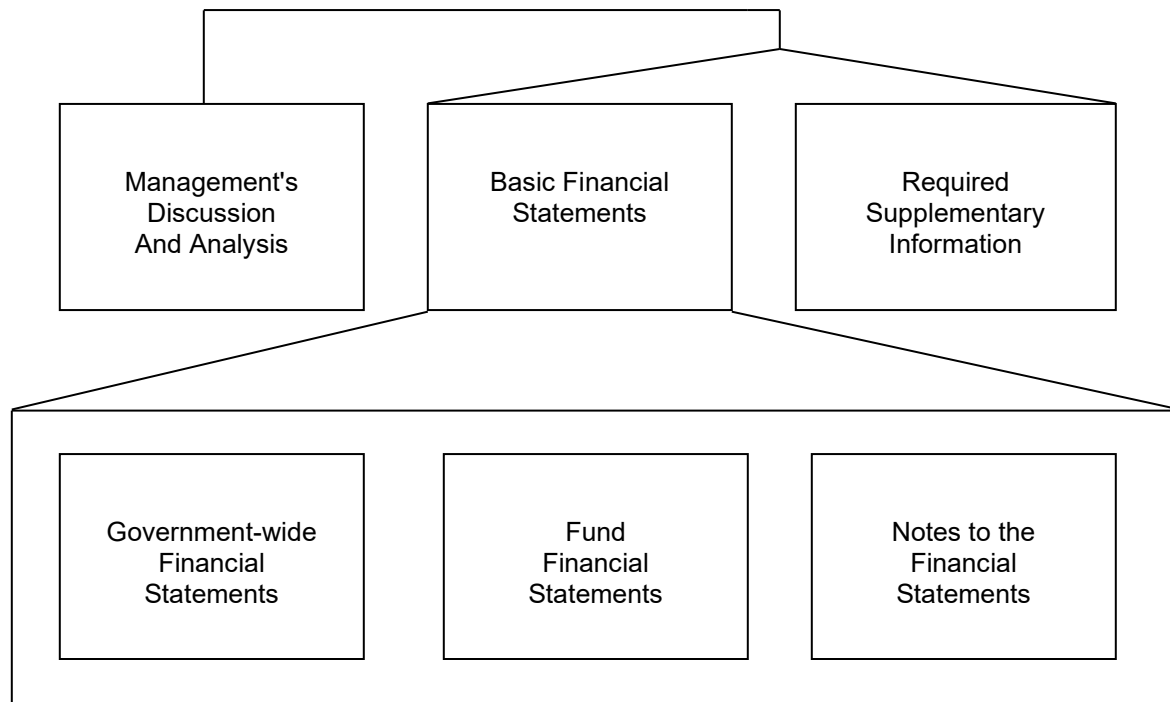


Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each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

**Figure A-2**

***Major Features of the Government-wide and Fund Financial Statements***

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

## **Government-wide Statements**

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

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

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

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

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

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

## **Fund Financial Statements**

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

The City has three kinds of funds:

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

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

### **Financial Analysis of the City as a Whole**

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

- **The annual budget.** Reflecting on the City's multi-year financial plan, the City has maintained a responsible tax rate. The City continues to closely monitor expenses and conservatively budget revenue. As a result, for the year ending March 31, 2020, revenues exceeded expenditures by \$2,006,835, however after transfers out to the City's self insurance fund for health and worker's compensation costs the City experienced a decrease of \$780,901 in fund balance. The increased revenue for the year is due in part to higher than expected sales tax collection. Factors contributing to the decrease in fund balance include the City recognizing City Centre properties as assets, a disability retirement settlement payment and several high value health insurance claims and a planned use of fund balance to balance the 2020 budget. Budget areas that include health insurance, worker's compensation, and retirement are subject to changes from year to year and are partially dependent on external factors beyond the control of the City. Specifically, health insurance costs contributed to an overall decrease in fund balance for the year.
- **Debt payments and reserves.** This year the City will not have surplus funds to increase our reserves accounts in 2020, however consistent with the City's budget practices of the past, the City will look to continue this practice again next year if funds are available. Decreasing debt and/or increasing reserve fund balances for future capital acquisitions such as equipment, facilities and infrastructure improvements remains a priority for the City. Two large debt payments, Dwyer Stadium and the landfill, will expire in 2021 that could allow the City to fund reserves up to \$220,000 to maintain level debt in the future.
- **Strategic use of unexpected revenues and/or surpluses.** The City uses one-time revenues/surpluses to offset capital project expenses, build fund balance and reserves, purchase equipment and improve infrastructure. The City remains cautiously optimistic as major revenue sources such as sales tax and State aid remain somewhat stable, however the recovery of the economy from the COVID-19 Pandemic is a large factor that will affect the City's revenue sources. Expenses such as retirement contributions and healthcare rates have trended lower, but are expected to rise as the full effects of COVID-19 are felt. In 2020 there will not be assigned funds to fund reserves, however the City will still remain in compliance with the fund balance policy. In future years, and in compliance with the City's fund balance policy, the City will continue to recommend that surpluses of fund balance be moved to restricted fund balance to support future equipment, facility and infrastructure needs.
- **Investment in City vehicles, equipment, infrastructure and facilities.** The City has created Capital Infrastructure Plans (CIP) and worked diligently to implement these plans over the last decade. In 2020 the City Center Concourse roof construction began. The City purchased two patrol police vehicles, a vehicle for the Fire Chief, replaced a department of public works tractor, made upgrades and repairs to Dwyer Stadium and the Batavia Ice Rink, restored the historic Redfield Pillars and completed the Pedestrian Way project. Sidewalk work and resurfacing of parking lots occurred as well. The City has also adopted a Parking Lot and Sports Surface Management Plan that provides a long-term financial projection for the maintenance of these facilities. For the fiscal year ending March 31, 2020, the City planned approximately \$2.59 million of building improvements, equipment purchases, sidewalk improvements, and information technologies improvements

that utilized reserve funds. Continued planning and investment is needed for long-term stable operations, otherwise one-time equipment and emergency purchases, facilities repair and infrastructure replacement may force the City to increase property tax rates, water and sewer rates and/or debt service levels to meet service demands.

- The City's Strategic Plan. In 2020 the City's strategic plan, \$100 Million I'm All In, continued with the goal of achieving \$100 million in additional investments – by the year 2022. As this plan continues to unfold, it is imperative that municipal officials engage in wise and strategic investment of the public funds. In 2020, the discussion of the return on citizen investment took shape in the form of public dollars invested in infrastructure like roads, sidewalks, public buildings, equipment, water supply, and parks. It also evaluated private, external investment by residents, business owners and developers. The four distinct priorities identified to achieve the foundational goal include a focus on growth, operational excellence, neighborhood investment and completing collaborative projects. The City of Batavia will continue to remain “all in” on our shared journey to \$100 million.
- State Comptroller's Fiscal Stress Initiative. In May 2014, the New York State Comptroller Thomas P. DiNapoli announced the completion of the initial scoring for all local governments and school districts in New York in the Fiscal Stress Monitoring System. With the goal of maintaining a fiscal stress level below 44.9%, the City of Batavia was issued a fiscal stress score of 0% for each year from 2012 to 2017. In 2018, the fiscal stress score rose to 3.3% where it remained for 2019 and 2020. Consistently low scores indicate consistency in City planning, budgeting, and fiscal management decisions.
- Bond Rating Upgrade. A bond rating upgrade is an objective outlined in the City's Strategic Plan. Since July 19, 2012, the City has maintained an “A1” bond rating. This rating reflects the City's solid financial position marked by consecutive years of operating surpluses, as well as, the City's practice of conservative budgeting of both revenues and expenditures. The rating also factors in the City's moderately sized tax base, below average wealth levels and average direct debt level.
- Fund Balance Recovery. In the fiscal year ending March 31, 2006, the City's general fund balance was a deficit of \$1,302,857. For the fiscal year ending March 31, 2020, the City's general fund balance is \$7,893,502. This recovery in fund balance is due to diligent fiscal management and policies that have provided the City with the ability to make needed capital investments, and provide quality services to residents. Continued fiscal prudence also provides the City with the ability to balance better economic times with challenging times.

## **Capital Projects**

The Ellicott Trail project, a 4.8-mile bike and walking trail that traverses directly through the City and downtown district was completed in 2020. The project was a collaboration between the Town of Batavia, City of Batavia and Genesee County.

The City completed the construction of the Union, South Main, and Brooklyn projects in the fiscal year ending March 31, 2020. This project resulted in \$2.27 Million or \$320,000 investment in watermain construction, sidewalk, and street repairs. In addition to self funding of these projects the City utilized Consolidated Highway Improvement Program (CHIPs) funding to complete the projects.

The City invested \$115,000 for two compact track loaders for snow removal and other maintenance jobs in 2020 that are used primarily in the downtown business district.

### ***Condensed Statement of Net Position (in thousands of dollars)***

	Governmental Activities			Business-Type Activities		
	2020	Restated 2019	Increase (Decrease)	2020	Restated 2019	Increase (Decrease)
Current and other assets	\$ 13,709	\$ 15,316	\$ (1,607)	\$ 20,391	\$ 18,282	\$ 2,109
Capital assets, net	25,371	25,142	229	27,315	26,600	715
Total assets	39,080	40,458	(1,378)	47,706	44,882	2,824
Deferred outflows of resources	3,858	5,298	(1,440)	410	706	(296)
Long-term liabilities	14,799	13,709	1,090	5,528	5,851	(323)
Other liabilities	3,578	4,344	(766)	3,279	725	2,554
Total liabilities	18,377	18,053	324	8,807	6,576	2,231
Deferred inflow of resources	1,766	4,432	(2,666)	192	675	(483)
Net investment in capital assets	22,398	21,323	1,075	21,137	21,600	(463)
Restricted	6,486	5,862	624	6,955	6,595	360
Unrestricted (deficit)	(6,089)	(3,914)	(2,175)	11,025	10,142	883
Total net position	\$ 22,795	\$ 23,271	\$ (476)	\$ 39,117	\$ 38,337	\$ 780



### **Governmental Activities**

Governmental activities experienced a decrease in the City's net position by \$476,000 for the fiscal year ending March 31, 2020. This decrease is due in part to:

- Revenues decreasing by \$1,8 million or 9.1% as compared to the prior fiscal year. This was primarily due to operating and capital grants decreasing in 2020.
- Expenses increased by \$2,5 million or 14.67% as compared to the prior fiscal year. This increase was due mainly to increased costs for both health and worker's compensation claims of approximately 1.8 million.

### **Business-Type Activities**

Business-type activities experienced an increase in net position by \$548 for the fiscal year ending March 31, 2020.

- Revenues counting all business-type activities increased by \$467 or 5.3% when compared to the prior fiscal year. City Centre revenues accounted for \$47 of the increase.
- Expenses counting all business-type activities increased by \$410 or 5.4% when compared to the prior fiscal year. City Centre expenses accounted for \$83 of the increase.

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

	Governmental Activities			Business-Type Activities		
	2020	Restated 2019	Increase (Decrease)	2020	Restated 2019	Increase (Decrease)
<b>Program Revenues:</b>						
Charges for services	\$ 500	\$ 478	\$ 22	\$ 6,067	\$ 6,023	\$ 44
Operating grants and contributions	482	1,130	(648)	2,787	2,260	527
Capital grants and contributions	995	2,824	(1,829)	-	-	-
<b>General Revenues:</b>						
Property taxes, special assessments and property tax items	5,520	5,716	(196)	-	-	-
Non-property taxes	7,327	7,122	205	-	-	-
Intergovernmental revenues	82	247	(165)	-	-	-
Interest earnings	158	104	54	176	48	128
State and federal sources	132	1,945	(1,813)	-	-	-
Miscellaneous	3,318	819	2,499	-	-	-
Total revenues	18,514	20,385	(1,871)	9,030	8,331	699
<b>Program Expenses:</b>						
General government	2,750	2,349	401	-	-	-
Police	5,354	4,683	671	-	-	-
Fire	5,242	4,728	514	-	-	-
Public safety	953	284	669	-	-	-
Health	25	21	4	-	-	-
Transportation	3,440	3,321	119	-	-	-
Economic assistance	252	160	92	-	-	-
Culture and recreation	1,123	1,021	102	-	-	-
Home and community service	383	348	35	7,533	7,123	410
Refuse and recycling	85	75	10	-	-	-
Interest on debt	100	196	(96)	-	-	-
Total expenses	19,707	17,186	2,521	7,533	7,123	410
Excess of revenues over expenses	(1,193)	3,199	(4,392)	1,497	1,208	289
Transfers	717	659	58	(717)	(659)	(58)
Change in net position	(476)	3,858	(4,334)	780	549	231
Net position-beginning as restated	23,271	19,413	3,858	38,337	37,788	549
Net position-ending	\$ 22,795	\$ 23,271	\$ (476)	\$ 39,117	\$ 38,337	\$ 780

## **Financial Analysis of the City's Funds**

The fiscal year ending March 31, 2020 concluded with an unassigned fund balance of \$1,863,699 after restrictions and assignments for encumbrance, reserves and other fund balance commitments. This is the ninth consecutive year the City has maintained a positive fund balance.

### **General Fund**

Revenues for the General Fund decreased compared to last year by \$745,000 (per chart on next page). While sales and other taxes increased slightly federal, state and local source revenue decreased \$674,000 compared to 2019. The decrease is attributed to less grant funding, CHIPs, and arterial aid revenue in 2020. Also revenue from real property taxed decreased by \$172,000 because of a budgeted decrease in the tax rate.

\*In the 2020 Financial Statements AIM aid revenue was moved from a Federal and State Source to a Miscellaneous Local Source revenue.

Total expenditures were \$1,235,000 higher in 2020 than the prior year. This increase in expenditure is due to employee raises, finalizing union contracts for PBA, IFFA, and AFSME, as well as overtime costs associated with the police department and their ramping up to full staffing after a few retirements. Factors also contributing to the higher expenses include a disability retirement settlement payment from the general fund and increased health care costs due to specific claims.

### **Water Fund**

The Water Fund, including depreciation, had a current year increase in net position of \$788,743 compared to last year's increase of \$578,984.

Operating revenues increased by \$447,000 and operating expenses also increased by \$262,000 over 2019. Investment income doubled in 2020 as the City began investing in short-term CD's and Treasury Notes. Transfers out increased by \$115,047.

### **Sewer Fund**

The Sewer Fund, including depreciation, experienced a decrease in net position of \$141,141 compared to last year's decrease of \$68,129. The decrease in this year's net position was due in part to an increase in operating expenses, mainly salaries, wages, employee benefits and depreciation expense that was partially offset by a slight increase in operating revenues.

Non-operating revenues exceed non-operating expenses due to investment income which is a result of the City's investing in short-term CD's and Treasury Notes.

### **Self Insurance Fund**

This year's Self Insurance Fund balance decreased \$315,000 compared to 2019. The City created a health insurance fund in the fiscal year ending March 31, 2020. All transfers from general, water and sewer are income to that fund and all health claims are expensed out of that fund. For financial presentation purposes, the health insurance fund and the workers comp fund are combined into one fund titled the Self Insurance Fund.

### **Capital Projects Fund**

In 2020 the City Center Concourse roof construction began, the South Main, Union and Brooklyn water main project was completed and the Ellicott Trail was also completed. The fund balance for the Capital Fund increased \$94,000.

The City capital projects included the restoration of the historic Redfield Pillars and completion of the Pedestrian Way projects. Sidewalk work and resurfacing of parking lots occurred as well.

<b><i>Revenues, Expenditures/Expenses and Changes in Fund Balance/Net Assets - Governmental and Business-Type Activities Major Funds (in thousands of dollars)</i></b>			
	<b>Year Ended March 31, 2020</b>		
	<u>Revenues</u>	<u>Expenditures/ Expenses</u>	<u>Fund Balance/ Net Assets</u>
General Fund	\$ 16,747	\$ 17,529	\$ 7,894
Capital Projects Funds	1,617	1,522	153
Self Insurance	3,942	4,258	1,035
Sewer Fund	3,107	3,331	27,158
Water Fund	5,480	4,840	11,556
<b>Year Ended March 31, 2019</b>			
	<u>Revenues</u>	<u>Expenditures/ Expenses</u>	<u>Restated Fund Balance/ Net Assets</u>
General Fund	\$ 17,492	\$ 16,294	\$ 8,674
Capital Projects Funds	3,032	3,230	59
Self Insurance	2,939	2,384	1,350
Sewer Fund	3,092	3,160	27,383
Water Fund	5,033	4,454	10,916

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

## General Fund Budgetary Highlights

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

The City General Fund experienced a decrease in fund balance over the prior year of \$780,901. Factors contributing to the loss include the City recognizing City Centre properties as assets, a disability retirement settlement payment, and several high value health insurance claims. The City's unassigned fund balance remains stable, allowing the City to meet its unassigned fund balance objective of 10% of General Fund expenditures while continuing to build several reserve funds for future liabilities.

Revenues experienced some changes over the prior year. These revenues include:

- Sales tax revenue increased by 3.3%, or \$221,925, when compared to the prior year. The City's sales tax revenue is an economically sensitive revenue that is subject to change based on spending patterns. With the exception of sales tax decreases in the years ending March 31, 2010, 2016, and 2017, the City has experienced steady growth since March 31, 2003.

Expenditures that experienced significant change over the prior year were:

- Police Department expenditures increased \$264,000 due to increased overtime pay associated with the police department hiring new officers and ramping up to full staffing after a few retirements. This year they are fully staffed and overtime is expected to be reduced.
- General Government expenditures increased \$104,000 due to an increase in legal and professional fees associated with economic development matters and information technology costs as the City switched professional service firms and began an upgrade of old servers, Windows 10 transition, and deployment of Tyler New World ERP software.
- Transportation program expenditures decreased over last year by \$330,000 due to less grant, CHIPs, and arterial aid revenue in 2020.

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

The City's prudent revenue budgeting and expense monitoring has resulted in General Fund surpluses needed to eliminate prior fund balance deficits, grow reserve balances and maintain the unassigned fund balance. While the City has experienced several higher than expected expenditures, these are cyclic changes, short lived and will not continue in future years. Furthermore, depending on the severity of change, revenue declines and expenditure increases, such as healthcare, retiree healthcare and retirement costs, the City may experience challenges in building the financial resources necessary to improve its financial footing. With the New York State Property Tax Cap, the more limited ability to increase property taxes may also curtail our ability to maintain services to residents at current levels.

## **Capital Asset and Debt Administration**

### **Capital Assets**

For the year ending March 31, 2020, the City did not assign funding for General Fund capital reserves. However, the City continues to plan and fund for future equipment and infrastructure improvements, rather than defer funding for these needed improvements. The City utilized just over \$1 million of the reserve funds in the General Fund to purchase equipment, make facility improvements, install sidewalks and absorb one-time healthcare claims, thereby utilizing reserve funding instead of property tax increases or issuance of debt for these types of expenditures.

<b><i>Capital Assets Net of Depreciation</i></b> <b><i>(in thousands of dollars)</i></b>				
	Governmental Activities		Business -Type Activities	
	2020	2019	2020	2019
Land	\$ 1,135	\$ 1,135	\$ 42	\$ 42
Construction work in progress	4,850	5,594	2,462	171
Buildings	5,760	5,808	11,676	12,746
Machinery & equipment	3,347	3,659	835	818
Infrastructure	10,279	8,946	12,300	12,823
Total	<u>\$ 25,371</u>	<u>\$ 25,142</u>	<u>\$ 27,315</u>	<u>\$ 26,600</u>

## Long-Term Obligations

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

More detailed information on the City’s capital assets and long-term obligations activity is provided in the Notes to the Financial Statements under 3.C and 3.I, respectively.

<b><i>Outstanding Long-Term Obligations</i></b> <b><i>(in thousands of dollars)</i></b>				
	Governmental Activities		Business-Type Activities	
	2020	2019	2020	2019
General obligation debt backed by the City	\$ 2,658	\$ 3,044	\$ 4,494	\$ 4,902
Installment purchase debt	245	353	55	98
Due to other governments - Landfill	258	267	-	-
Compensated absences	2,013	2,072	266	357
Total OPEB liability	6,237	6,139	310	302
Net pension liability	3,388	1,834	403	192
Total	<u>\$ 14,799</u>	<u>\$ 13,709</u>	<u>\$ 5,528</u>	<u>\$ 5,851</u>

### **Factors Bearing on the City's Future**

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

- **General Fund Revenue** – A decrease in major revenues of \$745,000 occurred in 2020. While sales and other taxes increased slightly federal, state and local source revenue decreased \$674,000 compared to 2019. The decrease is attributed to less grant funding, CHIPs, and arterial aid revenue in 2020. Also revenue from real property taxed decreased by \$172,000 because of a budgeted decrease in the tax rate. Growth in prior years has been slow, at rates ranging from < 1% to 2.7% per year. With the General Fund generally showing little to no growth, there is greater risk of deferring capital expenditures, cutting services and increasing taxes. A potential buffer against a return to low revenue growth is the City's efforts to broaden its property tax and sales tax base with major Downtown Revitalization (DRI) initiatives, local business expansion, and residential housing revitalization.
- **Sales Tax & Water Agreements** – 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 16%, and not less than 14% based on a growth formula contained in the agreement. In conjunction with the 40 year sales tax agreement the City entered into a 40-year water services and facilities agreement with County. The sales tax agreement was passed by the State legislature and signed into law by the Governor.
- **Property Tax Cap** – The City continues to be proactive in our response to various NYS budget changes and cuts that affect the City. It is important that the City anticipate these well in advance and remain flexible in our ability to respond during the budget process. However, the adoption of the property tax cap without mandate relief, has significantly hampered the City's ability to levy the necessary funds to support services. In addition, the tax cap is not a tax cap of 2%, it is rather a cap of 2% or inflation, whichever is lowest. The City continues to support changes to state legislation that changes or abolishes the tax cap to increase our ability to pay for government services.
- **Reserve funding** – Funding reserves now for future equipment, infrastructure and facility improvements has been and will continue to be critical in avoiding larger tax burdens in future years. In the fiscal year ending March 31, 2020, the City utilized just over \$1,000,000 of reserve funding to purchase needed equipment and offset liabilities as they came due. Planning for these improvements/liabilities is a major priority in the City's work plan. Updating capital improvement plans and designated revenue streams to fund these plans are essential to maintaining a safe financial position for the City.
- **Facility Reserve** – The City has developed 5-year capital plans for Dwyer Stadium and Falletti Ice Arena. The City's Strategic Plan has also outlined a key objective for developing a capital facilities improvement plan for each City facility. A capital plan for the Bureau of Maintenance, Fire Station, and City Centre (mall) roof has been completed and has identified approximately \$1,800,000 of needed improvements. In preparation of needed upcoming facility improvements, additional reserve funding will provide the City with greater financial capacity to handle future improvements for each facility. Continuing to build this reserve will also allow the City to avoid additional debt service or the temptation to procrastinate or put off needed investments.
- **Administrative Reserve** – In March 2015 the City Council created the Administrative Service Equipment and Software Reserve to assist with upgrading and meeting the City's equipment, information technology and records management needs. This includes replacing antiquated computer hardware and software utilized by the City, some more than 30 years old and operating on a DOS platform. The City has conducted a review of hardware and software needs, approved the purchase, installation, and development of substantial upgrade. These include network and desktop hardware, as well as all financial software including tax collection, utility billing, payroll, accounts payable, accounts receivable and general ledger, code enforcement, planning and assessment software. Considering these upgrades are similar to capital purchases, utilizing reserve funds will allow these improvements to take place without impacting the City's operating budget. Due to the cost of this project, hardware and software upgrades will be paid for with a combination of reserve funds and general obligation bonds.



- *NYS Retirement Costs* – Since FY 2009/10, annual fluctuations in actual retirement payments have ranged from single digit decreases to double digit increases. Because the State's projected retirement contributions in past years have not been consistent with actual retirement payments, it is prudent to assume retirement costs will increase in future years until consistent and reliable retirement payments are restored.
- *Healthcare Costs* – On average, for the past five years the City's healthcare costs have increased approximately 8-10% per year. On an annual basis the City analyzes the option of transitioning from a self-insured plan to an experienced-based plan, however the City's ability to maintain manageable annual increases in healthcare costs while maintaining a healthcare reserve balance makes it financially feasible to remain self-insured.
- *Retiree Healthcare Costs* – Retiree healthcare will continue to increase in the future. The total postemployment health insurance cost to the City for 35 retirees was \$348,923 for the year ending March 31, 2020. 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 due to one single illness. The City's liability for post-employment benefits, as of March 31, 2020 is \$6,547,595, all of which is unfunded. Aggressive labor negotiations to reduce future retiree costs will be essential for maintaining a long term decrease of this liability.
- *Union Contracts* – While all contracts are current, one contract expires March 31, 2020. The City's negotiations will be focused on manageable benefit packages that will not significantly impact future property tax levels. Strong but fair negotiations will take place to ensure that future benefit packages are reasonable for City employees and affordable for City taxpayers. In 2020 the City negotiated and approved a 3 year contract with the Police Benevolent Association (PBA). The contract calls for 3% annual salary increase over the term of the contract.
- *Taxable Assessed Value* – The City has realized an average growth of 2.0% in its property tax base annually. With the adoption of the property tax cap without relief from State mandated expenses, the City's ability to levy the necessary funds to support services is significantly hampered. Considering taxable assessed value is the City's most stable source of revenue, the City needs to continue improving the City's property tax base, particularly the non-residential tax base. This makes future commercial and industrial redevelopment a major priority for the foreseeable future; specifically, Brownfield Redevelopment, throughout the City's Central Corridor.

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 the lifeblood to supporting municipal services, as well as improved quality of life for City residents.

Over the past eight years the City has experienced decreases in State aid as well as increases in state retirement costs and retiree healthcare costs. In addition, the imposition of the Property Tax Cap further limits the City's ability to combat increasing State mandated costs as the cap imposes a ceiling on the City's ability to levy property taxes. Recently, City of Batavia leadership expressed an "All In" rally-cry setting a goal to achieve \$100 million in public-private investment by 2022, placing emphasis on the central business corridor.

The City's financial improvement over the past several years has been the result of proactive approaches to budgeting and operations for the City. It is critically important that the City continue to plan for the future, most specifically with regards to funding reserves, maintaining and funding capital and equipment replacement plans, and maintaining lower cost, high quality services to residents. In addition, resources need to be focused on encouraging tax base growth through economic development efforts promoting land use redevelopment and job growth within the City.

### **Contacting the City's Financial Management**

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

**CITY OF BATAVIA, NEW YORK**  
**STATEMENT OF NET POSITION**  
**MARCH 31, 2020**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,345,407	\$ 8,952,304	\$ 12,297,711
Cash and cash equivalents - restricted	2,100,298	2,666,088	4,766,386
Certificates of deposit - restricted	4,564,736	4,935,264	9,500,000
Property taxes receivable, net	1,983,524	-	1,983,524
Accounts receivable, net	1,137,112	2,071,982	3,209,094
Loans receivable, net	196,389	-	196,389
Internal balances	(1,213,667)	1,213,667	-
State and federal receivables	18,832	-	18,832
Due from other governments	1,575,926	551,527	2,127,453
Capital assets not being depreciated	5,984,956	2,503,671	8,488,627
Capital assets, net of accumulated depreciation	19,386,222	24,811,051	44,197,273
Total assets	<u>39,079,735</u>	<u>47,705,554</u>	<u>86,785,289</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pension outflows	3,527,129	393,230	3,920,359
Deferred OPEB outflows	331,263	17,079	348,342
Total deferred outflows of resources	<u>3,858,392</u>	<u>410,309</u>	<u>4,268,701</u>
<b>LIABILITIES</b>			
Accounts payable	358,731	832,899	1,191,630
Accrued liabilities	743,512	74,553	818,065
Accrued interest payable	41,594	94,449	136,043
Due to other governments	496,668	-	496,668
Other liabilities	54,836	650	55,486
Bond anticipation note	375,000	2,276,000	2,651,000
Unearned revenues	1,507,631	-	1,507,631
Noncurrent liabilities:			
Due and payable within one year	716,565	322,160	1,038,725
Due and payable after one year	14,082,463	5,205,843	19,288,306
Total liabilities	<u>18,377,000</u>	<u>8,806,554</u>	<u>27,183,554</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension inflows	1,766,179	192,488	1,958,667
Total deferred inflows of resources	<u>1,766,179</u>	<u>192,488</u>	<u>1,958,667</u>
<b>NET POSITION (DEFICIT)</b>			
Net investment in capital assets	22,398,477	21,137,239	43,535,716
Restricted for:			
Retirement contribution	331,924	-	331,924
Employee benefit accrued liability	273,585	-	273,585
Insurance	777,866	-	777,866
Capital projects	3,639,104	6,954,610	10,593,714
Debt service	1,391	-	1,391
Other	303,230	-	303,230
Repairs	36,079	-	36,079
Small cities	73,625	-	73,625
Special grant	406,418	-	406,418
Workers' compensation	642,453	-	642,453
Unrestricted (deficit)	<u>(6,089,204)</u>	<u>11,024,972</u>	<u>4,935,768</u>
Total net position	<u>\$ 22,794,948</u>	<u>\$ 39,116,821</u>	<u>\$ 61,911,769</u>

See notes to basic financial statements.

**CITY OF BATAVIA, NEW YORK**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MARCH 31, 2020**

		Program Revenues			Changes in Net Position				
			Operating	Capital					
		Charges for	Grants and	Grants and	Governmental	Business-Type			
		Services	Contributions	Contributions	Activities	Activities	Total		
		Expenses							
Functions/Programs:									
Governmental activities:									
General government	\$	2,749,702	\$	146,826	\$	-	\$	(2,602,876)	
Police		5,354,390		138,682		38,221		-	(5,177,487)
Fire		5,241,812		-		10,919		-	(5,230,893)
Public safety		952,550		63,433		137,575		-	(751,542)
Health		25,212		39,925		-		-	14,713
Transportation		3,440,081		8,970		217,012	995,272	-	(2,218,827)
Economic assistance		252,268		-		50,000		-	(202,268)
Culture and recreation		1,123,467		68,563		27,696		-	(1,027,208)
Home and community services		383,102		33,861		-		-	(349,241)
Refuse and recycling		85,387		-		-		-	(85,387)
Interest on debt		100,137		-		-		-	(100,137)
Total governmental activities		19,708,108		500,260		481,423	995,272	-	(17,731,153)
Business-type activities:									
Sewer		3,111,709		2,991,260		97,600		-	(22,849)
Water		4,294,544		2,867,214		2,688,243		-	1,260,913
City Centre		126,420		208,140		1,838		-	83,558
Total business-type activities		7,532,673		6,066,614		2,787,681		-	1,321,622

See notes to basic financial statements.

**CITY OF BATAVIA, NEW YORK**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MARCH 31, 2020 (Continued)**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Total governmental and business-type activities	\$ <u>27,240,781</u>	\$ <u>6,566,874</u>	\$ <u>3,269,104</u>	\$ <u>995,272</u>	(17,731,153)	1,321,622	(16,409,531)
General revenues:							
Real property taxes and tax items					5,519,902	-	5,519,902
Non-property taxes:							
Sales tax distribution					6,923,490	-	6,923,490
Gross utilities					178,872	-	178,872
Franchise fees					224,621	-	224,621
Intergovernmental revenue					81,695	-	81,695
Interest earnings					157,555	175,562	333,117
State aid not restricted for a specific purpose					132,141	-	132,141
Other miscellaneous revenues					3,319,181	-	3,319,181
Transfers:							
Sewer					219,662	(219,662)	-
Water					545,147	(545,147)	-
City Centre					(47,582)	47,582	-
Total general revenues and transfers					<u>17,254,684</u>	<u>(541,665)</u>	<u>16,713,019</u>
Change in net position					(476,469)	779,957	303,488
Net position - beginning, as restated (Note 5)					<u>23,271,417</u>	<u>38,336,864</u>	<u>61,608,281</u>
Net position - ending					\$ <u>22,794,948</u>	\$ <u>39,116,821</u>	\$ <u>61,911,769</u>

See notes to basic financial statements.

**CITY OF BATAVIA, NEW YORK**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**MARCH 31, 2020**

	<b>General</b>	<b>Capital Projects</b>	<b>Special Revenue Fund Self Insurance</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,175,257	\$ 540,281	\$ 615,937	\$ 13,932	\$ 3,345,407
Cash and cash equivalents - restricted	1,265,595	305,748	175,301	353,654	2,100,298
Certificates of deposit - restricted	4,097,584	-	467,152	-	4,564,736
Receivables (net of allowance for uncollectible receivables)					
Property taxes receivable	1,983,524	-	-	-	1,983,524
Accounts receivable	218,116	-	918,972	24	1,137,112
Loan receivables	-	-	-	196,389	196,389
Due from other funds	173,583	107,856	378,511	-	659,950
State and federal receivables	18,832	-	-	-	18,832
Due from other governments	1,575,926	-	-	-	1,575,926
Total assets	<u>\$ 11,508,417</u>	<u>\$ 953,885</u>	<u>\$ 2,555,873</u>	<u>\$ 563,999</u>	<u>\$ 15,582,174</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 274,651	\$ 13,562	\$ 50,518	\$ 20,000	\$ 358,731
Accrued liabilities	381,455	-	362,057	-	743,512
Due to other funds	302,807	412,117	1,108,693	50,000	1,873,617
Due to other governments	496,668	-	-	-	496,668
Other liabilities	54,836	-	-	-	54,836
Bond anticipation note	-	375,000	-	-	375,000
Unearned revenues	1,507,631	-	-	-	1,507,631
Total liabilities	<u>3,018,048</u>	<u>800,679</u>	<u>1,521,268</u>	<u>70,000</u>	<u>5,409,995</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue-property taxes	596,867	-	-	-	596,867
Total deferred inflows of resources	<u>596,867</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>596,867</u>
<b>FUND BALANCES</b>					
Restricted	5,363,179	-	642,453	480,043	6,485,675
Committed	214,468	-	-	-	214,468
Assigned	452,156	153,206	392,152	13,956	1,011,470
Unassigned	1,863,699	-	-	-	1,863,699
Total fund balances	<u>7,893,502</u>	<u>153,206</u>	<u>1,034,605</u>	<u>493,999</u>	<u>9,575,312</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,508,417</u>	<u>\$ 953,885</u>	<u>\$ 2,555,873</u>	<u>\$ 563,999</u>	

See notes to basic financial statements.

**CITY OF BATAVIA, NEW YORK**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**MARCH 31, 2020 (Continued)**

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue Fund Self Insurance</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Total governmental activities fund balance from previous page (page 24)					9,575,312
Amounts reported for governmental activities in the Statement of Net Position (page 21) are different because:					
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation.					25,371,178
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds:					
Serial bonds payable and bond premium					(2,658,400)
Installment purchase debt					(245,049)
Due to other governments					(257,466)
Compensated absences					(2,013,398)
Net pension liabilities					(3,387,983)
Other postemployment benefit liability (OPEB)					(6,236,732)
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.					596,867
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.					(41,594)
Deferred outflows and inflows are not assets or liabilities of the current period and therefore are not reported in the funds:					
Deferred OPEB outflows					331,263
Deferred pension outflows					3,527,129
Deferred pension inflows					(1,766,179)
Net position of governmental activities					<u>\$ 22,794,948</u>

See notes to basic financial statements.

**CITY OF BATAVIA, NEW YORK**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED MARCH 31, 2020**

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue Fund Self Insurance</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Real property taxes	\$ 5,096,331	\$ -	\$ -	\$ -	\$ 5,096,331
Real property tax items	249,387	-	-	-	249,387
Sales and other taxes	7,326,983	-	-	-	7,326,983
Departmental income	310,809	-	-	-	310,809
Intergovernmental revenue	29,094	-	-	-	29,094
Use of money and property	110,767	6,264	30,265	10,259	157,555
Licenses and permits	67,108	-	-	-	67,108
Fines and forfeitures	95,460	-	-	2,180	97,640
Sale of property and compensation for loss	123,204	-	-	-	123,204
Miscellaneous local sources	2,366,583	-	916,093	5,494	3,288,170
Federal and state sources	613,564	995,272	-	-	1,608,836
Total revenues	<u>16,389,290</u>	<u>1,001,536</u>	<u>946,358</u>	<u>17,933</u>	<u>18,355,117</u>
<b>EXPENDITURES</b>					
Current:					
General government	1,885,993	-	80,173	-	1,966,166
Police	4,050,022	-	-	-	4,050,022
Fire	3,944,109	-	-	-	3,944,109
Public safety	318,372	-	-	-	318,372
Health	18,528	-	-	-	18,528
Transportation	1,952,215	-	-	-	1,952,215
Economic assistance	453,188	-	-	8,571	461,759
Culture and recreation	805,994	-	-	-	805,994
Home and community services	238,300	-	-	58,999	297,299
Refuse and recycling	85,510	-	-	-	85,510
Employee health benefits	-	-	4,177,703	-	4,177,703
Capital outlay:					
General government	-	350,888	-	-	350,888
Transportation	-	1,065,764	-	-	1,065,764
Debt service:					
Principal	490,483	-	-	-	490,483
Interest	139,741	-	-	-	139,741
Total expenditures	<u>14,382,455</u>	<u>1,416,652</u>	<u>4,257,876</u>	<u>67,570</u>	<u>20,124,553</u>
Excess (deficit) of revenues over expenditures	2,006,835	(415,116)	(3,311,518)	(49,637)	(1,769,436)
<b>OTHER FINANCING SOURCES (USES)</b>					
Interfund transfers in	358,149	614,601	2,995,661	-	3,968,411
Interfund transfers out	(3,145,885)	(105,299)	-	-	(3,251,184)
Total other financing sources (uses)	<u>(2,787,736)</u>	<u>509,302</u>	<u>2,995,661</u>	<u>-</u>	<u>717,227</u>
Net change in fund balances	(780,901)	94,186	(315,857)	(49,637)	(1,052,209)
Fund balances - beginning, as restated (Note 5)	<u>8,674,403</u>	<u>59,020</u>	<u>1,350,462</u>	<u>543,636</u>	<u>10,627,521</u>
Fund balances - ending	<u>\$ 7,893,502</u>	<u>\$ 153,206</u>	<u>\$ 1,034,605</u>	<u>\$ 493,999</u>	<u>\$ 9,575,312</u>

See notes to basic financial statements.



**CITY OF BATAVIA, NEW YORK**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MARCH 31, 2020**

---

Net change in fund balances - total governmental funds (page 26) \$ (1,052,209)

Amounts reported for governmental activities in the Statement of Activities (page 23) are different because:

Governmental funds report capital outlays as expenditures. However in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$3,916,156), excluding construction in progress placed in service (\$2,160,009), exceeded depreciation (\$1,488,702) in the current period. 267,445

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trades) is to decrease net position. (38,345)

Revenues that are not available to pay current obligations are not reported in the fund financial statement, but they are presented as revenues in the Statement of Activities. 174,184

Interest on debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the fund when it is due and payable, and thus requires current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 36,107

Changes in the deferred outflows and inflows reported in the Statement of Net Position during the measurement period between the City's contributions and its proportionate share to the total contributions subsequent to the measurement date do not provide for or require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Change in deferred outflows - other postemployment benefits	\$ 289,336	
Change in deferred outflows and inflows - pension - proportionate share	936,570	1,225,906

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Repayment of serial bonds	\$ 382,500	
Premium amortization	3,497	
Repayment of installment purchase debt	107,983	
Change in due to other governments	9,389	
Change in compensated absences	58,240	
Change in total OPEB liability	(97,607)	
Change in net pension liability	(1,553,559)	(1,089,557)

Change in net position of governmental activities \$ (476,469)

**CITY OF BATAVIA, NEW YORK**  
**STATEMENT OF NET POSITION – ENTERPRISE FUNDS**  
**MARCH 31, 2020**

	<b>Sewer</b>	<b>Water</b>	<b>Nonmajor Enterprise Fund City Centre</b>	<b>Total Enterprise Funds</b>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 5,035,569	\$ 3,862,467	\$ 54,268	\$ 8,952,304
Cash and cash equivalents - restricted	1,239,135	1,426,953	-	2,666,088
Certificates of deposit - restricted	2,894,743	2,040,521	-	4,935,264
Accounts receivable	975,764	1,093,533	2,685	2,071,982
Due from other funds	1,262,932	154,239	-	1,417,171
Due from other governments	-	551,527	-	551,527
Total current assets	<u>11,408,143</u>	<u>9,129,240</u>	<u>56,953</u>	<u>20,594,336</u>
Noncurrent assets:				
Capital assets not being depreciated	122,499	2,037,426	343,746	2,503,671
Capital assets, net of accumulated depreciation	19,804,540	5,006,511	-	24,811,051
Total noncurrent assets	<u>19,927,039</u>	<u>7,043,937</u>	<u>343,746</u>	<u>27,314,722</u>
Total assets	<u>31,335,182</u>	<u>16,173,177</u>	<u>400,699</u>	<u>47,909,058</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred pension outflows	157,292	235,938	-	393,230
Deferred OPEB outflows	8,447	8,632	-	17,079
Total deferred outflows of resources	<u>165,739</u>	<u>244,570</u>	<u>-</u>	<u>410,309</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	45,292	564,784	222,823	832,899
Accrued liabilities	28,666	42,606	3,281	74,553
Accrued interest payable	41,242	53,207	-	94,449
Due to other funds	94,182	105,537	3,785	203,504
Other liabilities	-	650	-	650
Compensated absences	9,055	17,535	-	26,590
Installment purchase debt	8,120	19,576	-	27,696
Bond anticipation note	187,500	2,088,500	-	2,276,000
Serial bond payables and bond premium	211,437	56,437	-	267,874
Total current liabilities	<u>625,494</u>	<u>2,948,832</u>	<u>229,889</u>	<u>3,804,215</u>
Noncurrent liabilities:				
Compensated absences	81,497	157,346	642	239,485
Installment purchase debt	7,973	19,206	-	27,179
Total OPEB liability	160,948	149,915	-	310,863
Serial bond payables and bond premium	3,145,238	1,080,238	-	4,225,476
Net pension liability	161,136	241,704	-	402,840
Total noncurrent liabilities	<u>3,556,792</u>	<u>1,648,409</u>	<u>642</u>	<u>5,205,843</u>
Total liabilities	<u>4,182,286</u>	<u>4,597,241</u>	<u>230,531</u>	<u>9,010,058</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred pension inflows	76,995	115,493	-	192,488
Total deferred inflows of resources	<u>76,995</u>	<u>115,493</u>	<u>-</u>	<u>192,488</u>
<b>NET POSITION</b>				
Net investment in capital assets	16,519,645	4,273,848	343,746	21,137,239
Restricted for capital projects	3,981,004	2,973,606	-	6,954,610
Unrestricted (deficit)	6,740,991	4,457,559	(173,578)	11,024,972
Total net position	<u>\$ 27,241,640</u>	<u>\$ 11,705,013</u>	<u>\$ 170,168</u>	<u>\$ 39,116,821</u>

See notes to basic financial statements.

**CITY OF BATAVIA, NEW YORK**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED MARCH 31, 2020**

	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor Enterprise Fund City Centre</u>	<u>Total Enterprise Funds</u>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 2,991,260	\$ 2,867,214	\$ 208,140	\$ 6,066,614
County water agreement charges	-	1,530,532	-	1,530,532
Rental of real property	-	550,000	-	550,000
Other operating revenue	97,600	607,711	1,838	707,149
Total operating revenues	<u>3,088,860</u>	<u>5,555,457</u>	<u>209,978</u>	<u>8,854,295</u>
<b>OPERATING EXPENSES</b>				
Salaries, wages and employee benefits	765,301	1,173,391	73,758	2,012,450
Contractual expense	743,322	2,870,797	52,662	3,666,781
Depreciation	1,505,720	206,463	-	1,712,183
Total operating expenses	<u>3,014,343</u>	<u>4,250,651</u>	<u>126,420</u>	<u>7,391,414</u>
Operating income (loss)	<u>74,517</u>	<u>1,304,806</u>	<u>83,558</u>	<u>1,462,881</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	101,370	72,977	1,215	175,562
Interest expense	(97,366)	(43,893)	-	(141,259)
Total nonoperating revenues (expenses)	<u>4,004</u>	<u>29,084</u>	<u>1,215</u>	<u>34,303</u>
Income (loss) before operating subsidy to governmental funds	78,521	1,333,890	84,773	1,497,184
Transfers in	-	-	79,491	79,491
Transfers out	<u>(219,662)</u>	<u>(545,147)</u>	<u>(31,909)</u>	<u>(796,718)</u>
Change in net position	(141,141)	788,743	132,355	779,957
Net position - beginning	<u>27,382,781</u>	<u>10,916,270</u>	<u>37,813</u>	<u>38,336,864</u>
Net position - ending	<u>\$ 27,241,640</u>	<u>\$ 11,705,013</u>	<u>\$ 170,168</u>	<u>\$ 39,116,821</u>

See notes to basic financial statements.

**CITY OF BATAVIA, NEW YORK**  
**STATEMENT OF CASH FLOWS – ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED MARCH 31, 2020**

	<b>Sewer</b>	<b>Water</b>	<b>Nonmajor Enterprise Fund City Centre</b>	<b>Total Enterprise Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 2,892,782	\$ 2,927,682	\$ 218,054	\$ 6,038,518
Cash payments for contractual expenses	(1,903,717)	(2,922,939)	92,304	(4,734,352)
Cash payments to employees for services	(764,011)	(1,232,464)	(73,962)	(2,070,437)
Other operating revenue	97,600	2,688,243	1,838	2,787,681
Net cash provided by operating activities	<u>322,654</u>	<u>1,460,522</u>	<u>238,234</u>	<u>2,021,410</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers from (to) other funds	(219,662)	(545,147)	47,582	(717,227)
Net cash provided (used) by noncapital financing activities	<u>(219,662)</u>	<u>(545,147)</u>	<u>47,582</u>	<u>(717,227)</u>
<b>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	(238,940)	(1,924,603)	(264,009)	(2,427,552)
Principal payments on debt	(373,613)	(77,133)	-	(450,746)
Proceeds from debt issuance	187,500	2,088,500	-	2,276,000
Interest paid on debt	(98,725)	(7,045)	-	(105,770)
Net cash provided (used) by capital and financing activities	<u>(523,778)</u>	<u>79,719</u>	<u>(264,009)</u>	<u>(708,068)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on cash and investments	101,370	72,977	1,215	175,562
Net cash provided by investing activities	<u>101,370</u>	<u>72,977</u>	<u>1,215</u>	<u>175,562</u>
Net increase (decrease) in cash and cash equivalents, and certificates of deposit	(319,416)	1,068,071	23,022	771,677
Cash and cash equivalents, and certificates of deposit - beginning	9,488,863	6,261,870	31,246	15,781,979
Cash and cash equivalents, and certificates of deposit - ending	<u>\$ 9,169,447</u>	<u>\$ 7,329,941</u>	<u>\$ 54,268</u>	<u>\$ 16,553,656</u>
<b><u>Reconciliation of cash and cash equivalents, and certificates of deposit to the Statement of Net Position:</u></b>				
Cash and cash equivalents	\$ 5,035,569	\$ 3,862,467	\$ 54,268	\$ 8,952,304
Cash and cash equivalents - restricted	1,239,135	1,426,953	-	2,666,088
Certificates of deposit - restricted	2,894,743	2,040,521	-	4,935,264
Total cash and cash equivalents, and certificates of deposit	<u>\$ 9,169,447</u>	<u>\$ 7,329,941</u>	<u>\$ 54,268</u>	<u>\$ 16,553,656</u>
<b><u>Reconciliation of operating income (loss) to net cash provided by operating activities:</u></b>				
Operating income (loss)	\$ 74,517	\$ 1,304,806	\$ 83,558	\$ 1,462,881
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	1,505,720	206,463	-	1,712,183
Pension expense	14,773	11,150	(204)	25,719
Change in assets and liabilities				
Decrease (increase) in:				
Accounts receivable	(98,478)	60,765	9,914	(27,799)
Due from other funds	(1,262,932)	(154,239)	-	(1,417,171)
State and federal receivables	-	6,200	-	6,200
Due from other governments	-	(6,497)	-	(6,497)
Increase (decrease) in:				
Accounts payable	11,438	(944)	220,502	230,996
Accrued liabilities	3,861	6,160	416	10,437
Due to other funds	87,238	96,881	(75,952)	108,167
Compensated absences	(11,192)	(79,523)	-	(90,715)
Total OPEB liability	(2,291)	9,300	-	7,009
Net cash provided by operating activities	<u>\$ 322,654</u>	<u>\$ 1,460,522</u>	<u>\$ 238,234</u>	<u>\$ 2,021,410</u>

See notes to basic financial statements.

**CITY OF BATAVIA, NEW YORK**  
**STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS**  
**MARCH 31, 2020**

---

	<b>Private Purpose Trust Fund</b>	<b>Custodial Fund</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 28,099
Cash and cash equivalents - restricted	<u>21,769</u>	<u>-</u>
Total assets	<u>\$ 21,769</u>	<u>\$ 28,099</u>
<b>NET POSITION</b>		
Restricted for:		
Trusts	\$ 21,769	\$ -
Forfeitures	<u>-</u>	<u>28,099</u>
Total net position	<u>\$ 21,769</u>	<u>\$ 28,099</u>

See notes to basic financial statements.

**CITY OF BATAVIA, NEW YORK**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED MARCH 31, 2020**

---

	<b><u>Private Purpose Trust Fund</u></b>	<b><u>Custodial Fund</u></b>
<b>ADDITIONS</b>		
Interest	\$ 164	\$ -
Forfeiture of bankruptcy proceeds	<u>-</u>	<u>11,090</u>
Total additions	<u>164</u>	<u>11,090</u>
<b>DEDUCTIONS</b>		
Disbursements to individuals, organizations or other governments	<u>-</u>	<u>6,694</u>
Change in net position	164	4,396
Net position - beginning, as restated (Note 5)	<u>21,605</u>	<u>23,703</u>
Net position - ending	<u><u>\$ 21,769</u></u>	<u><u>\$ 28,099</u></u>

See notes to basic financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. REPORTING ENTITY**

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

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

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.

**B. BASIS OF PRESENTATION**

**1. GOVERNMENT-WIDE FINANCIAL STATEMENTS**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The Statement of Net Position and the Statement of Activities present financial information about the reporting government as a whole. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operation or capital) grants while the capital grants column reflects capital-specific grants. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

The government-wide focus is on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

**2. FUND FINANCIAL STATEMENTS**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and enterprise categories.

**CITY OF BATAVIA, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

---

Governmental Funds:

Governmental funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is based upon determination of financial position and changes in financial position. The following are the City's major governmental fund types:

General Fund – The General Fund is the general operating fund of the City. The fund is used to account for all financial resources except for those required to be accounted for in a separate fund.

Capital Projects Fund – This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by the Enterprise Funds.

Self-Insurance Fund – This fund is used to account for the City's workers' compensation insurance and health insurance activity.

The City reports the following nonmajor funds consolidated into the nonmajor governmental funds column:

Special Revenue Funds:

These funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes or for which separate accounting is required by administrative action.

Special Grant Fund – This fund is used to account for community development block grants and other federal and state grants not required to be accounted for in other funds.

Mall Maintenance Fund – This fund is used to account for the activities associated with the Genesee Country Mall.

Small Cities Fund – This fund is used to account for the activity of the City's New York Small Cities Block Grant and U.S. Department of Housing and Urban Development programs.

Enterprise Funds:

These funds are used to account for ongoing operations or activities, which are similar to those often found in the private sector. The measurement focus is based upon determination of net income, financial position and cash flows. The City applies all applicable GASB pronouncements, as well as, Financial Accounting Standards Board's (FASB) Accounting Standards Codification unless these standards conflict with or contradict GASB pronouncements.

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

City Centre Fund – This fund is used to account for the operations and maintenance of the City Centre.

Other Fund Types:

Fiduciary Funds are used to account for certain trust funds and other custodial funds. Custodial Funds report fiduciary activities not held in trust. These activities are not included in the government-wide financial statements because their resources do not belong to the City and are not available for use.

Private-Purpose Trust Fund – This fund is used to account for contributions made by individuals, for the purpose of providing from the income of such contributions, funds to be utilized for fire protection and indigent citizens of the City.

Custodial Fund – This fund is used to account for activity related to bankruptcy proceedings being collected on by the City.



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

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

### **C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

The enterprise, custodial and private purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

### **D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE**

#### **1. CASH, CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT**

The City's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. Certificates of deposit have an original maturity greater than three months. Additional investments that exceed three months are separated in the financial statements and are further disclosed in Note 3.A.

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

Certain assets are classified on the balance sheet as restricted because their use is limited. Debt proceeds remaining after a project has been completed can only be used to pay down the related debt, and therefore are restricted in use. The proceeds of bond or bond anticipation note (BAN) sales can only be used for the stated purpose of the borrowing and are restricted specifically for that purpose. Amounts to support fund balance restrictions are also reported as restricted.

## **3. RECEIVABLES**

Receivables are carried at their net realizable value. Receivables are written-off as uncollectible after the likelihood of payment is considered remote by management. The allowance for uncollectible receivables has been established by management, using past history of uncollectible receivables. As of March 31, 2020, the provision for uncollectible receivables amounted to \$44,305 and \$12,473 in the Community Development and Small Cities Grant Funds, respectively.

## **4. CAPITAL ASSETS**

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

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

Interest incurred during the construction phase of capital assets of enterprise funds are included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances. This year tax-exempt bond anticipation notes (BANS) were issued to finance specific improvements related to water activity. This activity included projects such as water line reconstruction and replacement, reconstruction and repairing. There was also a BAN issued for a software system upgrade which is being partially capitalized by the water and sewer funds. Accordingly, the interest capitalized for the year ended March 31, 2020 for water and sewer activities amounted to \$37,885 and \$3,401, respectively.

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

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

## **5. INSURANCE**

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, personal injury liability, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Settled claims from these risks have not yet exceeded commercial insurance coverage for the past three fiscal years.

## **6. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. They are related to pensions and other postemployment benefits (OPEB) reported in the government-wide Statement of Net Position. They represent the effect of the net change in the City's proportion of the collective net pension liability and OPEB liability, and the difference during the measurement period between the City's contributions and its proportional share of total contributions to the pension systems and OPEB plan not included in pension and OPEB expense. Also included is the City contributions to the pension systems and OPEB plan subsequent to the measurement date. See details of deferred pension outflows in 3.D and deferred OPEB outflows in Note 3.E.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two of items that qualify for reporting in this category. One item is related to pension activity reported in the government-wide Statement of Net Position. This represents the effect of the net change in the City's proportion of the collective net pension liability and difference during the measurement period between the City's contributions and its proportional share of total contributions to the pension system not included in pension expense. See details of deferred pension inflows in Note 3.E. The other item is unavailable revenue related to property taxes and is reported in the governmental funds Balance Sheet.

## **7. NET POSITION FLOW ASSUMPTION**

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

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

## **8. FUND BALANCE FLOW ASSUMPTION**

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

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

## **9. FUND BALANCE POLICIES**

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the 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 (the adoption of another resolution) 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 ten percent (10%) 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.

If the unassigned fund balance falls below the 10% minimum fund balance percentage, the City's Audit Advisory Committee will evaluate current fund balance classifications in order to recommend the final distribution of fund balance in any fiscal year in consideration of estimated liabilities of the City and sound financial planning.

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 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.

## **E. REVENUES AND EXPENDITURES/EXPENSES**

### **1. PROGRAM REVENUES**

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

### **2. PROPERTY TAXES**

Real property taxes are levied upon budget adoption and become an enforceable lien on April 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 (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 in the account "Due to other governments".

In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of 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. In the 2019-20 year, the five-year average full valuation was \$567,181,511 allowing for a maximum tax limit of \$11,343,630 (includes allowance exclusions). The City tax levy was \$5,251,606 for the year ended March 31, 2020.

### **3. COMPENSATED ABSENCES**

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

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

Compensated absences for governmental fund type employees are reported as a fund liability and as an expenditure in the government-wide financial statements. A portion of the compensated absences liability recognized is attributed to the value of sick leave converted to pay the employees' share of postemployment health insurance premiums. The compensated absences liability for the Governmental and Enterprise funds at the year-end totaled \$2,013,398 and \$266,075, respectively. A liability for those amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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

#### **4. ENTERPRISE FUNDS – OPERATING AND NONOPERATING REVENUES AND EXPENSES**

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

#### **F. USE OF ESTIMATES IN PREPARATION OF FINANCIAL STATEMENTS**

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

#### **G. ACCOUNTING PRONOUNCEMENTS**

During the fiscal year ended March 31, 2020, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. The primary objective of Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported.

The City has evaluated the provisions of GASB Statement No. 83, *Certain Asset Retirement Obligations*, Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*, and Statement No. 90, *Majority Equity Interests-an Amendment of GASB Statements No. 14 and 61*, which became effective for the fiscal year ended March 31, 2020, and determined that they have no significant impact on the City's financial statements.

The following are GASB Statements that have been issued recently and are currently being evaluated, by the City, for their potential impact in future years.

- Statement No. 87, *Leases*, which will be effective for the year ending March 31, 2023.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective for the year ending March 31, 2022.
- Statement No. 91, *Conduit Debt Obligations*, which will be effective for the year ending March 31, 2023.
- Statement No. 92, *Omnibus 2020*, which will be effective for the year ending March 31, 2023.
- Statement No. 93, *Replacement of Interbank Offered Rates*, which will be effective for the year ending March 31, 2023.
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which will be effective for the year ending March 31, 2024.
- Statement No. 96, *Subscription-Based Information Technology Arrangements*, which will be effective for the year ending March 31, 2024.

**CITY OF BATAVIA, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

---

- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment of GASB Statements No. 14 and 84, and a supersession of GASB Statement No. 32*, which will be effective for the year ending March 31, 2023.

On May 8, 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* in response to the COVID-19 pandemic. The effective dates of GASB Statements not yet implemented by the City have been updated above to reflect the impact of this Statement.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. LEGAL COMPLIANCE - BUDGETS**

Budgets and Budgetary Accounting – The City follows these procedures in establishing 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 Capital Projects 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.

**NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS**

**A. DEPOSITS AND INVESTMENTS**

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

Collateral is required for demand deposits and certificates of deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and school districts and obligations issued by other than New York State which are entities rated in one of the three highest rating categories by at least one nationally recognized statistical rating organizations.

The City's aggregate bank balances were fully collateralized at March 31, 2020.

The certificates of deposit have a maturity greater than ninety days but less than one year and amounted to \$9,500,000 as of March 31, 2020.

The City reports amounts to support restricted fund balance and unspent proceeds of debt as restricted cash and cash equivalents and restricted certificates of deposit. At March 31, 2020, the City reported \$6,415,320 and \$7,601,352 as cash and cash equivalents and certificates of deposit as restricted in the governmental activities and business-type activities, respectively, as well as \$21,769 in the Private Purpose Trust Fund restricted for fire protection and assistance to indigent citizens.

**CITY OF BATAVIA, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

---

Investment and Deposit Policy

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

Interest Rate Risk

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

Credit Risk

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the City's investment and deposit policy, all deposits of the City including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits.

The City's third party custodial financial institution provided the following securities as collateral which are in accordance with the City's investment policy and third party custodial agreement:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by New York State and its localities.
- Obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organizations.

**B. RECEIVABLES**

Significant revenues accrued by the City at March 31, 2020, include the following:

General Fund:

Franchise fees	\$ 55,068
Miscellaneous	163,048
Total accounts receivables	<u>\$ 218,116</u>
 State and federal receivables - miscellaneous	 <u>\$ 18,832</u>

Self Insurance Fund:

Stop loss insurance	916,093
Miscellaneous	2,879
Total accounts receivables	<u>\$ 918,972</u>

**CITY OF BATAVIA, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

Water Fund:

Water rents receivable	\$ 1,060,754
Miscellaneous	32,779
Total accounts receivables	<u>\$ 1,093,533</u>

Sewer Fund:

Water rents receivable	\$ 926,401
Miscellaneous	49,363
Total accounts receivables	<u>\$ 975,764</u>

Due from other governments represents amounts due primarily from Genesee County, and other governmental entities. Amounts accrued at March 31, 2020, consist of:

General Fund:

NYS sales tax	\$ 1,570,579
Fines and forfeitures	5,347
Total due from other governments	<u>\$ 1,575,926</u>

Water Fund:

City/County water agreement	<u>\$ 551,527</u>
-----------------------------	-------------------

**C. CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2020, was as follows:

	Balance 04/01/19	Increases	Decreases	Balance 03/31/20
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,134,588	\$ -	\$ -	\$ 1,134,588
Construction work in progress	5,593,725	1,416,652	2,160,009	4,850,368
Total capital assets not being depreciated	6,728,313	1,416,652	2,160,009	5,984,956
Capital assets being depreciated:				
Buildings and building improvements	10,116,489	209,491	-	10,325,980
Machinery, equipment & vehicles	7,427,183	130,007	325,900	7,231,290
Infrastructure	14,410,283	2,160,006	-	16,570,289
Total capital assets, being depreciated	31,953,955	2,499,504	325,900	34,127,559
Less accumulated depreciation:				
Buildings and building improvements	4,307,982	257,525	-	4,565,507
Machinery, equipment & vehicles	3,767,714	404,384	287,555	3,884,543
Infrastructure	5,464,494	826,793	-	6,291,287
Total accumulated depreciation	13,540,190	1,488,702	287,555	14,741,337
Total capital assets being depreciated, net	18,413,765	1,010,802	38,345	19,386,222
Governmental activities capital assets, net	<u>\$ 25,142,078</u>	<u>\$ 2,427,454</u>	<u>\$ 2,198,354</u>	<u>\$ 25,371,178</u>



**CITY OF BATAVIA, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

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

General government	\$ 147,228
Transportation	1,179,751
Culture and recreation	155,014
Home and community service	6,709
Total depreciation expense - governmental activities	<u>\$ 1,488,702</u>

	Balance 04/01/19	Increases	Decreases	Balance 03/31/20
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 41,500	\$ -	\$ -	\$ 41,500
Construction work in progress	<u>171,060</u>	<u>2,291,111</u>	<u>-</u>	<u>2,462,171</u>
Total capital assets not being depreciated	<u>212,560</u>	<u>2,291,111</u>	<u>-</u>	<u>2,503,671</u>
Capital assets being depreciated:				
Buildings and building improvements	42,113,437	-	-	42,113,437
Machinery, equipment & vehicles	1,932,059	136,441	-	2,068,500
Infrastructure	<u>20,910,797</u>	<u>-</u>	<u>-</u>	<u>20,910,797</u>
Total capital assets, being depreciated	<u>64,956,293</u>	<u>136,441</u>	<u>-</u>	<u>65,092,734</u>
Less accumulated depreciation:				
Buildings and building improvements	29,367,597	1,070,313	-	30,437,910
Machinery, equipment & vehicles	1,114,332	119,099	-	1,233,431
Infrastructure	<u>8,087,571</u>	<u>522,771</u>	<u>-</u>	<u>8,610,342</u>
Total accumulated depreciation	<u>38,569,500</u>	<u>1,712,183</u>	<u>-</u>	<u>40,281,683</u>
Total capital assets being depreciated, net	<u>26,386,793</u>	<u>(1,575,742)</u>	<u>-</u>	<u>24,811,051</u>
Business-type capital assets, net	<u>\$ 26,599,353</u>	<u>\$ 715,369</u>	<u>\$ -</u>	<u>\$ 27,314,722</u>

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

Home and community services	<u>\$ 1,712,183</u>
-----------------------------	---------------------

**D. PENSION OBLIGATIONS**

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

Plan Description

The City participates in the New York State and Local Employees' Retirement System (ERS) and the Local Police and Fire Retirement System (PFRS), which are collectively referred to as New York State and Local Retirement System (the System). This is a cost-sharing multiple-employer defined benefit retirement system. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. 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 System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefit's 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.

Funding Policy

The System is noncontributory, except for employees who joined the ERS after July 27, 1976 who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 10, 2010 (ERS) or January 9, 2010 (PFRS), who generally contribute three percent (3%) to three and one half percent (3.5%) of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31<sup>st</sup>.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At March 31, 2020, the City reported the following liability for its proportionate share of the net pension liability to the System. The net pension liability was measured as of March 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2018. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and PFRS System in reports provided to the City.

	<u>ERS</u>	<u>PFRS</u>
Measurement date	03/31/2019	03/31/2019
Net pension liability	\$ 1,007,099	\$ 2,783,724
City's portion of the Plan's total net pension liability	0.1421390 %	0.1659880 %
Change in proportion since the prior measurement date	(0.0006610)	0.0129960
Pension expense at March 31, 2020	\$ 585,935	\$ 1,672,654

**CITY OF BATAVIA, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

At March 31, 2020, the City's reported deferred outflows of resources and deferred inflows of resources related to pensions arose from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	PFRS	ERS	PFRS
Differences between expected and actual experience	\$ 198,319	\$ 676,244	\$ 67,605	\$ 297,208
Change of assumptions	253,144	1,011,401	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	258,477	557,512
Changes in proportion and differences between the City's contributions and proportionate share of contributions	10,487	155,087	155,138	622,727
City's contributions subsequent to the measurement date	521,125	1,094,552	-	-
Total	<u>\$ 983,075</u>	<u>\$ 2,937,284</u>	<u>\$ 481,220</u>	<u>\$ 1,477,447</u>

The City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended March 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	ERS	PFRS
<u>Year ended March 31:</u>		
2021	\$ 150,139	\$ 405,696
2022	(246,379)	(241,327)
2023	(44,636)	(76,446)
2024	121,606	249,433
2025	-	27,929
Thereafter	-	-

**Actuarial Assumptions**

The total pension liability as of the March 31, 2019, was determined by using an actuarial valuation as of April 1, 2018, with update procedures used to roll forward the total pension liability to March 31, 2019. The actuarial valuation used the following actuarial assumptions:

	ERS	PFRS
Inflation	2.5 %	2.5 %
Salary increases	3.8	4.5
Investment rate of return (net of investment expense, including inflation)	7.0	7.0
Cost of living adjustments	1.3	1.3

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. The actuarial assumptions used in the April 1, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

**CITY OF BATAVIA, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

The long-term expected 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 return, net of investment expenses 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 the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2019, for both ERS and PFRS are summarized below:

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Asset Class:		
Domestic equity	36.0 %	4.6 %
International equity	14.0	6.4
Private equity	10.0	7.5
Real estate	10.0	5.6
Absolute return strategies	2.0	3.8
Opportunistic funds/portfolio	3.0	5.7
Real assets	3.0	5.3
Bonds and mortgages	17.0	1.3
Cash	1.0	-0.3
Inflation-indexed bonds	4.0	1.3
Total	<u>100.0 %</u>	

Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following tables present the City's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate:

	<u>1% Decrease (6.0%)</u>	<u>Current Assumption (7.0%)</u>	<u>1% Increase (8.0%)</u>
<u>ERS</u>			
City's proportionate share of the net pension liability/(asset)	\$ 4,403,200	\$ 1,007,099	\$ (1,845,866)
<u>PFRS</u>			
City's proportionate share of the net pension liability/(asset)	\$ 10,059,961	\$ 2,783,724	\$ (3,292,779)

**CITY OF BATAVIA, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2019, were as follows:

	(Dollars in Thousands)		
	ERS	PFRS	Total
Employers' total pension liability	\$ 189,803,429	\$ 34,128,100	\$ 216,315,013
Plan net position	182,718,124	32,451,037	212,076,811
Employers' net pension liability	<u>\$ 7,085,305</u>	<u>\$ 1,677,063</u>	<u>\$ 4,238,202</u>
Ratio of plan net position to the employers' total pension liability	96.3%	95.1%	98.0%

**E. OTHER POSTEMPLOYMENT BENEFIT LIABILITY (OPEB)**

***City of Batavia Retiree Medical Plan (the Plan)***

Plan Description

The City of Batavia (the City), administers the Plan as a single-employer defined benefit OPEB plan. The Plan provides for continuation of health insurance benefits for certain retirees and their spouses and can be amended by action of the City subject to applicable collective bargaining and employment agreements. The Plan does not issue a 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 in these bargaining units may become eligible for these benefits if they meet the retirement eligibility requirements under their contracts while working for the City.

Funding Policy

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

At March 31, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	32
Inactive employees entitled to but not receiving benefit payments	9
Active employees	85
Total	<u>126</u>

The City's total OPEB liability of \$6,547,595 was measured as of March 31, 2020, using updated procedures to roll forward the total OPEB actuarial valuation as of April 1, 2018.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the March 31, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25 %
Rate of compensation increase	3.00 %
Discount rate	2.48 %
Initial healthcare cost trend rate	4.50-7.00 %
Ultimate healthcare cost trend rate	3.78 %

**CITY OF BATAVIA, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

The discount rate was based on the Fidelity General Obligation 20-year AA Municipal Bond Index as of the measurement date.

The mortality assumption was revised to the sex-distinct and job category-specific headcount-weighted Pub-2010 Public Retirement Plans Mortality Tables for employees and health retirees, and then adjusted for mortality improvements with Scale MP-2019 mortality improvement scale on a generational basis.

Retirement and termination assumptions reflect general published tables based on large-scale retirement plan population data. The Plan's estimated termination and retirement experience is then analyzed, and the base table is adjusted accordingly as necessary. No formal experience study is prepared for this plan.

Changes in the Total OPEB Liability:

	<u>Total OPEB Liability</u>
Balance at April 1, 2019	\$ 6,441,191
Changes for the year:	
Service cost	133,160
Interest	214,961
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	336,194
Benefit payments	<u>(577,911)</u>
Net changes	<u>106,404</u>
Balance at March 31, 2020	<u>\$ 6,547,595</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.42 percent on April 1, 2019, to 2.48 percent on March 31, 2020.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.48%) or 1 percentage point higher (3.48%) than the current discount rate.

	<u>1% Decrease (1.48%)</u>	<u>Discount Rate (2.48%)</u>	<u>1% Increase (3.48%)</u>
Total OPEB liability	\$ <u>6,915,240</u>	\$ <u>6,547,595</u>	\$ <u>6,195,704</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (3.50%) or 1 percentage point higher (5.50%), using the post-65 medical trend rates, than the current healthcare cost trend rate:

	<u>1% Decrease (3.50% decreasing to 2.78%)</u>	<u>Healthcare Cost Trend Rates (4.50% decreasing to 3.78%)</u>	<u>1% Increase (5.50% decreasing to 4.78%)</u>
Total OPEB liability	\$ <u>6,092,183</u>	\$ <u>6,547,595</u>	\$ <u>7,058,236</u>

**CITY OF BATAVIA, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended March 31, 2020, the City recognized OPEB expense of \$184,720. At March 31, 2020, the City reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>
Changes of assumptions or other inputs	\$ <u>348,342</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 ended March 31:

2021	\$ (45,070)
2022	(45,070)
2023	(45,070)
2024	(45,070)
2025	(45,070)
Thereafter	(122,992)

**F. 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. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expended in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

The City considers encumbrances to be significant for amounts that are encumbered in excess of \$50,000. As of March 31, 2020, there were no individual significant encumbrances. The City recorded encumbrances of \$193,056 in the General Fund.

Construction Commitments

The City has ongoing construction capital projects related to various infrastructure throughout the City. For the fiscal year ended March 31, 2020, the City had the following construction commitments outstanding:

<u>Vendor</u>	<u>Project</u>	<u>Remaining Balance</u>
GHD	Fire & BOM Facility Plan	\$ 77,650
GHD	Franklin	57,800
Architecture Unlimited	Mall Roof	5,517
Groove Roofing	Mall Roof	627,180
	Total	\$ <u>768,147</u>

City Water Agreement

During the year ended March 31, 2020, the City entered into an amended and restated agreement with the County, ending December 31, 2059, whereby the City is continuing to assume responsibility for the production, treatment, operation, maintenance and/or supply of municipal water, as well as operating and maintaining the facilities. Under the terms of the agreement, the County has agreed to lease the City's water supply and treatment facilities for a term not to exceed 10 years, ending December 31, 2029. The agreement also calls for the transfer of title to, access to, and/or rights to the City for certain machinery and equipment used in connection with the water supply and treatment facility.

**CITY OF BATAVIA, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

In exchange, the City has agreed to purchase water from the County on a wholesale basis. The City rate for city water customers in effect for the fiscal year ended March 31, 2020 was \$5.49 per 1,000 gallons. The rate was increased to \$5.68 per 1,000 gallons effective for water usage subsequent to March 31, 2020.

**G. RISK MANAGEMENT**

**RISK FINANCING AND RELATED INSURANCE**

Health Insurance Plan

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

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, 2020, the City recorded a liability in the amount of \$122,240 within the self-insurance fund for incurred but not reported insured events.

Workers' Compensation Plan

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 \$500,000 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, 2020, the City has recorded a liability for future costs associated with open claims of \$239,817. 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 health insurance and workers' compensation liabilities since March 31, 2018, resulted from the following:

	Health Insurance	Workers' Compensation	Total
Estimated claims March 31, 2018	\$ 90,087	\$ 241,620	\$ 331,707
Claims incurred 2018-2019	1,701,826	45,471	1,747,297
Payments 2018-2019	(1,669,302)	(226,933)	(1,896,235)
Estimated claims March 31, 2019	\$ 122,611	\$ 60,158	\$ 182,769
Claims incurred 2019-2020	3,391,291	599,595	3,990,886
Payments 2019-2020	(3,391,662)	(419,936)	(3,811,598)
Estimated claims March 31, 2020	\$ 122,240	\$ 239,817	\$ 362,057

**H. SHORT-TERM DEBT**

The purpose of all of the short-time borrowings was to provide resources for various capital construction or improvement projects. The form of financing used in all cases was bond anticipation notes (BAN). The amounts issued for governmental activities are accounted for in the Capital Projects Fund.



**CITY OF BATAVIA, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

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

The schedule below details the changes in short-term capital borrowings during the year ended March 31, 2020:

	Original Issue Date	Interest rate	Balance 04/01/19	Issued	Redemptions	Balance 3/31/2020
<b>Governmental Activities</b>						
Street improvements	2018	2.50%	\$ 750,000	\$ -	\$ 750,000	\$ -
Sidewalk improvements	2018	2.50%	100,000	-	100,000	-
Software system	2018	2.50%	750,000	-	750,000	-
Software system	2019	1.99%	-	375,000	-	375,000
TAP Pedestrian Way	2019	1.99%	-	1,024,000	1,024,000	-
Total governmental activities bond anticipation notes			<u>\$ 1,600,000</u>	<u>\$ 1,399,000</u>	<u>\$ 2,624,000</u>	<u>\$ 375,000</u>
<b>Business-Type Activities</b>						
<u>Sewer</u>						
Software system	2019	1.99%	\$ -	\$ 187,500	\$ -	\$ 187,500
<u>Water</u>						
Union St Water Project	2019	1.99%	-	1,014,000	-	1,014,000
South Main St. & Brooklyn Ave						
Water Project	2019	1.99%	-	887,000	-	887,000
Software System	2019	1.99%	-	187,500	-	187,500
Total water bond anticipation notes			<u>-</u>	<u>2,088,500</u>	<u>-</u>	<u>2,088,500</u>
Total business-type activities bond anticipation notes			<u>\$ -</u>	<u>\$ 2,276,000</u>	<u>\$ -</u>	<u>\$ 2,276,000</u>

**CITY OF BATAVIA, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**I. LONG-TERM LIABILITIES**

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds outstanding at March 31, 2020, are as follows:

<u>Issue Description</u>	<u>Original Issue Date</u>	<u>Original Borrowing</u>	<u>Interest Rates to Maturity</u>	<u>Final Maturity</u>	<u>Outstanding Balance 03/31/2020</u>
<b>Governmental Activities</b>					
<u>General Obligation Bonds</u>					
Dwyer and BID - Refunding	2011	\$ 1,200,000	2.0-3.125%	2020	\$ 120,000
City Centre - Refunding	2014	2,856,000	2.0-3.750%	2033	2,208,000
Various Projects	2005	1,795,000	4.0-5.000%	2021	110,000
CAT Loader Acquisition	2018	195,500	1.10-4.15%	2025	175,000
Total governmental activities serial bonds					<u>\$ 2,613,000</u>
<b>Business-Type Activities</b>					
<u>Sewer Obligation Bonds</u>					
City Centre - Refunding	2014	357,000	2.0-3.750%	2033	276,000
Various Projects	2017	3,439,600	2.5-3.000%	2037	3,075,000
Total sewer fund serial bonds					<u>\$ 3,351,000</u>
<u>Water Obligation Bonds</u>					
City Centre - Refunding	2014	357,000	2.0-3.750%	2033	276,000
Various Projects	2017	4,376,000	2.5-3.000%	2037	855,000
Total water fund serial bonds					<u>\$ 1,131,000</u>
Total business-type activities serial bonds					<u>\$ 4,482,000</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, 2020, that amount was \$39,702,706. As of March 31, 2020, the total outstanding debt applicable to the limit was \$6,826,427, which is 17.19% of the total debt limit.

**CITY OF BATAVIA, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

Changes in Long-Term Liabilities

Changes in the government's long-term liabilities for the year ended March 31, 2020, are as follows:

	Balance 04/01/2019	Additions	Reductions	Balance 03/31/2020	Due Within One Year
<b>Governmental Activities</b>					
Bonds Payable:					
General obligation bonds	\$ 2,995,500	\$ -	\$ 382,500	\$ 2,613,000	\$ 383,000
Plus unamortized premium	48,897	-	3,497	45,400	3,497
Other liabilities:					
Due to other governments - Landfill	266,855	-	9,389	257,466	19,805
Installment purchase debt	353,032	-	107,983	245,049	108,923
Compensated absences	2,071,638	1,803,489	1,861,729	2,013,398	201,340
Total OPEB liability	6,139,125	657,582	559,975	6,236,732	-
Net pension liability*	1,834,424	1,553,559	-	3,387,983	-
Total governmental activities	\$ <u>13,709,471</u>	\$ <u>4,014,630</u>	\$ <u>2,925,073</u>	\$ <u>14,799,028</u>	\$ <u>716,565</u>
<b>Business-Type Activities</b>					
Bonds Payable:					
General obligation bonds	\$ 4,890,000	\$ -	\$ 408,000	\$ 4,482,000	\$ 267,000
Plus unamortized premium	12,224	-	874	11,350	874
Other liabilities:					
Installment purchase debt	97,621	-	42,746	54,875	27,696
Compensated absences	356,994	166,315	257,234	266,075	26,590
Total OPEB liability	302,066	26,733	17,936	310,863	-
Net pension liability*	192,032	210,808	-	402,840	-
Total business-type activities	\$ <u>5,850,937</u>	\$ <u>403,856</u>	\$ <u>726,790</u>	\$ <u>5,528,003</u>	\$ <u>322,160</u>

\* Additions/reductions to net pension liability are presented net.

As of March 31, 2020, there was \$674,000 in authorized but unissued bonds. These bonds were authorized for Union St. Water Project (\$344,000), South Main St. & Brooklyn Ave. Water Project (\$46,000), Pedestrian Walkway Project (\$234,000) and purchase and installation of a management system computer software (\$50,000).

**CITY OF BATAVIA, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**Governmental Activities**

Year ending March 31,	Bonds			Installment Purchase Debt	
	Principal	Interest	Premium	Principal	Interest
2021	\$ 383,000	\$ 84,631	\$ 3,497	\$ 108,923	\$ 5,003
2022	170,000	73,956	3,497	108,013	2,582
2023	174,000	69,854	3,497	28,113	471
2024	174,000	65,107	3,497	-	-
2025	178,000	59,843	3,497	-	-
2026-2030	846,000	217,775	17,483	-	-
2031-2035	652,000	63,000	10,161	-	-
2036	36,000	1,350	271	-	-
Total	<u>\$ 2,613,000</u>	<u>\$ 635,516</u>	<u>\$ 45,400</u>	<u>\$ 245,049</u>	<u>\$ 8,056</u>

Year ending March 31,	Total Governmental Activities	
	Principal	Interest
2021	\$ 491,923	\$ 89,634
2022	278,013	76,538
2023	202,113	70,325
2024	174,000	65,107
2025	178,000	59,843
2026-2030	846,000	217,775
2031-2035	652,000	63,000
2036	36,000	1,350
Total	<u>\$ 2,858,049</u>	<u>\$ 643,572</u>

**Business-Type Activities**

Year ending March 31,	Bonds			Installment Purchase Debt	
	Principal	Interest	Premium	Principal	Interest
2021	\$ 267,000	\$ 118,416	\$ 874	\$ 27,696	\$ 1,015
2022	280,000	112,441	874	27,179	503
2023	286,000	106,085	874	-	-
2024	291,000	99,502	874	-	-
2025	292,000	92,657	874	-	-
2026-2030	1,574,000	349,693	4,371	-	-
2031-2035	1,213,000	121,727	2,540	-	-
2036-2038	279,000	16,536	69	-	-
Total	<u>\$ 4,482,000</u>	<u>\$ 1,017,057</u>	<u>\$ 11,350</u>	<u>\$ 54,875</u>	<u>\$ 1,518</u>

Year ending March 31,	Total Business-Type Activities	
	Principal	Interest
2021	\$ 294,696	\$ 119,431
2022	307,179	112,944
2023	286,000	106,085
2024	291,000	99,502
2025	292,000	92,657
2026-2030	1,574,000	349,693
2031-2035	1,213,000	121,727
2036-2038	279,000	16,536
Total	<u>\$ 4,536,875</u>	<u>\$ 1,018,575</u>

**CITY OF BATAVIA, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

---

Compensated Absences

As explained in Note 1, the City records the value of governmental and enterprise type compensated absences. The annual budgets of the respective funds of which the employees' payroll is recorded provide funding for these benefits as they become payable throughout the year. Payments by the City to liquidate compensated absences are typically from the funds in which the individuals are employed. These operating funds include General, Sewer, Water, and City Centre funds. Since the payment of compensated absences is dependent upon many factors, the timing of future payments is not readily determinable. While the payments of compensated absences are dependent upon many factors, the City has estimated that \$201,340 and \$26,590 for the governmental activities and business-type activities will be due within one year, respectively.

Total OPEB Liability

As explained in Note 3.E., the City records the value of other postemployment benefits. Payments by the City to liquidate other postemployment benefits are typically from the funds in which the individuals are employed. These operating funds include General, Sewer and Water Funds.

Net Pension Liability

The City reported a liability of \$3,387,983 and \$402,840 for the governmental activities and business-type activities, respectively, for the year ended March 31, 2020, for its proportionate share of the net pension liability for the Police and Fire Retirement System and the Employee Retirement System. Refer to Note 3.D. for additional information related to the City's net pension liability. Payments by the City for retirement contributions are typically from funds in which the individuals are employed. These operating funds include General, Sewer and Water Funds.

**J. NET POSITION AND FUND BALANCE**

NET POSITION

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 assets. Accumulated depreciation and debt used to fund capital asset purchases reduce the balance in this category. The following presents a reconciliation of capital assets (net of accumulated depreciation), to net investment in capital assets:

	Governmental Activities	Business-type Activities
Capital assets, net of accumulated depreciation	\$ 25,371,178	\$ 27,314,722
Bonds payable used for capital assets	(2,613,000)	(4,482,000)
Unamortized debt premium	(45,400)	(11,350)
Installment purchase debt	(245,049)	(54,875)
Bond anticipation notes	(375,000)	(2,276,000)
Unspent debt proceeds	305,748	646,742
Net investment in capital assets	<u>\$ 22,398,477</u>	<u>\$ 21,137,239</u>

Restricted net position – This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Restricted net position is consistent with restricted fund balances at March 31, 2020.

Unrestricted net position – This category represents net position of the City not restricted for any project or other purpose.

FUND BALANCE

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

Restricted – represents amounts with constraints placed on the use of resources and are either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

**CITY OF BATAVIA, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

---

- *Restricted for retirement contribution* – represents funds set aside for any upcoming retirement contributions required of the City.
- *Restricted for employee benefit accrued liability* – represents funds set aside for compensated absences of City employees.
- *Restricted for insurance* – represents funds set aside for medical and liability claims.
- *Restricted for capital projects* – represents funds to be used for construction, reconstruction and/or acquisition of capital improvements and equipment.
- *Restricted for debt service* – represents unspent debt proceed funds to be used towards future debt service requirements.
- *Restricted for other purposes* – represents funds required to be used for the following purposes:

Business Improvement District	\$	249,714
Police		5,159
Drug asset forfeiture		3,210
State external EMS program		3,586
Non-State EMS program		19,200
Farrell park		1,523
Public broadcasting		11,650
Centennial celebration		9,188
Total restricted for other purposes	\$	<u>303,230</u>

- *Restricted for repairs* – represents funds set aside to be used for repairs of Dwyer Stadium.
- *Restricted for Special Grant and Small Cities Funds* – represents funds that had restrictions externally imposed by the funding agency that provided funding for the loan programs administered by the City.
- *Restricted for workers' compensation* – represents funds set aside for workers' compensation of City employees.

Committed – represents amounts that are subject to a purpose constraint imposed by a formal action of the City's highest level of decision-making authority.

Assigned – represents amounts that are constrained by the City's intent to be used for the specified purposes noted below, but are neither restricted nor committed.

- *Assigned to subsequent years' expenditure* – represents available fund balance being appropriated to meet expenditure requirements in the 2021 fiscal year.
- *Assigned for encumbrances* – represents amounts related to unperformed contracts for goods and services.
- *Assigned to specific use* – represents fund balance within the General Fund and special revenue funds that is assigned for a specific purpose. The assignment's purpose relates to each fund's operations and represents amounts within funds that are not restricted or committed.

Nonspendable – represents amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. As of March 31, 2020, the City had no nonspendable fund balances.

Unassigned – represents all amounts not included in other spendable classifications. The General Fund is the only fund that would report a positive amount in unassigned fund balance. Residual deficit amounts of other governmental funds would also be reported as unassigned.

**CITY OF BATAVIA, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**DETAIL OF FUND BALANCES**

	General	Capital Projects	Special Revenue Fund Self Insurance	Nonmajor Funds	Total
<u>Restricted:</u>					
Retirement contribution	\$ 331,924	\$ -	\$ -	\$ -	\$ 331,924
Employee benefit accrued liability	273,585	-	-	-	273,585
Insurance	777,866	-	-	-	777,866
Capital projects	3,639,104	-	-	-	3,639,104
Debt service	1,391	-	-	-	1,391
Other	303,230	-	-	-	303,230
Repairs	36,079	-	-	-	36,079
Small cities	-	-	-	73,625	73,625
Special grant	-	-	-	406,418	406,418
Workers' compensation	-	-	642,453	-	642,453
<u>Committed:</u>					
Master plan	17,400	-	-	-	17,400
Vibrant Batavia	170,839	-	-	-	170,839
Habitat architect plans	15,000	-	-	-	15,000
Ellicott trail project	11,229	-	-	-	11,229
<u>Assigned:</u>					
Subsequent years' expenditures	259,100	-	-	-	259,100
<u>Encumbrances:</u>					
General government	10,358	-	-	-	10,358
Public safety	58,390	-	-	-	58,390
Transportation	79,694	-	-	-	79,694
Subdivision contractor	39,689	-	-	-	39,689
Parks	1,399	-	-	-	1,399
Memorial bricks	3,526	-	-	-	3,526
Self insurance	-	-	392,152	-	392,152
Mall maintenance	-	-	-	13,956	13,956
Capital projects	-	153,206	-	-	153,206
<u>Unassigned:</u>					
General fund	1,863,699	-	-	-	1,863,699
Total	\$ 7,893,502	\$ 153,206	\$ 1,034,605	\$ 493,999	\$ 9,575,312

**CITY OF BATAVIA, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**K. INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances as of March 31, 2020, is as follows:

***Due from /to other funds:***

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Grant	\$ 50,000
General	Capital	103,639
General	Sewer	9,972
General	Water	9,972
Capital	Sewer	53,928
Capital	Water	53,928
Self insurance	General	302,807
Self insurance	Water	41,637
Self insurance	Sewer	30,282
Self insurance	City Centre	3,785
Sewer	Capital	154,239
Sewer	Self insurance	1,108,693
Water	Capital	154,239
	Total	<u>\$ 2,077,121</u>

The outstanding balances between funds result primarily from the allocation of retiree health care activity and the allocation of capital projects costs to the appropriate funds. In addition, outstanding balances are the result of payroll transactions and payment received towards reimbursement requests.

**L. INTERFUND TRANSFERS**

The composition of interfund transfers as of March 31, 2020, is as follows:

***Interfund transfers:***

<u>Transfer out:</u>	<u>Transfer in:</u>				
	<u>General</u>	<u>Capital</u>	<u>Self Insurance</u>	<u>City Centre</u>	<u>Total</u>
General	\$ -	\$ 614,601	\$ 2,451,793	\$ 79,491	\$ 3,145,885
Water	251,650	-	293,497	-	545,147
Sewer	1,200	-	218,462	-	219,662
City Centre	-	-	31,909	-	31,909
Capital	105,299	-	-	-	105,299
Total	<u>\$ 358,149</u>	<u>\$ 614,601</u>	<u>\$ 2,995,661</u>	<u>\$ 79,491</u>	<u>\$ 4,047,902</u>

During the year, transfers were made per the adopted budget for various purposes. In addition, transfers were made related to the current capital projects, and the allocation of those projects to the applicable funds.

**M. JOINT VENTURES**

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



## N. CONTINGENCIES

**Assessments** – 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, the likelihood of success is on a case by case basis, and is dependent upon various factors including market values and appraised amounts. Management believes that the level of potential losses on these cases, if any, would be immaterial and no provisions have been made within the financial statements.

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

## O. LANDFILL CLOSURE COSTS

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

The cost for the long-term maintenance and operation of the landfill has been estimated to be approximately \$343,288. All parties designated as potentially responsible parties by the EPA participated in a Pilot Allocation Program. As a result of the Pilot Allocation Program, 75% of the long-term operation and maintenance costs have been allocated to the City, or \$257,466. As of March 31, 2020, a liability has been recorded in the Governmental Activities funds for future maintenance and operation costs.

## NOTE 4 – TAX ABATEMENTS

The Genesee County Industrial Economic Development Agency d/b/a Genesee County Economic Development Center (the Agency), created by Chapter 565 of the Laws of 1970 of the State of New York pursuant to Title I of Article 18-A of General Municipal Law of the State of New York (collectively "the Act"), has seventeen real property tax abatement agreements with various businesses in the City under Section 412-a of the New York State Real Property Tax Law and Section 874 of the Act for the purpose of economic development in the City.

Generally, these agreements provide for a 100 percent abatement of real property taxes in exchange for a payment in lieu of taxes (PILOT) based on the requirements noted in said individual agreements. Should the property owner not comply with the policies and laws as set forth in each agreement, the PILOT will discontinue as outlined in each agreement.

As a result of these tax abatement agreements, for the year ended March 31, 2020, the City's total tax revenues were reduced by \$99,114.

Copies of the agreements may be obtained from the City Hall, One Batavia City Centre, Batavia, NY 14020.

**CITY OF BATAVIA, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**NOTE 5 - RESTATEMENT OF FUND BALANCE AND NET POSITION**

For the fiscal year ended March 31, 2020, the City implemented GASB 84, *Fiduciary Activities*. The implementation of Statement No. 84 resulted in the reporting of net position in the Custodial Fund.

	General Fund	
Fund balance - beginning, as previously stated	\$ 8,586,151	
GASB Statement No. 84 implementation	88,252	
Fund balance - beginning of year, as restated	<u>\$ 8,674,403</u>	
	Governmental	Custodial Fund
	Activities	
Net position - beginning, as previously stated	\$ 23,183,165	\$ -
GASB Statement No. 84 implementation	88,252	23,703
Net position - beginning of year, as restated	<u>\$ 23,271,417</u>	<u>\$ 23,703</u>

**NOTE 6 – SUBSEQUENT EVENTS**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The City's management has assessed these events and the impact of these restrictions and closures related to the City's operations. As of the date of these financial statements and as these events continue to unfold management believes there will be an impact related to sales and mortgage tax that the City will receive in 2021. Management believes that these tax revenues will be lower in 2021 than anticipated in the adopted 2021 budget. Management has assessed the financial condition and the potential impact on revenues and has determined that the City has assets and fund balances to absorb this potential decrease in revenues for 2021.

Management has evaluated subsequent events through September 16, 2020 which is the date the financial statements are available for issuance, and has determined, with the exception of the event noted in the above paragraph, there are no subsequent events that require disclosure under generally accepted accounting principles other than the authorization of debt issuance referred to above.

## **REQUIRED SUPPLEMENTARY INFORMATION**

***\*\*THIS PAGE INTENTIONALLY LEFT BLANK\*\****

**CITY OF BATAVIA, NEW YORK**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY –**  
**EMPLOYEES' AND POLICE AND FIRE RETIREMENT SYSTEMS**  
**LAST SIX FISCAL YEARS\***

	Year Ended March 31,					
	2015	2016	2017	2018	2019	2020
<b><u>Employees' Retirement System (ERS)</u></b>						
Measurement date	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
City's proportion of the net pension liability	0.0147147%	0.0147147%	0.0159768%	0.0147624%	0.0148749%	0.0142139%
City's proportionate share of the net pension liability	\$ <u>664,938</u>	\$ <u>497,099</u>	\$ <u>2,564,323</u>	\$ <u>1,387,104</u>	\$ <u>480,079</u>	\$ <u>1,007,099</u>
City's covered payroll	\$ 3,302,510	\$ 3,622,026	\$ 3,511,306	\$ 3,586,226	\$ 3,617,540	\$ 3,658,182
City's proportionate share of the net pension liability as a percentage of its covered payroll	20.1%	13.7%	73.0%	38.7%	13.3%	27.5%
Plan fiduciary net position as a percentage of the total pension liability	97.2%	97.9%	90.7%	94.7%	98.2%	96.3%
<b><u>Police and Fire Retirement System (PFRS)</u></b>						
Measurement date	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
City's proportion of the net pension liability	0.1488400%	0.1488400%	0.1513918%	0.1433166%	0.1529920%	0.1659880%
City's proportionate share of the net pension liability	\$ <u>619,635</u>	\$ <u>409,696</u>	\$ <u>4,482,389</u>	\$ <u>2,970,454</u>	\$ <u>1,546,377</u>	\$ <u>2,783,724</u>
City's covered payroll	\$ 4,612,109	\$ 4,182,948	\$ 4,432,386	\$ 4,722,442	\$ 5,009,124	\$ 5,038,218
City's proportionate share of the net pension liability as a percentage of its covered payroll	13.4%	9.8%	101.1%	62.9%	30.9%	55.3%
Plan fiduciary net position as a percentage of the total pension liability	100.7%	111.5%	90.2%	93.5%	96.9%	95.1%

\*Pension Schedules in the Required Supplemental Information are intended to show information for ten years, additional years' information will be displayed as it becomes available.

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

**CITY OF BATAVIA, NEW YORK**  
**SCHEDULE OF THE CITY'S PENSION CONTRIBUTIONS –**  
**EMPLOYEES' AND POLICE AND FIRE RETIREMENT SYSTEMS**  
**LAST TEN FISCAL YEARS**

	Year Ended March 31,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b><u>Employees' Retirement System (ERS)</u></b>										
Contractually required contribution	\$ 362,460	\$ 469,774	\$ 606,689	\$ 692,924	\$ 649,211	\$ 612,804	\$ 520,421	\$ 745,907	\$ 522,141	\$ 521,125
Contributions in relation to the contractually required contribution	\$ 362,460	\$ 469,774	\$ 606,689	\$ 692,924	\$ 649,211	\$ 612,804	\$ 520,421	\$ 745,907	\$ 522,141	\$ 521,125
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
City's covered payroll	\$ 3,567,469	\$ 3,371,941	\$ 3,495,890	\$ 3,302,510	\$ 3,622,026	\$ 3,511,306	\$ 3,586,226	\$ 3,617,540	\$ 3,745,876	\$ 3,909,179
Contributions as a percentage of covered payroll	10.2%	13.9%	17.4%	21.0%	19.7%	16.9%	14.8%	20.6%	13.9%	13.3%
<b><u>Police and Fire Retirement System (PFRS)</u></b>										
Contractually required contribution	\$ 900,035	\$ 740,124	\$ 1,156,334	\$ 677,447	\$ 1,213,742	\$ 877,335	\$ 1,023,988	\$ 1,532,230	\$ 1,091,470	\$ 1,094,552
Contributions in relation to the contractually required contribution	\$ 900,035	\$ 740,124	\$ 1,156,334	\$ 677,447	\$ 1,213,742	\$ 877,335	\$ 1,023,988	\$ 1,532,230	\$ 1,091,470	\$ 1,094,552
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
City's covered payroll	\$ 4,536,284	\$ 4,804,995	\$ 4,517,179	\$ 4,612,109	\$ 4,182,948	\$ 4,432,386	\$ 4,722,442	\$ 5,009,124	\$ 4,627,699	\$ 5,139,897
Contributions as a percentage of covered payroll	19.8%	15.4%	25.6%	14.7%	26.3%	21.0%	23.1%	30.6%	23.6%	21.3%

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

**CITY OF BATAVIA, NEW YORK**  
**SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**LAST TWO FISCAL YEARS\***

	<b>Year Ended March 31,</b>	
	<b>2019</b>	<b>2020</b>
<b><u>Total OPEB Liability</u></b>		
Service cost	\$ 123,841	\$ 133,160
Interest	231,012	214,961
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions or other inputs	64,470	336,194
Benefit payments	<u>(507,022)</u>	<u>(577,911)</u>
<b>Net change in total OPEB liability</b>	<b>(87,699)</b>	<b>106,404</b>
<b>Total OPEB liability - beginning</b>	<b><u>6,528,890</u></b>	<b><u>6,441,191</u></b>
<b>Total OPEB liability - ending</b>	<b><u>\$ 6,441,191</u></b>	<b><u>\$ 6,547,595</u></b>
<b>Covered-employee payroll</b>	<b>\$ 5,877,545</b>	<b>\$ 5,520,786</b>
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	<b>109.6%</b>	<b>118.6%</b>

\* This Schedule is intended to show information for ten years. Additional years will be included as they become available.

**CITY OF BATAVIA, NEW YORK**  
**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget</u>
<b>REVENUES</b>				
Real property taxes	\$ 5,272,107	\$ 5,272,107	\$ 5,096,331	\$ (175,776)
Real property tax items	263,696	263,696	249,387	(14,309)
Sales and other taxes	6,705,000	6,883,427	7,326,983	443,556
Departmental income	261,248	265,248	258,208	(7,040)
Intergovernmental revenue	-	-	29,094	29,094
Use of money and property	48,980	48,980	107,976	58,996
Licenses and permits	74,650	74,650	67,108	(7,542)
Fines and forfeitures	155,700	155,700	95,460	(60,240)
Sale of property and compensation for loss	4,500	12,500	123,204	110,704
Miscellaneous local sources	2,286,884	2,470,734	2,366,583	(104,151)
Federal and state sources	673,092	1,072,023	613,564	(458,459)
Total revenues	<u>15,745,857</u>	<u>16,519,065</u>	<u>16,333,898</u>	<u>(185,167)</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,316,534	2,281,105	1,885,993	395,112
Public safety	7,859,625	8,455,795	8,312,503	143,292
Health	19,155	18,528	18,528	-
Transportation	2,161,970	2,363,235	1,952,215	411,020
Economic assistance	130,157	627,648	400,587	227,061
Culture and recreation	902,126	924,767	805,994	118,773
Home and community services	299,770	299,904	238,300	61,604
Refuse and recycling	86,810	90,010	85,510	4,500
Debt service:				
Principal	490,483	490,483	490,483	-
Interest	207,850	207,850	139,741	68,109
Total expenditures	<u>14,474,480</u>	<u>15,759,325</u>	<u>14,329,854</u>	<u>1,429,471</u>
Excess (deficit) of revenues over expenditures	1,271,377	759,740	2,004,044	1,244,304
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers in	250,000	250,000	358,149	108,149
Interfund transfers out	(2,469,717)	(2,941,390)	(3,145,885)	(204,495)
Total other financing sources (uses)	<u>(2,219,717)</u>	<u>(2,691,390)</u>	<u>(2,787,736)</u>	<u>(96,346)</u>
Net change in fund balance *	(948,340)	(1,931,650)	(783,692)	1,147,958
Fund balance - beginning of year	<u>8,427,480</u>	<u>8,427,480</u>	<u>8,427,480</u>	<u>-</u>
Fund balance - end of year	<u>\$ 7,479,140</u>	<u>\$ 6,495,830</u>	<u>\$ 7,643,788</u>	<u>\$ 1,147,958</u>

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



**CITY OF BATAVIA, NEW YORK**  
**BUDGETARY COMPARISON SCHEDULE FOR THE SELF INSURANCE FUND**  
**FOR THE YEAR ENDED MARCH 31, 2020**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget</b>
<b>REVENUES</b>				
Use of money and property	\$ -	\$ 2,067	\$ 30,265	\$ 28,198
Miscellaneous local sources	-	916,093	916,093	-
Total revenues	-	918,160	946,358	28,198
<b>EXPENDITURES</b>				
Current:				
General government	78,770	80,173	80,173	-
Employee health benefits	2,523,380	4,177,703	4,177,703	-
Total expenditures	2,602,150	4,257,876	4,257,876	-
Excess (deficit) of revenues over expenditures	(2,602,150)	(3,339,716)	(3,311,518)	28,198
<b>OTHER FINANCING SOURCES</b>				
Interfund transfers in	2,255,130	2,330,834	2,995,661	664,827
Total other financing sources	2,255,130	2,330,834	2,995,661	664,827
Net change in fund balance *	(347,020)	(1,008,882)	(315,857)	693,025
Fund balance - beginning of year	1,350,462	1,350,462	1,350,462	-
Fund balance - end of year	\$ 1,003,442	\$ 341,580	\$ 1,034,605	\$ 693,025

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

**CITY OF BATAVIA, NEW YORK**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED MARCH 31, 2020**

---

**NOTE 1 - BUDGETARY BASIS OF ACCOUNTING**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the General Fund and the special revenue funds (Self Insurance Fund, a major fund). The budgetary schedule for the general fund does not include the business improvement district fund (BID) which does not have a legally adopted budget. The Capital Projects Fund is appropriated on a project-length basis. Budgetary comparison schedules are presented for the General Fund and for each major special revenue funds, however, budgetary information for the nonmajor funds is not considered required supplementary information and, therefore, is not presented. The Capital Projects Fund is appropriated on a project-length basis and does not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements), which sometimes span a period of more than one fiscal year. The Water, Sewer and City Centre Enterprise Funds have a budget that is utilized for cost control purposes.

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

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations. The City considers encumbrances to be significant for individual amounts that are encumbered in excess of \$50,000. As of March 31, 2020, there were no individually significant encumbrances.

**NOTE 2 - FACTORS AFFECTING TRENDS IN PENSIONS**

The City's proportionate share of the net pension liability of the pension systems is significantly dependent on the performance of the stock market and the funds that the retirement system invests in. In addition to this factor, the discount factor has varied from 7.5% to 7.0% over the past four years.

**NOTE 3 – FACTORS AFFECTING TRENDS IN RETIREE HEALTH PLAN (OPEB)**

The City's retiree health plan's most significant factors and assumptions affecting the total OPEB liability are as follows:

	Discount Rate	Salary Scale	Inflation Rate	Ultimate Healthcare Cost Trend Rate
<u>Year ended March 31:</u>				
2020	2.48 %	3.00 %	2.25 %	3.78 %
2019	3.42	3.00	2.25	3.78

## **SUPPLEMENTARY INFORMATION**

***\*\*THIS PAGE INTENTIONALLY LEFT BLANK\*\****

**CITY OF BATAVIA, NEW YORK**  
**COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS**  
**MARCH 31, 2020**

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Mall Maintenance Fund	Small Cities Fund	Special Grant Fund	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 13,932	\$ -	\$ -	\$ 13,932
Cash and cash equivalents - restricted	-	27,618	326,036	353,654
Accounts receivable	24	-	-	24
Loan receivables (net of allowance for uncollectible accounts)	-	46,007	150,382	196,389
Total assets	<u>\$ 13,956</u>	<u>\$ 73,625</u>	<u>\$ 476,418</u>	<u>\$ 563,999</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ 20,000	\$ 20,000
Due to other funds	-	-	50,000	50,000
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,000</u>	<u>\$ 70,000</u>
<b>FUND BALANCES</b>				
Restricted	-	73,625	406,418	480,043
Assigned	13,956	-	-	13,956
Total fund balances	<u>\$ 13,956</u>	<u>\$ 73,625</u>	<u>\$ 406,418</u>	<u>\$ 493,999</u>
Total liabilities and fund balances	<u>13,956</u>	<u>73,625</u>	<u>476,418</u>	<u>563,999</u>

**CITY OF BATAVIA, NEW YORK**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED MARCH 31, 2020**

	<b>Special Revenue Funds</b>			<b>Total Nonmajor Governmental Funds</b>
	<b>Mall Maintenance Fund</b>	<b>Small Cities Fund</b>	<b>Special Grant Fund</b>	
<b>REVENUES</b>				
Use of money and property	\$ 128	\$ 1,379	\$ 8,752	\$ 10,259
Fines and forfeitures	-	-	2,180	2,180
Miscellaneous local sources	-	5,494	-	5,494
Total revenues	128	6,873	10,932	17,933
<b>EXPENDITURES</b>				
Current:				
Economic assistance and opportunity	8,571	-	-	8,571
Home and community services	-	18,999	40,000	58,999
Total expenditures	8,571	18,999	40,000	67,570
Deficit of revenues over expenditures	(8,443)	(12,126)	(29,068)	(49,637)
Fund balances - beginning	22,399	85,751	435,486	543,636
Fund balances - ending	\$ 13,956	\$ 73,625	\$ 406,418	\$ 493,999

## **FEDERAL FINANCIAL ASSISTANCE**

***\*\*THIS PAGE INTENTIONALLY LEFT BLANK\*\****



**CITY OF BATAVIA, NEW YORK**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED MARCH 31, 2020**

<b>Federal Grantor/Pass Through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Pass-Through to Subrecipients</b>	<b>Federal Expenditures</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>				
<b><i>Passed through New York State Office of Community Renewal:</i></b>				
Community Development Block Grants	14.228	82PW14-17	\$ -	\$ 333,000
Community Development Block Grants	14.228	82CP163-18	-	50,000
Total Community Development Block Grants			-	383,000
Total U.S. Department of Housing and Urban Development			-	383,000
<b><u>U.S. Department of Justice</u></b>				
<b><i>Passed through New York State Division of Criminal Justice Services:</i></b>				
Bulletproof Vest Partnership Program	16.607	2009BUBX09046584	-	2,848
Total U.S. Department of Justice			-	2,848
<b><u>U.S. Department of Transportation</u></b>				
<b><i>Passed through New York State Department of Transportation:</i></b>				
<i>Highway Planning and Construction Cluster</i>				
Highway Planning and Construction	20.205	D035678; D035447; D034906	-	803,570
Total Highway Planning and Construction Cluster			-	803,570
<b><i>Passed through New York State Governor's Traffic Safety Committee:</i></b>				
<i>Highway Safety Cluster</i>				
State and Community Highway Safety	20.600	PTS-2019 Batavia City PD - 00315-(019)	-	6,157
Total Highway Safety Cluster			-	6,157
Total U.S. Department of Transportation			-	809,727
<b><u>U.S. Department of Homeland Security</u></b>				
<b><i>Direct through Department of Homeland Security</i></b>				
Assistance to Firefighters Grant	97.044	--	-	4,762
Total U.S. Department of Homeland Security			-	4,762
<b>Total Expenditures of Federal Awards</b>			<b>\$ -</b>	<b>\$ 1,200,337</b>

See notes to schedule of expenditures of federal awards.

**CITY OF BATAVIA, NEW YORK**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

---

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of the federal financial assistance programs administered by the City of Batavia, New York (the City). The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Federal awards received directly from federal agencies, as well as, federal awards passed through from other government agencies are included in the schedule. Because the Schedule presents only a selected portion of the operations of the City, it is not intended and does not present the financial position, changes in net position, or cash flows of the City.

**NOTE 2 - BASIS OF ACCOUNTING**

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 expenditures are not allowable or are limited as to reimbursement. The amounts reported as federal expenditures were obtained from the City's financial reporting system, which is the source of the City's basic financial statements.

**NOTE 3 – INDIRECT COST**

The City has elected not to use the 10-percent de minimis indirect cost rate allowable under the Uniform Guidance.

## **INTERNAL CONTROL AND COMPLIANCE**

*\*\*THIS PAGE INTENTIONALLY LEFT BLANK\*\**

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

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Batavia, New York (the City), as of and for the year ended March 31, 2020, 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 16, 2020.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

## Purpose of this Report

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

*Freed Maxick CPAs, P.C.*

Batavia, New York  
September 16, 2020



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

**INDEPENDENT AUDITOR'S REPORT**

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

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

We have audited the City of Batavia, New York's (the City) compliance with the types of compliance requirements described in the *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, 2020. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2020.

## Report on Internal Control Over Compliance

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

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

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

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

*Freed Maxick CPAs, P.C.*

Batavia, New York  
September 16, 2020



**CITY OF BATAVIA, NEW YORK**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED MARCH 31, 2020**

---

**I. SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- |   |                   |                            |
|---|-------------------|----------------------------|
| • Material weakness(es) identified?       | <u>      </u> Yes | <u>  X  </u> No            |
| • Significant deficiency(ies) identified? | <u>      </u> Yes | <u>  X  </u> None reported |

Noncompliance material to the financial statements noted?

       Yes   X   No

*Federal Awards*

Internal control over major federal programs:

- |   |                   |                            |
|---|-------------------|----------------------------|
| • Material weakness(es) identified?       | <u>      </u> Yes | <u>  X  </u> No            |
| • Significant deficiency(ies) identified? | <u>      </u> Yes | <u>  X  </u> None reported |

Type of auditor's 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)? | <u>      </u> Yes | <u>  X  </u> No |
|--|-------------------|-----------------|

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
-----------------------	---

20.205	Highway Planning and Construction Cluster
--------	---

Dollar threshold used to distinguish between Type A and Type programs:	<u>\$</u>	<u>750,000</u>
--	-----------	----------------

Auditee qualified as low-risk auditee?	<u>      </u> Yes	<u>  X  </u> No
--	-------------------	-----------------

**II. FINANCIAL STATEMENT FINDINGS**

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

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

There were no federal award findings or questioned costs noted in the current year.

**CITY OF BATAVIA, NEW YORK  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED MARCH 31, 2020**

---

**I. FINANCIAL STATEMENT FINDINGS**

There were no financial statement findings noted in the fiscal year ended March 31, 2019.

**II. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no federal award findings or questioned costs noted in the fiscal year ended March 31, 2019.

*\*\*THIS PAGE INTENTIONALLY LEFT BLANK\*\**