

**CITY OF BATAVIA,  
NEW YORK**

*Basic Financial Statements,  
Required Supplementary Information and  
Supplementary Information for the Year Ended  
March 31, 2022 and Independent Auditors' Reports*



**CITY OF BATAVIA, NEW YORK**  
**Table of Contents**  
**Year Ended March 31, 2022**

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	<u>Page</u>
Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	4
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	
Statement of Net Position .....	16
Statement of Activities.....	17
Fund Financial Statements:	
Balance Sheet—Governmental Funds .....	18
Reconciliation of the Balance Sheet—Governmental Funds to the Government-wide Statement of Net Position.....	19
Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)—Governmental Funds .....	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)—Governmental Funds to the Government-wide Statement of Activities .....	21
Statement of Net Position—Proprietary Funds.....	22
Statement of Revenues, Expenses, and Changes in Net Position—Proprietary Funds .....	23
Statement of Cash Flows—Proprietary Funds.....	24
Statement of Fiduciary Net Position .....	26
Statement of Changes in Fiduciary Net Position .....	27
Notes to the Financial Statements.....	28
<b>Required Supplementary Information:</b>	
Schedule of the City's Proportionate Share of the Net Pension Liability—Police and Fire Retirement System .....	58
Schedule of the City's Contributions—Police and Fire Retirement System .....	59

(continued)



**CITY OF BATAVIA, NEW YORK**  
**Table of Contents**  
**Year Ended March 31, 2022**

---

(concluded)

	<u>Page</u>
Schedule of the City’s Proportionate Share of the Net Pension Liability—Employees’ Retirement System .....	60
Schedule of the City’s Contributions—Employees’ Retirement System .....	61
Schedule of Changes in the City’s Total OPEB Liability and Related Ratios .....	62
Schedule of Revenues, Expenditures and Change in Fund Balance— Budget and Actual—General Fund.....	64
Notes to the Required Supplementary Information .....	65
<b>Supplementary Information:</b>	
Combining Balance Sheet—Nonmajor Governmental Funds.....	66
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Nonmajor Governmental Funds .....	67
Combining Statement of Net Position—Internal Service Funds.....	68
Combining Statement of Revenues, Expenses, and Changes in Net Position—Internal Service Funds .....	69
Combining Statement of Cash Flows—Internal Service Funds.....	70
Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	71



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Certified Public Accountants

## **INDEPENDENT AUDITORS' REPORT**

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

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

#### ***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Batavia, New York (the "City"), as of and for the year ended March 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of March 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Other Matter***

As discussed in Note 2 to the financial statements, during the year ended March 31, 2022, the City elected to report its self-insurance activity as an internal service fund. Our opinion is not modified with respect to this matter.

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

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

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

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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



### ***Required Supplementary Information***

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. The 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 by us and the other auditors. In our opinion, the Supplementary Information, as listed in the table of contents, are fairly stated in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Governmental Auditing Standards*, we have also issued our report dated September 26, 2022 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, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Drescher & Malecki LLP*

September 26, 2022



**CITY OF BATAVIA, NEW YORK**  
**Management's Discussion and Analysis**  
**Year Ended March 31, 2022**

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As management of the City of Batavia, New York (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended March 31, 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative. For comparative purposes, certain items for the prior year have been reclassified to conform with current year presentation.

**Financial Highlights**

- The assets and the deferred outflows of resources of the City's primary government exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$64,533,751 (*net position*). This consists of \$42,880,855 net investment in capital assets, \$13,928,983 restricted for specific purposes, and unrestricted net position of \$7,723,913.
- The City's total primary government net position increased by \$3,698,753 during the year ended March 31, 2022.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,736,235, an increase of \$1,055,028 in comparison with the prior year's fund balance of \$8,681,207, as adjusted.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$3,124,549 or approximately 18.8 percent of total General Fund expenditures and transfers out. This total amount is *available for spending* at the City's discretion and constitutes approximately 33.3 percent of the General Fund's total fund balance of \$9,376,359.
- The City's government activities' bonds payable decreased by \$273,800 during the year due to scheduled principal payments. Similarly, the City's business-type activities' bonds payable decreased by \$467,882 due to scheduled principal payments.

**Overview of the Financial Statements**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The notes to the financial statements can be found on pages 28-57 of this report.

**Other Information**—In addition to the basic financial statements and the accompanying notes, this report also presents *Required Supplementary Information* concerning the City’s net pension liability, the City’s progress in funding its obligation to provide post-employment benefits (“OPEB”) to its employees, and the City’s budgetary comparison for the General Fund. Required Supplementary Information and related notes to the Required Supplementary Information can be found on pages 58-65 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the Required Supplementary Information in the Supplementary Information section of this report on pages 66-70.

## **Government-wide Financial Analysis**

As noted earlier, net position over time may serve as a useful indicator of a government’s financial position. In the case of the City’s primary government, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$64,533,751 at the close of the most recent fiscal year, as compared to \$60,834,998 at the close of the fiscal year ended March 31, 2021.

Table 1, shown below, presents condensed statements of net position as of March 31, 2022 and March 31, 2021.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>March 31,</u>		<u>March 31,</u>		<u>March 31,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current assets	\$ 15,650,116	\$ 13,321,763	\$ 22,761,995	\$ 21,054,289	\$ 38,412,111	\$ 34,376,052
Capital assets	24,291,868	25,345,879	26,914,800	27,023,588	51,206,668	52,369,467
Total assets	<u>39,941,984</u>	<u>38,667,642</u>	<u>49,676,795</u>	<u>48,077,877</u>	<u>89,618,779</u>	<u>86,745,519</u>
Deferred outflows of resources	<u>12,538,436</u>	<u>8,953,700</u>	<u>1,456,609</u>	<u>1,065,891</u>	<u>13,995,045</u>	<u>10,019,591</u>
Current liabilities	3,825,817	3,095,255	729,133	717,899	4,554,950	3,813,154
Noncurrent liabilities	13,924,595	22,463,661	6,589,895	8,507,831	20,514,490	30,971,492
Total liabilities	<u>17,750,412</u>	<u>25,558,916</u>	<u>7,319,028</u>	<u>9,225,730</u>	<u>25,069,440</u>	<u>34,784,646</u>
Deferred inflows of resources	<u>12,261,250</u>	<u>998,856</u>	<u>1,749,383</u>	<u>146,610</u>	<u>14,010,633</u>	<u>1,145,466</u>
Net position:						
Net investment in capital assets	21,888,857	22,563,763	20,991,998	20,634,521	42,880,855	43,198,284
Restricted	6,405,359	5,343,691	7,523,624	7,809,291	13,928,983	13,152,982
Unrestricted	(5,825,458)	(6,843,884)	13,549,371	11,327,616	7,723,913	4,483,732
Total net position	<u>\$ 22,468,758</u>	<u>\$ 21,063,570</u>	<u>\$ 42,064,993</u>	<u>\$ 39,771,428</u>	<u>\$ 64,533,751</u>	<u>\$ 60,834,998</u>

The largest portion of the City's net position, \$42,880,855, reflects its net investment in capital assets (such as land, buildings, machinery and equipment, and infrastructure); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$13,928,983, represents resources that are subject to external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

The remaining balance of the City's primary government net position, \$7,723,913, is considered to be unrestricted net position and may be used to meet the City's ongoing operations.

Table 2, as presented on the following page, shows the changes in net position for the years ended March 31, 2022 and March 31, 2021.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	Year Ended March 31,		Year Ended March 31,		Year Ended March 31,	
	2022	2021	2022	2021	2022	2021
Program revenues:						
Charges for services	\$ 825,122	\$ 431,213	\$ 7,435,183	\$ 6,354,633	\$ 8,260,305	\$ 6,785,846
Operating grants and contributions	655,378	410,338	3,020,549	2,268,712	3,675,927	2,679,050
Capital grants and contributions	164,752	143,478	-	-	164,752	143,478
General revenues	16,432,291	16,093,691	25,374	60,280	16,457,665	16,153,971
Total revenues	<u>18,077,543</u>	<u>17,078,720</u>	<u>10,481,106</u>	<u>8,683,625</u>	<u>28,558,649</u>	<u>25,762,345</u>
Program expenses	<u>17,274,035</u>	<u>18,941,558</u>	<u>7,585,861</u>	<u>7,897,558</u>	<u>24,859,896</u>	<u>26,839,116</u>
Transfers	<u>601,680</u>	<u>131,460</u>	<u>(601,680)</u>	<u>(131,460)</u>	<u>-</u>	<u>-</u>
Change in net position	1,405,188	(1,731,378)	2,293,565	654,607	3,698,753	(1,076,771)
Net position—beginning	<u>21,063,570</u>	<u>22,794,948</u>	<u>39,771,428</u>	<u>39,116,821</u>	<u>60,834,998</u>	<u>61,911,769</u>
Net position—ending	<u>\$ 22,468,758</u>	<u>\$ 21,063,570</u>	<u>\$ 42,064,993</u>	<u>\$ 39,771,428</u>	<u>\$ 64,533,751</u>	<u>\$ 60,834,998</u>

**Governmental activities**—Overall revenues of governmental activities increased 5.8 percent from the prior year. The increase was primarily the result of increases in charges for services related to public safety combined with an increase in nonproperty taxes related to sales tax. Total expenses decreased 8.8 percent from the prior year, which is attributable to lesser allocable employee benefit expenses related to the City’s net pension liability and other postemployment benefits obligation.

A summary of sources of revenues for the years ended March 31, 2022 and March 31, 2021 is presented in Table 3 below.

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

	Year Ended March 31,		Increase/(Decrease)	
	2022	2021	Dollar (\$)	Percent (%)
Program revenues:				
Charges for services	\$ 825,122	\$ 431,213	\$ 393,909	91.3
Operating grants and contributions	655,378	410,338	245,040	59.7
Capital grants and contributions	164,752	143,478	21,274	14.8
Real property taxes and other tax items	6,125,748	5,994,119	131,629	2.2
Nonproperty taxes	7,346,707	7,034,061	312,646	4.4
Use of money and property	103,913	99,601	4,312	4.3
Miscellaneous	468,902	596,350	(127,448)	(21.4)
State aid—unrestricted	2,387,021	2,369,560	17,461	0.7
Total revenues	<u>\$18,077,543</u>	<u>\$17,078,720</u>	<u>\$ 998,823</u>	5.8

The City’s most significant sources of revenues for the year ended March 31, 2022 were nonproperty taxes of \$7,346,707, or 40.6 percent of total revenues, real property taxes and other tax items of \$6,125,748, or 33.9 percent of total revenues, and state aid—unrestricted of \$2,387,021, or 13.2 percent of total revenues. For the year ended March 31, 2021, the City’s most significant sources of revenues were nonproperty taxes of \$7,034,061, or 41.2 percent of total revenues, real property taxes and other tax items of \$5,994,119, or 35.1 percent of total revenues, and state aid—unrestricted of \$2,369,560, or 13.9 percent of total revenues.

A summary of program expenses for the years ended March 31, 2022 and March 31, 2021 is presented below in Table 4.

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

	Year Ended March 31,		Increase/(Decrease)	
	2022	2021	Dollars (\$)	Percent (%)
General government support	\$ 2,448,623	\$ 2,775,891	\$ (327,268)	(11.8)
Public safety	9,780,341	11,795,948	(2,015,607)	(17.1)
Health	22,797	27,269	(4,472)	(16.4)
Transportation	2,356,777	3,308,861	(952,084)	(28.8)
Economic assistance and opportunity	327,567	275,627	51,940	18.8
Culture and recreation	836,267	204,477	631,790	309.0
Home and community services	1,424,856	466,515	958,341	205.4
Interest and other fiscal charges	76,807	86,970	(10,163)	(11.7)
Total expenses	<u>\$ 17,274,035</u>	<u>\$ 18,941,558</u>	<u>\$ (1,667,523)</u>	(8.8)

The City’s most significant expenses for the year ended March 31, 2022 were public safety of \$9,780,341, or 56.6 percent of total expenses, general government support of \$2,448,623 or 14.2 percent of total expenses, and transportation of \$2,356,777, or 13.64 percent of total expenses. For the year ended March 31, 2021, the most significant expenses were public safety of \$11,795,948, or 62.3 percent of total expenses, transportation of \$3,308,861, or 17.5 percent of total expenses, and general government support of \$2,775,891, or 14.7 percent of total expenses.

**Business-type activities**—Business-type activities (the Sewer Fund, Water Fund, and City Centre Fund) increased the City’s net position by \$2,293,565.

A summary of sources of revenues and expenses for the City’s business-type activities for the years ended March 31, 2021 and 2022 is presented in Table 5 on the following page.



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

	Year Ended March 31,		Increase/(Decrease)	
	2022	2021	Dollars (\$)	Percent (%)
<b>Operating revenues:</b>				
Charges for services	\$ 7,435,183	\$ 6,354,633	\$ 1,080,550	17.0
County water agreement charges	1,463,899	1,420,069	43,830	3.1
Rental of real property	550,000	550,000	-	-
Other operating revenues	486,647	264,533	222,114	84.0
State sources	520,003	34,110	485,893	1,424.5
Total operating revenues	<u>\$ 10,455,732</u>	<u>\$ 8,623,345</u>	<u>\$ 1,832,387</u>	21.2
<b>Operating expenses:</b>				
Salaries, wages, and employee benefits	1,847,984	2,435,354	(587,370)	(24.1)
Claims and contractual expenses	3,729,206	3,552,592	176,614	5.0
Depreciation	1,859,042	1,775,632	83,410	4.7
Total operating expenses	<u>\$ 7,436,232</u>	<u>\$ 7,763,578</u>	<u>\$ (327,346)</u>	(4.2)

At March 31, 2022, the most significant source of revenues relating to the City’s business-type activities is charges for services, including Sewer and Water rents. Total revenue relating to the City’s business-type activities increased 21.2 percent from the year ended March 31, 2021, primarily due to revenues from charges for services.

Total expenses decreased by \$327,346, or 4.2 percent. This decrease is primarily related to changes in estimates in employee benefits related to the City’s net pension liability and other postemployment (“OPEB”) liability.

**Financial Analysis of the Governmental Funds**

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

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

At March 31, 2022, the City’s governmental funds reported combined ending fund balances of \$9,736,235, an increase of \$1,055,028 in comparison with the prior year. Approximately 31.7 percent, or \$3,088,953, of this fund balance constitutes *unassigned fund balance* which is available for spending at the City’s discretion. The remainder of fund balance is *restricted, committed, or assigned* to indicate that it is 1) restricted for particular purposes, \$5,363,025, 2) committed to a particular purpose, \$29,124, or 3) assigned for particular purposes, \$1,255,133.

The General Fund is the chief operating fund of the City. At March 31, 2022, the unassigned fund balance of the General Fund was \$3,124,549, while the total fund balance increased to \$9,376,359. As a measure of the General Fund’s liquidity, it may be useful to compare both the unassigned and total fund balances to total fund expenditures and transfers out. Unassigned fund balance represents approximately 18.8 percent of total General Fund expenditures and transfers out, while total fund balance represents approximately 56.3 percent of that same amount. The total fund balance of the General Fund increased by \$1,339,196 during the current fiscal year, primarily due to higher than anticipated non-property tax items related to sales tax.

The City’s Capital Projects Fund ending fund balance deficit was \$35,596 at March 31, 2022. During the year ended March 31, 2022, the fund balance decreased \$200,753 primarily due to an increase in capital outlay. The deficit will be eliminated as resources are obtained (e.g., from revenues, long-term debt issuances, and transfers in).

**Proprietary Funds**—The City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position of the business-type activities at March 31, 2022 totaled \$42,064,993. The Sewer Fund net position increased by \$1,223,350, the Water Fund net position increased by \$884,872, and the City Centre net position increased by \$185,343. Operating revenue for all three funds increased in the current year and exceeded operating expenses. Net position of the internal service fund increased \$648,534, primarily as a result of operating transfers made to the fund.

### General Fund Budgetary Highlights

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

A summary of the General Fund results of operations for the year ended March 31, 2022 is presented below in Table 6.

**Table 6—General Fund Budget**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues and other financing sources	\$ 15,942,930	\$ 17,267,688	\$ 17,990,693	\$ 723,005
Expenditures and other financing uses	17,534,233	17,876,250	16,651,497	1,224,753
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (1,591,303)	\$ (608,562)	\$ 1,339,196	\$ 1,947,758

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

**Final budget compared to actual results**—The General Fund had a favorable variance from final budgetary appropriations of \$1,224,753 and a variance in General Fund revenues and other financing sources of \$723,005. The most significant variances were realized in public safety due to less than anticipated personal expenses and in non-property tax items related to higher than anticipated sales tax revenue.

### Capital Assets and Debt Administration

**Capital assets**—The City’s investment in capital assets for its governmental activities and business-type activities as of March 31, 2022, amounted to \$51,206,668 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and building improvements, machinery, equipment and vehicles, and infrastructure. All depreciable capital assets were depreciated by taking their historical cost, less any residual value, and dividing by the estimated life.

Capital assets, net of accumulated depreciation, for the governmental activities and business-type activities, at the years ended March 31, 2022 and 2021 are presented in Table 7 below:

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	March 31,		March 31,		March 31,	
	2022	2021	2022	2021	2022	2021
Land	\$ 1,134,886	\$ 1,134,588	\$ 41,500	\$ 41,500	\$ 1,176,386	\$ 1,176,088
Construction in progress	1,096,102	4,464,457	909,378	397,435	2,005,480	4,861,892
Building and building improvements	5,288,395	5,499,944	10,236,146	11,371,123	15,524,541	16,871,067
Machinery, equipment and vehicles	3,123,549	3,200,285	2,211,727	1,132,510	5,335,276	4,332,795
Infrastructure	13,648,936	11,046,605	13,516,049	14,081,020	27,164,985	25,127,625
Total	<u>\$ 24,291,868</u>	<u>\$ 25,345,879</u>	<u>\$ 26,914,800</u>	<u>\$ 27,023,588</u>	<u>\$ 51,206,668</u>	<u>\$ 52,369,467</u>

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

**Long-term liabilities**—At March 31, 2022, the City’s bonds payable totaled \$2,336,800 for governmental activities as compared to the prior year’s total of \$2,610,600. The bonds payable for business-type activities at March 31, 2022, totaled \$5,913,200 as compared to the prior year’s total of \$6,381,082. Total primary government long-term liabilities decreased by \$10,457,002 primarily as a result of a decrease in the net pension liability and other postemployment benefits obligation.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	March 31,		March 31,		March 31,	
	2022	2021	2022	2021	2022	2021
Serial bonds	\$ 2,336,800	\$ 2,610,600	\$ 5,913,200	\$ 6,381,082	\$ 8,250,000	\$ 8,991,682
Premium on serial bonds	38,406	41,903	9,602	10,476	48,008	52,379
Installment purchase debt	27,805	136,126	-	27,179	27,805	163,305
Due to other governments	236,110	245,756	-	-	236,110	245,756
Compensated absences	1,709,396	1,948,278	305,585	281,751	2,014,981	2,230,029
OPEB obligation	6,575,362	10,444,794	355,645	390,429	6,931,007	10,835,223
Net pension liability	3,000,716	7,036,204	5,863	1,416,914	3,006,579	8,453,118
<b>Total</b>	<b>\$ 13,924,595</b>	<b>\$ 22,463,661</b>	<b>\$ 6,589,895</b>	<b>\$ 8,507,831</b>	<b>\$ 20,514,490</b>	<b>\$ 30,971,492</b>

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

**Economic Factors and Next Year’s Budgets and Rates**

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

General Fund Revenue – An increase in revenues in the General Fund was realized in fiscal year 21/22 related to an increase in property tax and sales tax revenue. The General Fund typically shows little to no growth year over year and the City faces a higher risk of deferring capital expenditures, cutting services and increasing taxes if we cannot continue to grow our tax base. Efforts to grow the tax base in the City include incentivizing building rehabilitation with Main Street grants, the Downtown Revitalization Initiative (DRI), the Brownfield Opportunity Area (BOA), and new housing and neighborhood revitalization initiatives.

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. While the sales tax formula allows for the City to benefit from 16% of total collected sales tax from the County the growth is restricted/capped to only 2% growth of the previous year. During 21/22 the City shed the cap and is now collecting 14% of the total County sales tax. Sales tax is the largest percentage of revenue of the General Fund Revenue in the City budget at approximately 41%.

Property Tax Cap – The adoption of the property tax cap 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 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 that residents desire.

Reserve funding – Funding reserves for future equipment, infrastructure and facility improvements is critical in avoiding larger tax burdens in future years. In the fiscal year ending March 31, 2022, the City utilized just over \$1.89 million of reserve funding to purchase needed equipment and offset liabilities as they came due. Planning for these improvements/liabilities is a major priority in the City’s plan. The City Manager and Department Heads annually update capital improvement plans to plan for major purchases. 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 David M McCarthy Ice Arena. An objective of the City’s Strategic Plan includes creating capital plans for the facilities and equipment. Capital plans for the Bureau of Maintenance, Fire Station, and City Centre (mall) roof were completed and identified approximately \$4,000,000 of needed improvements. The Mall Roof Project Phase I and II was completed in 2022 at a cost of \$935,000. The Fire Station and Bureau of Maintenance (BOM) project is expected to go to bid in the fall of 2022; however not all of the upgrades recommended in the facility improvement plan will be achieved. The cost of the original project three years ago was estimated at \$1,900,000. Now at \$2,300,000 only 65% of the needed improvements will be completed. Continuing to build the Facility Reserve Fund will be critical to the ongoing success of the City to maintain a safe and healthy workplace for employees, and to move these projects forward as prices continue to rise.

Police Station – The City is preparing to issue a general obligation bond to move towards construction of a new police station to be located on the City Center campus. The current Police Department and Headquarters, constructed in 1855 as a private residence, is out of date, and inefficiently suited for a modern-day Police Department to properly serve the community. The current facility does not adhere to the American Disabilities Act and requires significant capital costs for ongoing infrastructure maintenance. A new Police Department and Headquarters on the Alva/Bank Street parking lot will be a capital investment of approximately \$10 to \$15 million. The new Police Department and Headquarters will be financed by the City of Batavia through a 30-year public improvement serial bond, with possible USDA RD grant/loan funding. The City’s goal is to avoid any increases in city property taxes related to the construction of the facility and to use the principle of level debt.

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. The City has replaced every computer in the City, upgraded to Windows 10, and launched a new financial, payroll, HR, utility billing and code enforcement software. There are still a few software modules that need to be implemented including tax collection and asset management that incorporates work order systems for DPW. The City also installed fiber to every City building last year creating better connectivity for all employees. In addition, the current phone system is obsolete and will be replaced this year.

NYS Retirement Costs – Since fiscal year 2010, 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 has 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 at this time.

Retiree Healthcare Costs – Retiree healthcare will continue to increase in the future. The total postemployment health insurance cost to the City for 36 retirees was \$332,470 for the year ending March 31, 2022. While this is a slight decrease when compared to the prior year, retiree healthcare expenses are a large portion of the General Fund expenses, are unpredictable and can be extremely volatile in the event of one single illness. The City’s actuarial liability for post-employment benefits, as of March 31, 2022 is \$6,931,007, 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 – The Police Benevolent Association (PBA) contract expires March 31, 2023. The City’s negotiations will be focused on a manageable benefit package 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.

Taxable Assessed Value – The City has realized an average growth of 1.0% to 2.0% in its property tax base annually, however in FY 21/22 the increase was 0.10% at the height of COVID-19. In FY 22/23 assessments jumped 11% due to the eruption in the housing market. Even with the jump in assessment the City could only add \$121,000 to the General Fund operating budget and remain in compliance with the 2% tax cap. The tax rate was lowered from \$9.73 to \$8.94 per \$1,000 of assessed value after the increase in assessment.

Over the past several 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. The combination significantly hampers the City’s ability to fund core and additional services. After COVID-19, interest rates and material costs have continued to rise without the offset of rising revenue. The City of Batavia has to increase the tax base through building and residential improvements to keep up with rising costs and inflation. This makes future commercial and industrial redevelopment a major priority for the foreseeable future; specifically, Brownfield Redevelopment, throughout the City’s Central Corridor.

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

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

### **Requests for Information**

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

# BASIC FINANCIAL STATEMENTS





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**CITY OF BATAVIA, NEW YORK**  
**Statement of Net Position**  
**March 31, 2022**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 419,547	\$ 11,737,936	\$ 12,157,483
Restricted cash and cash equivalents	2,864,064	7,523,624	10,387,688
Investments	1,569,675	-	1,569,675
Restricted investments	6,871,054	-	6,871,054
Receivables (net of allowance for uncollectibles):			
Property taxes	2,415,157	-	2,415,157
Accounts	209,692	2,194,659	2,404,351
Loans	180,009	-	180,009
Intergovernmental receivables	1,883,015	543,679	2,426,694
Internal balances	(762,097)	762,097	-
Capital assets not being depreciated	2,230,988	950,878	3,181,866
Capital assets, net of accumulated depreciation	<u>22,060,880</u>	<u>25,963,922</u>	<u>48,024,802</u>
Total assets	<u>39,941,984</u>	<u>49,676,795</u>	<u>89,618,779</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows—relating to pensions	11,668,145	1,409,537	13,077,682
Deferred outflows—relating to OPEB	<u>870,291</u>	<u>47,072</u>	<u>917,363</u>
Total deferred outflows of resources	<u>12,538,436</u>	<u>1,456,609</u>	<u>13,995,045</u>
<b>LIABILITIES</b>			
Accounts payable	557,417	662,809	1,220,226
Accrued liabilities	516,003	66,324	582,327
Intergovernmental payables	502,325	-	502,325
Other liabilities	742,043	-	742,043
Unearned revenue	1,508,029	-	1,508,029
Noncurrent liabilities:			
Due within one year	485,942	517,733	1,003,675
Due within more than one year	<u>13,438,653</u>	<u>6,072,162</u>	<u>19,510,815</u>
Total liabilities	<u>17,750,412</u>	<u>7,319,028</u>	<u>25,069,440</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows—relating to pensions	12,095,085	1,740,395	13,835,480
Deferred inflows—relating to OPEB	<u>166,165</u>	<u>8,988</u>	<u>175,153</u>
Total deferred inflows of resources	<u>12,261,250</u>	<u>1,749,383</u>	<u>14,010,633</u>
<b>NET POSITION</b>			
Net investment in capital assets	21,888,857	20,991,998	42,880,855
Restricted for:			
Retirement and employee benefits	1,517,918	-	1,517,918
Insurance	419,771	-	419,771
Capital projects	4,147,799	7,523,624	11,671,423
Other	289,198	-	289,198
Repairs	30,673	-	30,673
Unrestricted (deficit)	<u>(5,825,458)</u>	<u>13,549,371</u>	<u>7,723,913</u>
Total net position	<u>\$ 22,468,758</u>	<u>\$ 42,064,993</u>	<u>\$ 64,533,751</u>

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

**CITY OF BATAVIA, NEW YORK**  
**Statement of Activities**  
**Year Ended March 31, 2022**

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government support	\$ 2,448,623	\$ 356,549	\$ 52,300	\$ -	\$ (2,039,774)	\$ -	\$ (2,039,774)
Police	4,639,573	81,153	22,887	-	(4,535,533)	-	(4,535,533)
Fire	4,583,037	-	13,229	-	(4,569,808)	-	(4,569,808)
Public safety	557,731	279,920	-	-	(277,811)	-	(277,811)
Health	22,797	27,540	-	-	4,743	-	4,743
Transportation	2,356,777	4,580	467,610	97,967	(1,786,620)	-	(1,786,620)
Economic assistance and opportunity	327,567	-	-	-	(327,567)	-	(327,567)
Culture and recreation	836,267	61,284	24,000	66,785	(684,198)	-	(684,198)
Home and community services	1,328,643	14,096	75,352	-	(1,239,195)	-	(1,239,195)
Refuse and recycling	96,213	-	-	-	(96,213)	-	(96,213)
Interest and other fiscal charges	76,807	-	-	-	(76,807)	-	(76,807)
Total governmental activities	<u>17,274,035</u>	<u>825,122</u>	<u>655,378</u>	<u>164,752</u>	<u>(15,628,783)</u>	<u>-</u>	<u>(15,628,783)</u>
Business-type activities:							
Sewer	2,988,079	4,138,166	236,785	-	-	1,386,872	1,386,872
Water	4,426,437	3,074,425	2,781,285	-	-	1,429,273	1,429,273
City Centre	171,345	222,592	2,479	-	-	53,726	53,726
Total business-type activities	<u>7,585,861</u>	<u>7,435,183</u>	<u>3,020,549</u>	<u>-</u>	<u>-</u>	<u>2,869,871</u>	<u>2,869,871</u>
Total primary government	<u>\$ 24,859,896</u>	<u>\$ 8,260,305</u>	<u>\$ 3,675,927</u>	<u>\$ 164,752</u>	<u>(15,628,783)</u>	<u>2,869,871</u>	<u>(12,758,912)</u>
General revenues and transfers:							
Real property taxes and other tax items					6,125,748	-	6,125,748
Nonproperty taxes					7,346,707	-	7,346,707
Use of money and property					103,913	25,374	129,287
Sale of property and compensation for loss					152,293	-	152,293
Miscellaneous					316,609	-	316,609
State aid—unrestricted					2,387,021	-	2,387,021
Transfers					601,680	(601,680)	-
Total general revenues and transfers					<u>17,033,971</u>	<u>(576,306)</u>	<u>16,457,665</u>
Change in net position					1,405,188	2,293,565	3,698,753
Net position—beginning					21,063,570	39,771,428	60,834,998
Net position—ending					<u>\$ 22,468,758</u>	<u>\$ 42,064,993</u>	<u>\$ 64,533,751</u>

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

**CITY OF BATAVIA, NEW YORK**  
**Balance Sheet—Governmental Funds**  
**March 31, 2022**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 204,084	\$ -	\$ 215,463	\$ 419,547
Restricted cash and cash equivalents	-	749,584	-	749,584
Investments	1,569,675	-	-	1,569,675
Restricted investments	6,871,054	-	-	6,871,054
Receivables (net of allowance for uncollectibles):				
Property taxes	2,415,157	-	-	2,415,157
Accounts	205,582	-	-	205,582
Loans	-	-	180,009	180,009
Intergovernmental receivables	1,739,111	143,904	-	1,883,015
Due from other funds	37,903	-	-	37,903
Total assets	<u>\$ 13,042,566</u>	<u>\$ 893,488</u>	<u>\$ 395,472</u>	<u>\$ 14,331,526</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 366,517	\$ 129,084	\$ -	\$ 495,601
Accrued liabilities	165,793	-	-	165,793
Due to other funds	-	800,000	-	800,000
Intergovernmental payables	502,325	-	-	502,325
Other liabilities	742,043	-	-	742,043
Unearned revenues	1,508,029	-	-	1,508,029
Total liabilities	<u>3,284,707</u>	<u>929,084</u>	<u>-</u>	<u>4,213,791</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue—property taxes	381,500	-	-	381,500
Total deferred outflows of resources	<u>381,500</u>	<u>-</u>	<u>-</u>	<u>381,500</u>
<b>FUND BALANCES (DEFICIT)</b>				
Restricted	5,363,025	-	-	5,363,025
Committed	29,124	-	-	29,124
Assigned	859,661	-	395,472	1,255,133
Unassigned	3,124,549	(35,596)	-	3,088,953
Total fund balances (deficit)	<u>9,376,359</u>	<u>(35,596)</u>	<u>395,472</u>	<u>9,736,235</u>
Total liabilities and fund balances (deficit)	<u>\$ 13,042,566</u>	<u>\$ 893,488</u>	<u>\$ 395,472</u>	<u>\$ 14,331,526</u>

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

**CITY OF BATAVIA, NEW YORK**  
**Reconciliation of the Balance Sheet—Governmental Funds**  
**to the Government-wide Statement of Net Position**  
**March 31, 2022**

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

Total fund balances—governmental funds (page 18)	\$	9,736,235
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$42,134,359 and the accumulated depreciation is \$17,842,491.		24,291,868
Uncollected property taxes are not available to pay for current period expenditures and, therefore, are deferred inflows of resources in funds.		381,500
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows related to employer contributions	\$ 1,656,804	
Deferred outflows related to experience, changes of assumptions, investment earnings, and changes in proportion	10,011,341	
Deferred inflows of resources related to pensions	<u>(12,095,085)</u>	(426,940)
Deferred outflows and inflows of resources related to other postemployment benefits ("OPEB") are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to OPEB	\$ 870,291	
Deferred inflows of resources related to OPEB	<u>(166,165)</u>	704,126
Internal service funds are used by management to charge the costs of managing health insurance and workers' compensation to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.		1,738,087
Net accrued interest expense for serial bonds is not reported in the funds.		(31,523)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The effects of these items are:		
Serial bonds	\$ (2,336,800)	
Premium on serial bonds	(38,406)	
Installment purchase debt	(27,805)	
Due to other governments	(236,110)	
Compensated absences	(1,709,396)	
OPEB obligation	(6,575,362)	
Net pension liability	<u>(3,000,716)</u>	<u>(13,924,595)</u>
Total net position—governmental activities	\$	<u>22,468,758</u>

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

**CITY OF BATAVIA, NEW YORK**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances (Deficit)—Governmental Funds**  
**Year Ended March 31, 2022**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Real property taxes	\$ 5,924,261	\$ -	\$ -	\$ 5,924,261
Other tax items	309,452	-	-	309,452
Non-property tax items	7,346,707	-	-	7,346,707
Departmental income	478,304	-	-	478,304
Use of money and property	97,909	277	3,245	101,431
Licenses and permits	87,476	-	-	87,476
Fines and forfeitures	83,453	-	-	83,453
Sale of property and compensation for loss	152,293	-	-	152,293
Miscellaneous	226,528	-	5,864	232,392
State aid	2,947,657	89,620	26,977	3,064,254
Federal aid	65,456	75,132	-	140,588
Total revenues	<u>17,719,496</u>	<u>165,029</u>	<u>36,086</u>	<u>17,920,611</u>
<b>EXPENDITURES</b>				
Current:				
General government support	1,965,034	-	-	1,965,034
Police	3,893,166	-	-	3,893,166
Fire	3,845,201	-	-	3,845,201
Public safety	314,238	-	-	314,238
Health	19,341	-	-	19,341
Transportation	1,825,710	-	-	1,825,710
Economic assistance and opportunity	277,905	-	-	277,905
Culture and recreation	634,245	-	-	634,245
Home and community services	228,025	-	119,501	347,526
Refuse and recycling	81,626	-	-	81,626
Debt service:				
Principal	382,121	-	-	382,121
Interest	82,498	-	-	82,498
Capital outlay	-	487,922	-	487,922
Total expenditures	<u>13,549,110</u>	<u>487,922</u>	<u>119,501</u>	<u>14,156,533</u>
Excess (deficiency) of revenues over expenditures	<u>4,170,386</u>	<u>(322,893)</u>	<u>(83,415)</u>	<u>3,764,078</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	271,197	297,964	-	569,161
Transfers out	<u>(3,102,387)</u>	<u>(175,824)</u>	-	<u>(3,278,211)</u>
Total other financing sources (uses)	<u>(2,831,190)</u>	<u>122,140</u>	-	<u>(2,709,050)</u>
Net change in fund balances	1,339,196	(200,753)	(83,415)	1,055,028
Fund balances—beginning, as adjusted	<u>8,037,163</u>	<u>165,157</u>	<u>478,887</u>	<u>8,681,207</u>
Fund balances (deficit)—ending	<u>\$ 9,376,359</u>	<u>\$ (35,596)</u>	<u>\$ 395,472</u>	<u>\$ 9,736,235</u>

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

**CITY OF BATAVIA, NEW YORK**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances (Deficit)—Governmental Funds to the Government-wide Statement of Activities**  
**Year Ended March 31, 2022**

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

Net change in fund balances—total governmental funds (page 20) \$ 1,055,028

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

Capital asset additions	\$ 618,435	
Loss on disposal of assets	(2,000)	
Depreciation expense	<u>(1,670,446)</u>	(1,054,011)

Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (107,965)

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

Direct pension contributions	\$ 1,074,397	
Cost of benefits earned net of employee contributions	<u>(944,078)</u>	130,319

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

Changes of assumptions	\$ 586,752	
Differences between expected and actual experience	<u>(950,651)</u>	(363,899)

Internal service funds are used by management to charge the costs of managing health insurance and workers' compensation to individual funds. The net expense of certain activities of internal service funds is reported within governmental activities. 648,534

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. 2,194

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

Repayment of serial bonds	\$ 273,800	
Amortization of premium on serial bonds	3,497	
Repayment of installment purchase debt	108,321	
Repayment of amounts due to other governments	9,646	
Change in compensated absences	238,882	
Change in total OPEB obligation	<u>460,842</u>	<u>1,094,988</u>

Change in net position of governmental activities \$ 1,405,188

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

**CITY OF BATAVIA, NEW YORK**  
**Statement of Net Position—Proprietary Funds**  
**March 31, 2022**

	<b>Business-type Activities</b>				<b>Governmental Activities</b>
	<b>Major Funds</b>		<b>Nonmajor Fund</b>	<b>Total</b>	<b>Internal Service</b>
	<b>Sewer</b>	<b>Water</b>	<b>City Centre</b>		
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 7,390,560	\$ 4,138,881	\$ 208,495	\$ 11,737,936	\$ -
Restricted cash and cash equivalents	4,066,505	3,457,119	-	7,523,624	2,114,480
Receivables	1,043,356	1,134,259	17,044	2,194,659	4,110
Intergovernmental receivables	-	543,679	-	543,679	-
Due from other funds	800,000	-	-	800,000	-
Total current assets	<u>13,300,421</u>	<u>9,273,938</u>	<u>225,539</u>	<u>22,799,898</u>	<u>2,118,590</u>
Noncurrent assets:					
Capital assets, not being depreciated	151,993	651,963	146,922	950,878	-
Capital assets, being depreciated	18,585,848	6,635,717	742,357	25,963,922	-
Total noncurrent assets	<u>18,737,841</u>	<u>7,287,680</u>	<u>889,279</u>	<u>26,914,800</u>	<u>-</u>
Total assets	<u>32,038,262</u>	<u>16,561,618</u>	<u>1,114,818</u>	<u>49,714,698</u>	<u>2,118,590</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows—relating to pensions	573,579	793,446	42,512	1,409,537	-
Deferred outflows—relating to OPEB	20,766	26,306	-	47,072	-
Total deferred outflows of resources	<u>594,345</u>	<u>819,752</u>	<u>42,512</u>	<u>1,456,609</u>	<u>-</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	55,973	604,124	2,712	662,809	61,816
Accrued liabilities	37,391	28,933	-	66,324	318,687
Due to other funds	17,118	19,743	1,042	37,903	-
Total current liabilities	<u>110,482</u>	<u>652,800</u>	<u>3,754</u>	<u>767,036</u>	<u>380,503</u>
Noncurrent liabilities:					
Due within one year	311,164	206,099	470	517,733	-
Due within more than one year	3,233,139	2,834,618	4,405	6,072,162	-
Total noncurrent liabilities	<u>3,544,303</u>	<u>3,040,717</u>	<u>4,875</u>	<u>6,589,895</u>	<u>-</u>
Total liabilities	<u>3,654,785</u>	<u>3,693,517</u>	<u>8,629</u>	<u>7,356,931</u>	<u>380,503</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows—relating to pensions	708,214	979,690	52,491	1,740,395	-
Deferred inflows—relating to OPEB	3,965	5,023	-	8,988	-
Total deferred inflows of resources	<u>712,179</u>	<u>984,713</u>	<u>52,491</u>	<u>1,749,383</u>	<u>-</u>
<b>NET POSITION</b>					
Net investment in capital assets	15,429,590	4,673,129	889,279	20,991,998	-
Restricted	4,066,505	3,457,119	-	7,523,624	1,042,334
Unrestricted	8,769,548	4,572,892	206,931	13,549,371	695,753
Total net position	<u>\$ 28,265,643</u>	<u>\$ 12,703,140</u>	<u>\$ 1,096,210</u>	<u>\$ 42,064,993</u>	<u>\$ 1,738,087</u>

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



**CITY OF BATAVIA, NEW YORK**  
**Statement of Revenues, Expenses and Changes in**  
**Net Position—Proprietary Funds**  
**Year Ended March 31, 2022**

	<b>Business-type Activities</b>				<b>Governmental</b>
	<b>Major Funds</b>		<b>Nonmajor</b>	<b>Total</b>	<b>Internal</b>
	<b>Sewer</b>	<b>Water</b>	<b>Fund</b>		<b>Service</b>
			<b>City Centre</b>		
<b>OPERATING REVENUES</b>					
Charges for services	\$ 4,138,166	\$ 3,074,425	\$ 222,592	\$ 7,435,183	\$ 178,198
County water agreement charges	-	1,463,899	-	1,463,899	-
Rental of real property	-	550,000	-	550,000	-
Other operating revenues	236,785	247,383	2,479	486,647	84,217
State sources	-	520,003	-	520,003	-
Total operating revenues	<u>4,374,951</u>	<u>5,855,710</u>	<u>225,071</u>	<u>10,455,732</u>	<u>262,415</u>
<b>OPERATING EXPENSES</b>					
Salaries, wages, and employee benefits	672,496	1,084,431	91,055	1,847,982	-
Claims and contractual expenses	667,165	3,021,650	40,391	3,729,206	2,927,093
Depreciation	1,561,782	257,363	39,899	1,859,044	-
Total operating expenses	<u>2,901,443</u>	<u>4,363,444</u>	<u>171,345</u>	<u>7,436,232</u>	<u>2,927,093</u>
Operating income (loss)	<u>1,473,508</u>	<u>1,492,266</u>	<u>53,726</u>	<u>3,019,500</u>	<u>(2,664,678)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment income	16,048	7,189	2,137	25,374	2,482
Interest expense	(86,636)	(62,993)	-	(149,629)	-
Total nonoperating revenues (expenses)	<u>(70,588)</u>	<u>(55,804)</u>	<u>2,137</u>	<u>(124,255)</u>	<u>2,482</u>
Income (loss) before transfers	1,402,920	1,436,462	55,863	2,895,245	(2,662,196)
Transfers in	76,051	3,618	160,000	239,669	3,310,730
Transfers out	(255,621)	(555,208)	(30,520)	(841,349)	-
Change in net position	1,223,350	884,872	185,343	2,293,565	648,534
Net position—beginning, as adjusted	<u>27,042,293</u>	<u>11,818,268</u>	<u>910,867</u>	<u>39,771,428</u>	<u>1,089,553</u>
Net position—ending	<u>\$ 28,265,643</u>	<u>\$ 12,703,140</u>	<u>\$ 1,096,210</u>	<u>\$ 42,064,993</u>	<u>\$ 1,738,087</u>

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

**CITY OF BATAVIA, NEW YORK**  
**Statement of Cash Flows—Proprietary Funds**  
**Year Ended March 31, 2022**

	<b>Business-type Activities</b>				<b>Governmental Activities</b>
	<b>Major Funds</b>		<b>Nonmajor Fund</b>	<b>Total</b>	<b>Internal Service</b>
	<b>Sewer</b>	<b>Water</b>	<b>City Centre</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 3,870,308	\$ 5,095,898	\$ 211,612	\$ 9,177,818	\$ 209,494
Payments to suppliers for goods and services	(683,120)	(2,988,458)	(44,137)	(3,715,715)	(2,918,538)
Payments to employees for services	(802,309)	(1,175,379)	(80,242)	(2,057,930)	-
Other operating revenue	236,785	767,386	2,479	1,006,650	-
Net cash provided by (used for) operating activities	<u>2,621,664</u>	<u>1,699,447</u>	<u>89,712</u>	<u>4,410,823</u>	<u>(2,709,044)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Loans from (to) other funds	(813,672)	1,099,717	(931)	285,114	256,310
Transfers from (to) other funds	(179,570)	(551,590)	129,480	(601,680)	3,310,730
Net cash provided by (used for) noncapital financing activities	<u>(993,242)</u>	<u>548,127</u>	<u>128,549</u>	<u>(316,566)</u>	<u>3,567,040</u>
<b>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets	(1,059,636)	(531,585)	(159,033)	(1,750,254)	-
Principal payments on debt	(299,860)	(196,075)	-	(495,935)	-
Interest paid on debt	(88,899)	(62,989)	-	(151,888)	-
Net cash (used for) capital and financing activities	<u>(1,448,395)</u>	<u>(790,649)</u>	<u>(159,033)</u>	<u>(2,398,077)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest on cash and cash equivalents	16,048	7,189	2,137	25,374	2,482
Net cash provided by investing activities	<u>16,048</u>	<u>7,189</u>	<u>2,137</u>	<u>25,374</u>	<u>2,482</u>
Net increase in cash and cash equivalents	196,075	1,464,114	61,365	1,721,554	860,478
Cash and cash equivalents—beginning	11,260,990	6,131,886	147,130	17,540,006	1,254,002
Cash and cash equivalents—ending	<u>\$ 11,457,065</u>	<u>\$ 7,596,000</u>	<u>\$ 208,495</u>	<u>\$ 19,261,560</u>	<u>\$ 2,114,480</u>

(continued)

**CITY OF BATAVIA, NEW YORK**  
**Statement of Cash Flows—Proprietary Funds**  
**Year Ended March 31, 2022**

(concluded)

	<b>Business-type Activities</b>				<b>Governmental Activities</b>
	<b>Major Funds</b>		<b>Nonmajor Fund</b>	<b>Total</b>	<b>Internal Service</b>
	<b>Sewer</b>	<b>Water</b>	<b>City Centre</b>		
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>					
Operating income (loss)	\$ 1,473,508	\$ 1,492,266	\$ 53,726	\$ 3,019,500	\$ (2,664,678)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation expense	1,561,782	257,363	39,899	1,859,044	-
(Increase) decrease in receivables	(267,858)	(11,956)	(10,980)	(290,794)	33,676
Decrease in intergovernmental receivables	-	19,530	-	19,530	-
(Increase) in deferred outflows—relating to pensions	(142,496)	(173,765)	(42,512)	(358,773)	-
(Increase) in deferred outflows—relating to OPEB	(13,467)	(18,478)	-	(31,945)	-
(Decrease) increase in accounts payable	(15,955)	33,192	(3,746)	13,491	8,556
(Decrease) in accrued liabilities	-	-	-	-	(86,598)
Increase in deferred inflows—relating to pensions	677,866	936,065	52,491	1,666,422	-
(Decrease) in deferred inflows—relating to OPEB	(45,197)	(18,452)	-	(63,649)	-
(Decrease) increase in compensated absences	(8,880)	32,055	657	23,832	-
(Decrease) increase in net pension liability	(578,912)	(832,316)	177	(1,411,051)	-
(Decrease) in total OPEB liability	(18,727)	(16,057)	-	(34,784)	-
Total adjustments	<u>1,148,156</u>	<u>207,181</u>	<u>35,986</u>	<u>1,391,323</u>	<u>(44,366)</u>
Net cash provided by (used for) operating activities	<u>\$ 2,621,664</u>	<u>\$ 1,699,447</u>	<u>\$ 89,712</u>	<u>\$ 4,410,823</u>	<u>\$ (2,709,044)</u>

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

**CITY OF BATAVIA, NEW YORK**  
**Statement of Fiduciary Net Position**  
**March 31, 2022**

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	<u>Private Purpose Fund</u>	<u>Custodial Fund</u>
<b>ASSETS</b>		
Restricted cash and cash equivalents	\$ 21,830	\$ 28,887
Total assets	<u>21,830</u>	<u>28,887</u>
<b>NET POSITION</b>		
Restricted for private purposes	<u>\$ 21,830</u>	<u>\$ 28,887</u>

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

**CITY OF BATAVIA, NEW YORK**  
**Statement of Changes in Fiduciary Net Position**  
**Year Ended March 31, 2022**

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	<b>Private Purpose Fund</b>	<b>Custodial Fund</b>
<b>ADDITIONS</b>		
Interest income	\$ 12	\$ 17
Miscellaneous revenue	-	1,876
Total additions	12	1,893
Change in fiduciary net position	12	1,893
Net position—beginning	21,818	26,994
Net position—ending	\$ 21,830	\$ 28,887

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

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**CITY OF BATAVIA, NEW YORK**  
**Notes to the Financial Statements**  
**Year Ended March 31, 2022**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The City reports no component units.

***Financial Reporting Entity***

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

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

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

The City reports the following major enterprise funds:

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

Additionally, the City reports the following fund types:

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

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



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

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

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

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

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

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

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

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

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

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

**Investments and Restricted Investments**—Permissible investments include obligations of the U.S. Treasury and U.S. agencies and repurchase agreements. At March 31, 2022, the City reports investments at fair value, when applicable. Restricted investments represent investments restricted to support unearned revenues and restricted fund balances.

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

**Capital Assets**—Capital assets, which include land, construction in progress, buildings and building improvements, machinery, equipment and vehicles, and infrastructure are reported in the applicable governmental activities or business-type activities in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

<u>Assets</u>	<u>Years</u>	<u>Capitalization Threshold</u>
Infrastructure	25 - 50	\$ 200,000
Buildings	25 - 50	50,000
Improvements	10 - 50	50,000
Furniture and equipment	3 - 20	5,000
Vehicles	3 - 5	20,000

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

**Unearned Revenue**—Certain cash receipts have not met the revenue recognition criteria for government-wide or fund financial statement purposes. At March 31, 2022, the City reported unearned revenues in the General Fund of \$1,508,029 for unspent American Rescue Plan Act funds.

**Deferred Outflows/Inflows of Resources**—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At March 31, 2022, the City has two items that qualify for reporting in this category that are reported in the government-wide financial statements. The first item represents the effect of the net change in the City’s proportion of the collective net pension liability, and the difference during the measurement period between the City’s contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense and any contributions made to the pension systems subsequent to the measurement date. The second item represents the effects of the change in the City’s proportion of the collective OPEB liability and difference during the measurement period between certain of the employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective OPEB liability.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At March 31, 2022, the City has three items that qualify for reporting in this category. Two items are reported in the government-wide financial statements. The first item represents the net change in the City's proportion of the collective net pension liability and the difference during the measurement periods between the City's contribution and its proportionate share of the total contributions to the pension system not included in the pension expense. The second item represents the effects of the change in the City's proportion of the collective OPEB liability and difference during the measurement period between certain employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective OPEB liability. The final item, reported within the governmental fund financial statements represents unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

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

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

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

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

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

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

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

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

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

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

In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of the fiscal year-end. The City is permitted by the New York State Constitution to levy taxes up to 2% of the most recent five-year average full valuation of taxable real property. Principal and interest on long-term debt related to Water and Sewer debt (if application filed with Office of State Comptroller) and budgetary appropriations for capital outlay are excludable.

***Compensated Absences***—The City's labor agreements and City Council rules and regulations provide for sick and vacation leave. Upon retirement certain eligible employees qualify for paid medical and dental insurance premiums and/or payment for fractional values of unused sick leave. These payments are budgeted annually. The compensated absences liability is calculated based on the contractually negotiated rates in effect at year-end.

Compensated absences for governmental fund type employees are reported as a fund liability and as an expenditure in the government-wide financial statements. A portion of the compensated absences liability recognized is attributed to the value of sick leave converted to pay the employees' share of postemployment health insurance premiums. The compensated absences liability for the governmental activities and business-type activities at the year-end totaled \$1,709,396 and \$305,585, respectively.

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

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

**Other Postemployment Benefits**—In addition to providing pension benefits, the City provides health insurance coverage and/or payments for fractional values of unused sick leave for certain retired employees at the time of retirement as discussed in Note 8.

### **Other**

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

**Adoption of New Accounting Pronouncements**— During the year ended March 31, 2021, the City implemented Governmental Accounting Standards Board (“GASB”) Statements No. 89, *Accounting for Interest Costs Incurred before the End of a Construction Period*; No. 91, *Conduit Debt Obligations*, No. 92, *Omnibus 2020*, 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 No. 84*, and a suppression of GASB Statement No. 32, and No. 98, *The Annual Comprehensive Financial Report*. GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. GASB Statement No. 91 clarifies the existing definition of a conduit debt obligation, establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financing reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB Statement No. 92 enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. GASB Statement No. 97 increases consistency and comparability related to the reporting of fiduciary component units, mitigates costs associated with the reporting of certain defined contribution plans and enhances the relevance, consistency and comparability of the accounting and reporting for internal Revenue Code Section 457 deferred compensation plans. GASB Statement No. 98 establishes the term annual comprehensive financial report and its acronym ACFR, which replaces the acronym for comprehensive annual financial report. The implementation of GASB Statements No. 89, 91, 92, 97 and 98 did not have a material impact on the City’s financial position or results from operations.

***Future Impacts of Accounting Pronouncements***—The City has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 87, *Leases*; and No. 93, *Replacement of Interbank Offered Rates*, effective for the year ending March 31, 2023, No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; No. 96, *Subscription-Based Information Technology Arrangements*; and No. 99, *Omnibus 2022* effective for the year ending March 31, 2024, and No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*; and No. 101, *Compensated Absences* effective for the year ending March 31, 2025. The City is, therefore, unable to disclose the impact that adopting GASB Statements No. 87, 93, 94, 96, 99, 100 and 101 will have on its financial position and results of operations when such statements are adopted.

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

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

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

***Deficit Fund Balances***—At March 31, 2022, the Capital Projects Fund reported a deficit fund balance of \$35,596. This deficit will be eliminated as resources are obtained (e.g., from revenues, long-term debt issuances, and transfers in).

## **2. RECLASSIFICATION OF FUND BALANCE AND NET POSITION**

During the year ended March 31, 2022, the City elected to report its self-insurance activity as an internal service fund, which was previously reported as a special revenue governmental fund. As such, total governmental funds beginning fund balance was reduced by \$1,089,553 to \$8,681,207 and the City established a self-insurance proprietary fund with beginning net position of \$1,089,553.

## **3. CASH, CASH EQUIVALENTS AND INVESTMENTS**

The City's investment policies are governed by New York State statutes. The City may use FDIC-insured commercial banks or trust companies located within the State. The City's Clerk-Treasurer is authorized to use demand accounts and certificates of deposit. Investments with maturities of less than three months are considered to be cash equivalents.

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

Cash, cash equivalents and investments and restricted cash, cash equivalents and investments at March 31, 2022 are as follows:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Petty cash (uncollateralized)	\$ 400	\$ -	\$ -	\$ 400
Deposits	3,283,211	19,261,560	50,717	22,595,488
Investments	8,440,729	-	-	8,440,729
Total	<u>\$ 11,724,340</u>	<u>\$ 19,261,560</u>	<u>\$ 50,717</u>	<u>\$ 31,036,617</u>

**Deposits**—All deposits are carried at fair value and are classified by custodial risk at March 31, 2022 as follows:

	Bank Balance	Carrying Amount
FDIC insured	\$ 16,468,036	\$ 16,468,036
Uninsured:		
Collateral held by pledging bank's agent in the City's name	<u>6,276,795</u>	<u>6,127,452</u>
Total deposits	<u>\$ 22,744,831</u>	<u>\$ 22,595,488</u>

**Custodial Credit Risk—Deposits**—In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. At March 31, 2022, all uninsured bank deposits were fully collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

**Restricted Cash and Cash Equivalents**—The City's primary government reports cash restricted for capital projects, amounts to support restricted net position, and amounts held on behalf of others as restricted cash and cash equivalents. At March 31, 2022, the City's governmental activities and business-type activities report restricted cash and cash equivalents totaling \$2,864,064 and \$7,523,624, respectively. The City also reports restricted cash of \$50,717 for cash that is restricted for purposes of the Fiduciary Funds.

**Investments and Restricted Investments**—Investments are carried at fair value, as determined by quoted market prices. Investments at March 31, 2022, consisted of treasury bills held by the City totaling \$8,440,730. The City's General Fund reports restricted investments consisting of treasury bills held by the City \$6,871,054 to support unearned revenues and restricted fund balance.

**Custodial Credit Risk—Investments**—For investments, this is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. A margin of 2% or higher of the market value of purchased securities in repurchase transactions must be maintained and the securities must be held by a third party in the City's name.

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

**Fair Value Measurement**—The City reports its investment fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are shown below:

- Level 1. Quoted prices for identical assets or liabilities in active markets to which the City has access at the measurement date.
- Level 2. Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
  - Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets in markets that are not active;
  - Observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and,
  - Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- Level 3. Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure fair value to the extent that observable inputs are not available.

The City has the following fair value measurements as of March 31, 2022:

- Treasury bills of \$8,440,729 are values using quoted prices for identical assets in active markets (Level 1 input).

**Concentration of Credit Risk**—The City’s policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The City’s investment policy authorizes the reporting entity to purchase the following types of investments: 1) interest bearing demand accounts, 2) certificates of deposit, 3) obligations of the United States Treasury and United States agencies, and 4) obligations of New York State and its localities.

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

#### 4. RECEIVABLES

Major revenues accrued by the City at March 31, 2022 consisted of the following:

**Property Taxes Receivable**—At March 31, 2022, the General Fund reported taxes receivable of \$2,689,544, net of an allowance for doubtful accounts of \$274,387.



**Accounts Receivable**—Accounts receivable and their respective allowance for doubtful accounts, of the City at March 31, 2022 consisted of the following:

Governmental funds:		
General Fund:		
Insurance recoveries	\$ 59,097	
Franchise fees	52,983	
Miscellaneous billings	81,081	
Other	<u>12,421</u>	<u>205,582</u>
Total governmental funds		<u>\$ 205,582</u>
Proprietary funds:		
Sewer Fund:		
Sewer rents	\$ 1,040,716	
Interest	<u>2,640</u>	<u>1,043,356</u>
Water Fund:		
Water rents	\$ 1,130,265	
Interest	540	
Other	<u>3,454</u>	<u>1,134,259</u>
City Centre Fund:		
Other		<u>17,044</u>
Internal Service Fund		
Interest	\$ 231	
Other	<u>3,879</u>	<u>4,110</u>
Total proprietary funds		<u>\$ 2,198,769</u>

**Loans Receivable**—Represents outstanding loans made by the City related to certain loan programs. At March 31, 2022, the City reports outstanding loans receivable of \$180,009.

**Intergovernmental Receivables**—Represents amounts due from other units of government, such as Federal, New York State, County of Genesee or other local governments. Intergovernmental receivables at March 31, 2022 are shown below:

Governmental funds:		
General Fund:		
Sales tax	\$ 1,720,895	
Fines and forfeitures	9,883	
Other	<u>8,333</u>	\$ 1,739,111
Capital Projects Fund:		
Federal - highway aid	\$ 134,731	
State aid - highway	6,721	
State aid - other	<u>2,452</u>	<u>143,904</u>
Total governmental funds		<u>\$ 1,883,015</u>
Proprietary funds:		
Water Fund:		
County water agreement	\$ 543,449	
Other	<u>230</u>	<u>\$ 543,679</u>

## 5. CAPITAL ASSETS

**Governmental activities**—Capital asset activity for the City’s governmental activities for the year ended March 31, 2022 is as follows:

	Balance 4/1/2021	Increases	Decreases	Balance 3/31/2022
Capital assets, not being depreciated:				
Land	\$ 1,134,588	\$ 298	\$ -	\$ 1,134,886
Construction in progress	4,464,457	526,483	(3,894,838)	1,096,102
Total capital assets, not being depreciated	<u>5,599,045</u>	<u>526,781</u>	<u>(3,894,838)</u>	<u>2,230,988</u>
Capital assets, being depreciated				
Buildings and building improvements	10,325,980	44,919	-	10,370,899
Machinery, equipment and vehicles	7,334,235	359,477	(20,609)	7,673,103
Infrastructure	18,277,273	3,582,096	-	21,859,369
Total capital assets, being depreciated	<u>35,937,488</u>	<u>3,986,492</u>	<u>(20,609)</u>	<u>39,903,371</u>
Less accumulated depreciation for:				
Buildings and building improvements	(4,826,036)	(256,468)	-	(5,082,504)
Machinery, equipment and vehicles	(4,133,950)	(434,213)	18,609	(4,549,554)
Infrastructure	(7,230,668)	(979,765)	-	(8,210,433)
Total accumulated depreciation	<u>(16,190,654)</u>	<u>(1,670,446)</u>	<u>18,609</u>	<u>(17,842,491)</u>
Total capital assets, being depreciated, net	<u>19,746,834</u>	<u>2,316,046</u>	<u>(2,000)</u>	<u>22,060,880</u>
Total capital assets, net	<u>\$ 25,345,879</u>	<u>\$ 2,842,827</u>	<u>\$ (3,896,838)</u>	<u>\$ 24,291,868</u>

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

General government support	\$ 167,636
Public safety	242,093
Transportation	204,813
Culture and recreation	88,683
Home and community service	967,221
Total	<u>\$ 1,670,446</u>

**Business-type activities**—Capital asset activity for the City’s business-type activities for the year ended March 31, 2022 is as follows:

	Balance 4/1/2021	Increases	Decreases	Balance 3/31/2022
Capital assets, not being depreciated:				
Land	\$ 41,500	\$ -	\$ -	\$ 41,500
Construction in progress	397,435	657,525	(145,582)	909,378
Total capital assets, not being depreciated	<u>438,935</u>	<u>657,525</u>	<u>(145,582)</u>	<u>950,878</u>
Capital assets, being depreciated				
Buildings and building improvements	42,898,983	-	-	42,898,983
Machinery, equipment and vehicles	2,477,681	1,238,314	-	3,715,995
Infrastructure	23,243,287	-	-	23,243,287
Total capital assets, being depreciated	<u>68,619,951</u>	<u>1,238,314</u>	<u>-</u>	<u>69,858,265</u>
Less accumulated depreciation for:				
Buildings and building improvements	(31,527,860)	(1,134,977)	-	(32,662,837)
Machinery, equipment and vehicles	(1,345,171)	(159,097)	-	(1,504,268)
Infrastructure	(9,162,267)	(564,971)	-	(9,727,238)
Total accumulated depreciation	<u>(42,035,298)</u>	<u>(1,859,045)</u>	<u>-</u>	<u>(43,894,343)</u>
Total capital assets, being depreciated, net	<u>26,584,653</u>	<u>(620,731)</u>	<u>-</u>	<u>25,963,922</u>
Total capital assets, net	<u>\$ 27,023,588</u>	<u>\$ 36,794</u>	<u>\$ (145,582)</u>	<u>\$ 26,914,800</u>

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

Sewer	\$ 1,561,782
Water	257,363
City Centre	39,899
Total	<u>\$ 1,859,044</u>

## 6. ACCRUED LIABILITIES

Accrued liabilities reported by the City’s governmental funds at March 31, 2022 were as follows:

	General Fund
Salary and employee benefits	<u>\$ 165,793</u>

## 7. PENSION PLANS

### *Plan Descriptions and Benefits Provided*

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

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

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**—At March 31, 2022, the City reported the following liabilities for its proportionate share of the net pension liabilities for PFRS and ERS. The net pension liabilities were measured as of March 31, 2021. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of April 1, 2020, with update procedures used to roll forward the total net pension liabilities to the measurement date. The City’s proportion of the net pension liabilities were based on projections of the City’s long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the System in reports provided to the City.

	Governmental Activities		Business-type
	PFRS	ERS	Activities ERS
Measurement date	March 31, 2021		
Net pension liability	\$ 2,992,766	\$ 7,950	\$ 5,863
City's portion of the Plan's total net pension liability	0.1723669%	0.0653454%	0.0886058%

For the year ended March 31, 2022, the City recognized pension expenses of \$1,414,028, \$151,263, and \$111,554, respectively, for PFRS, ERS – Governmental activities, and ERS – Business-type activities. At March 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources shown below:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	Governmental Activities		Business-type Activities	Governmental Activities		Business-type Activities
	PFRS	ERS	ERS	PFRS	ERS	ERS
Differences between expected and actual experiences	\$ 664,079	\$ 97,097	\$ 71,592	\$ -	\$ -	\$ -
Changes of assumptions	7,352,902	1,461,847	1,077,845	-	27,571	20,328
Net difference between projected and actual earnings on pension plan investments	-	-	-	8,800,053	2,283,862	1,683,932
Changes in proportion and differences between the City's contributions and proportionate share of contributions	426,823	8,593	6,336	934,590	49,009	36,135
City contributions subsequent to the measurement date	<u>1,312,633</u>	<u>344,171</u>	<u>253,764</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 9,756,437</u>	<u>\$ 1,911,708</u>	<u>\$ 1,409,537</u>	<u>\$ 9,734,643</u>	<u>\$ 2,360,442</u>	<u>\$ 1,740,395</u>

City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending March 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending March 31,	Governmental Activities		Business-type Activities
	PFRS	ERS	ERS
2023	\$ (516,347)	\$ (156,864)	\$ (115,685)
2024	(178,521)	(63,323)	(46,700)
2025	(409,678)	(131,442)	(96,937)
2025	(1,638,575)	(441,276)	(325,300)
2026	1,452,282	-	-

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

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

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

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

	<u>PFRS and ERS</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
	<u>March 31, 2021</u>	
Measurement date		
Asset class:		
Domestic equities	32.0 %	4.1 %
International equities	15.0	6.3
Private equity	10.0	6.8
Real estate	9.0	5.0
Opportunistic/absolute return strategy	3.0	4.5
Credit	4.0	3.6
Real assets	3.0	6.0
Fixed income	23.0	0.0
Cash	1.0	0.5
Total	<u>100 %</u>	

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

**Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption**—The chart below presents the City’s proportionate share of the net pension liability calculated using the discount rate of 5.9%, 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 one percentage-point lower (4.9%) or one percentage-point higher (6.9%) than the current assumption.

	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
Governmental activities:			
Employer's proportionate share of the net pension liability/(asset)—PFRS	\$ 12,726,927	\$ 2,992,766	\$ (5,064,604)
Employer's proportionate share of the net pension liability/(asset)—ERS	\$ 2,300,305	\$ 7,950	\$ (2,019,674)
Business-type activities:			
Employer's proportionate share of the net pension liability/(asset)—ERS	\$ 1,533,539	\$ 5,863	\$ (1,489,477)

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

	(Dollars in Thousands)		
	PFRS	ERS	Total
Measurement date	March 31, 2021		
Employers' total pension liability	\$ 41,236,775	\$ 220,680,157	\$ 261,916,932
Plan fiduciary net position	<u>39,500,500</u>	<u>220,580,583</u>	<u>260,081,083</u>
Employers' net pension liability	<u>\$ 1,736,275</u>	<u>\$ 99,574</u>	<u>\$ 1,835,849</u>
System fiduciary net position as a percentage of total pension liability	95.8%	100.0%	99.3%

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

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

The City provides postemployment health insurance to its retirees in accordance with provisions of the employment contracts negotiated between the City and the Batavia Firefighters Association, I.A.F.F Local 896, the Civil Service Employees Association, CSEA Local 819, the American Federation of State, City and Municipal Employees, AFSCME Local 3632, and the Batavia Police Benevolent Association. Substantially all employees become eligible for these benefits if they meet the retirement eligibility requirements under their contracts while working for the City.

**Employees Covered by Benefit Terms**—At March 31, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	35
Inactive employees entitled to but not receiving benefit payments	9
Active employees	<u>72</u>
Total	<u><u>107</u></u>

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

### **Total OPEB Liability**

The City’s total OPEB liability of \$6,575,362 and \$355,645 for governmental activities and business-type activities, respectively, was measured as of March 31, 2022, and was determined by an actuarial valuation as of April 1, 2020.

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

In the April 1, 2020 actuarial valuation, the Entry Age Normal Method, over a level percent of pay, was used. The single discount rate changed from 2.27% effective March 31, 2021, to 2.83% effective March 31, 2022. The salary scale was 3.00% and the interest rate was 2.25% for the fiscal year ending March 31, 2022. The initial healthcare rate as of April 1, 2020 was 7.000%, while the ultimate healthcare cost trend rate is 3.784%.



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

	Total OPEB Liability	
	Governmental Activities	Business-type Activities
Balance at March 31, 2021	\$ 7,036,204	\$ 390,429
Changes for the year:		
Service cost	149,706	11,891
Interest	155,725	8,686
Changes of assumptions	(114,706)	(16,051)
Benefit payments	(651,567)	(39,310)
Net changes	(460,842)	(34,784)
Balance at March 31, 2022	\$ 6,575,362	\$ 355,645

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

	1% Decrease (1.83%)	Current Discount Rate (2.83%)	1% Increase (3.83%)
Total OPEB liability—governmental activities	\$ 6,897,757	\$ 6,575,362	\$ 6,261,661
Total OPEB liability—business-type activities	\$ 373,083	\$ 355,645	\$ 338,678

**Additionally**, healthcare costs can be subject to considerable volatility over time. The following table presents the effect on the OPEB liability of a 1% change in the initial (7.00%)/ultimate (3.78%) healthcare cost trend rates:

	1% Decrease (6.00%/2.78%)	Healthcare Cost Trend Rates (7.00%/3.78%)	1% Increase (8.00%/4.78%)
Total OPEB liability—governmental activities	\$ 6,048,241	\$ 6,575,362	\$ 7,167,824
Total OPEB liability—business-type activities	\$ 327,134	\$ 355,645	\$ 387,690

**Funding Policy**—Authorization for the City to pay a portion of retiree health insurance premiums was enacted through various union contracts as specified above, which were ratified by the City Council. The City recognizes the cost of providing these benefits by expensing the annual insurance premiums when invoiced by the health insurance provider. City governmental activities contributions equaled \$434,815 for the fiscal year ended March 31, 2022. For the year ended March 31, 2022, the City’s governmental activities and business-type activities recognized OPEB expense of \$453,827 and \$9,728, respectively. The City’s contributions to the OPEB plan are based on negotiated contracts with four bargaining units, as discussed in Note 14. Any amendments to the employer’s contributions are subject to the collective bargaining agreements.

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**—The City reports deferred inflows and deferred outflows of resources due to actuarial gains due to plan experience or changes in assumptions and other inputs. The table below presents the City’s deferred inflows and deferred outflows of resources at March 31, 2022.

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Differences between expected and actual experience	\$ 269,297	\$ 14,566	\$ 46,444	\$ 2,512
Changes of assumptions	600,994	32,506	119,721	6,476
Total	<u>\$ 870,291</u>	<u>\$ 47,072</u>	<u>\$ 166,165</u>	<u>\$ 8,988</u>

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

Year Ending March 31,	Governmental Activities	Business-type Activities
2023	\$ 130,489	\$ 7,058
2024	130,489	7,058
2025	130,489	7,058
2026	130,489	7,058
Thereafter	182,170	9,852

## 9. RISK MANAGEMENT

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

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

Since actual claim costs depend on complex factors, the process of computing claim liabilities does not necessarily result in an exact amount. Such liabilities are based on the ultimate cost of claims (including future claim adjustment expenses) that have been incurred but not charged or credited to expense in the periods in which they are made. As of March 31, 2022, the City recorded a liability in the amount of \$150,054 within the self- insurance fund for incurred but not reported insured events.

Changes in the reported health insurance liability since March 31, 2020 is as follows:

Year Ended March 31	Liability Beginning of Year	Claims and Adjustments	Claim Payments	Liability Ending of Year
2022	\$ 152,435	\$ 2,203,077	\$ (2,205,458)	\$ 150,054
2021	122,240	2,289,474	(2,259,279)	152,435

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

Third party insurance is maintained by the City with a stop loss for the workers' compensation plan in the amount of \$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, 2022, the City has recorded a liability for future costs associated with open claims of \$168,633. The City has not consulted an actuary and has not estimated a liability for incurred but not reported claim liabilities. Claim activity consists of open claims being revalued and payment on claims.

Changes in the reported workers' compensation liability since March 31, 2020 are as follows:

Year Ended March 31	Liability Beginning of Year	Claims and Adjustments	Claim Payments	Liability Ending of Year
2022	\$ 252,850	\$ 199,920	\$ (284,137)	\$ 168,633
2021	239,817	432,969	(419,936)	252,850

## 10. LEASE OBLIGATIONS

**Installment Purchase Debt**—During the year ended March 31, 2016, the City's governmental activities entered into an installment purchase contract for the purchase of a dump truck and equipment. The installment purchase contract carries an interest rate of 2.24% and matures during the year ended March 31, 2023.

During the year ended March 31, 2007, the City's governmental activities and business-type activities entered into an energy performance contract for more energy efficient systems within the City. The installment purchase contract carries an interest rate of 1.85% and matured during the year ended March 31, 2022.

The table below summarizes requirements of the installment purchase debt:

Year ended March 31,	Governmental Activities
2023	Dump Truck and Equipment
Total minimum lease payments	\$ 28,278
Less: Amount representing imputed interest costs	28,278
Present value of minimum lease payment	(473)
	<u>\$ 27,805</u>

The assets acquired through the capital leases are as follows:

	Governmental Activities
Assets:	
Dump truck	\$ 211,358
Less: Accumulated depreciation	<u>(136,270)</u>
Total	<u>\$ 75,088</u>

## 11. LONG-TERM OBLIGATIONS

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

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

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

The table below is a summary of changes in the City's long-term debt for the year ended March 31, 2022.

	Balance 4/1/2021	Additions	Deletions	Balance 3/31/2022	Due Within One Year
<b>Governmental activities:</b>					
Serial bonds	\$ 2,610,600	\$ -	\$ 273,800	\$ 2,336,800	\$ 283,700
Premiums on serial bonds	41,903	-	3,497	38,406	3,497
Installment purchase debt	136,126	-	108,321	27,805	27,805
Due to other governments	245,756	-	9,646	236,110	-
Compensated absences*	1,948,278	-	238,882	1,709,396	170,940
OPEB obligation	7,036,204	305,431	766,273	6,575,362	-
Net pension liability*	10,444,794	-	7,444,078	3,000,716	-
Total governmental activities	<u>\$ 22,463,661</u>	<u>\$ 305,431</u>	<u>\$ 8,844,497</u>	<u>\$ 13,924,595</u>	<u>\$ 485,942</u>
<b>Business-type activities:</b>					
Serial bonds	\$ 6,381,082	\$ -	\$ 467,882	\$ 5,913,200	\$ 486,300
Premiums on serial bonds	10,476	-	874	9,602	874
Installment purchase debt	27,179	-	27,179	-	-
Compensated absences*	281,751	23,834	-	305,585	30,559
OPEB obligation	390,429	20,577	55,361	355,645	-
Net pension liability*	1,416,914	-	1,411,051	5,863	-
Total business-type activities	<u>\$ 8,507,831</u>	<u>\$ 44,411</u>	<u>\$ 1,962,347</u>	<u>\$ 6,589,895</u>	<u>\$ 517,733</u>

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

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

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

A summary of additions and payments of the City’s bond indebtedness for the year ended March 31, 2022 is shown below:

Description	Original Issue Amount	Year of Issue/ Maturity	Interest Rate	Balance 4/1/2021	Increases	Decreases	Balance 3/31/2022
<b>Governmental activities:</b>							
City Centre - refunding	\$ 2,856,000	2014/2033	2.0-3.75%	\$ 2,080,000	\$ -	\$ 140,000	\$1,940,000
CAT Loader	195,500	2018/2025	1.10-4.15%	150,000	-	30,000	120,000
ERP Software	305,000	2020/2024	2.0%	305,000	-	97,500	207,500
VAC Truck	75,600	2020/2031	2.0%	75,600	-	6,300	69,300
Total governmental activities				<u>\$ 2,610,600</u>	<u>\$ -</u>	<u>\$ 273,800</u>	<u>\$2,336,800</u>
<b>Business-type activities:</b>							
<b>Sewer Fund:</b>							
City Centre - refunding	\$ 357,000	2014/2033	2.0-3.75%	\$ 260,000	\$ -	\$ 17,500	\$ 242,500
Washington Ave, Sludge Removal, Roof	2,825,000	2017/2033	2.0-3.0%	2,340,000	-	175,000	2,165,000
Vine and Elm Street Water Projects	614,600	2017/2033	2.25-3.0%	540,000	-	25,000	515,000
ERP Software	152,500	2020/2024	2.0%	152,500	-	48,750	103,750
VAC Truck	302,400	2020/2031	2.0%	302,400	-	25,200	277,200
<b>Water Fund:</b>							
City Centre - refunding	357,000	2014/2033	2.0-3.75%	260,000	-	17,500	242,500
Washington Ave, Sludge Removal, Roof	151,000	2017/2033	2.0-3.0%	120,000	-	10,000	110,000
Vine and Elm Street Water Projects	785,400	2017/2033	2.25-3.0%	695,000	-	35,000	660,000
ERP Software	152,500	2020/2024	2.0%	152,500	-	48,750	103,750
VAC Truck	42,000	2020/2031	2.0%	42,000	-	3,500	38,500
South Main Street Water	546,006	2020/2041	2.0%	546,006	-	21,006	525,000
Union Street Water	970,676	2020/2041	2.0%	970,676	-	40,676	930,000
Total business-type activities				<u>\$ 6,381,082</u>	<u>\$ -</u>	<u>\$ 467,882</u>	<u>\$5,913,200</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, 2022, that amount was \$42,822,901. As of March 31, 2022, the total outstanding debt applicable to the limit was \$5,640,250, which is 13.2% of the total limit.

**Premiums on Serial Bonds**—The City previously issued serial bonds and refunding bonds which received bond premiums. The premiums are being amortized on a straight-line basis over the life of the bonds. The total unamortized bond premium at March 31, 2022 was \$38,406 and \$9,602 for governmental activities and business-type activities, respectively.

**Installment Purchase Debt**—As described in Note 10, the City has outstanding installment purchase debt at March 31, 2022 of \$27,805 in governmental activities, all of which is due in one year.

**Due to Other Governments**—The City has been identified by the United States Environmental Protection Agency (“EPA”) as a responsible party which can be held liable for a portion of the long-term maintenance and operations of a landfill site in the Town of Batavia. All parties designated as potentially responsible parties by the EPA participated in a Pilot Allocation Program. As a result of this program, 75% of the long-term operation and maintenance costs have been allocated to the City and are owed to the Town. At March 31, 2022, the City reports a liability of \$236,110.

**Compensated Absences**—As explained in Note 1, the liability for compensated absences, which totals \$1,709,396 for governmental activities and \$305,585 for business-type activities, represents amounts relating to sick and personal leave for employees. Payments of these liabilities are dependent on many factors (including retirement, termination, or employees leaving service) and, therefore, timing of future payments of such is not readily available. The City has estimated that \$170,940 and \$30,559 for governmental activities and business-type activities, respectively, will be paid in the next fiscal year.

**OPEB Obligation**—As explained in Note 8, the City provides health insurance coverage for retirees. The long-term OPEB liability is estimated to be \$6,575,362 and \$335,645 for governmental activities and business-type activities, respectively, as of March 31, 2022.

**Net Pension Liability**—The City reports a liability for its proportionate share of the net pension liability for the Police and Fire Retirement System and Employees’ Retirement System. The total net pension liability at March 31, 2022 is estimated to be \$3,000,716 and \$5,863 in governmental activities and business-type activities, respectively. Refer to Note 7 for additional information related to the City’s net pension liability.

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

Year Ending March 31,	Governmental Activities							Net Pension Liability	Total
	Serial Bonds	Premium on Serial Bonds	Installment Purchase Debt	Due to Other Governments	Compensated Absences	OPEB Obligation			
2023	\$ 283,700	\$ 3,497	\$ 27,805	\$ -	\$ 170,940	\$ -	\$ -	\$ 485,942	
2024	286,200	3,497	-	-	-	-	-	289,697	
2025	185,200	3,497	-	-	-	-	-	188,697	
2026	185,200	3,497	-	-	-	-	-	188,697	
2027	168,100	3,497	-	-	-	-	-	171,597	
2028-2032	920,400	17,485	-	-	-	-	-	937,885	
2033-2037	308,000	3,436	-	-	-	-	-	311,436	
2038 and thereafter	-	-	-	236,110	1,538,456	6,575,362	3,000,716	11,350,644	
Total	<u>\$ 2,336,800</u>	<u>\$ 38,406</u>	<u>\$ 27,805</u>	<u>\$ 236,110</u>	<u>\$ 1,709,396</u>	<u>\$ 6,575,362</u>	<u>\$ 3,000,716</u>	<u>\$13,924,595</u>	

Year Ending March 31,	Business-type Activities					Total
	Serial Bonds	Premium on Serial Bonds	Compensated Absences	OPEB Obligation	Net Pension Liability	
2023	\$ 486,300	\$ 874	\$ 30,559	\$ -	\$ -	\$ 517,733
2024	493,800	874	-	-	-	494,674
2025	389,800	874	-	-	-	390,674
2026	404,800	874	-	-	-	405,674
2027	411,900	874	-	-	-	412,774
2028-2032	2,149,600	4,370	-	-	-	2,153,970
2033-2037	1,132,000	862	-	-	-	1,132,862
2038-2042	445,000	-	-	-	-	445,000
2043 and thereafter	-	-	275,026	355,645	5,863	636,534
Total	<u>\$ 5,913,200</u>	<u>\$ 9,602</u>	<u>\$ 305,585</u>	<u>\$ 355,645</u>	<u>\$ 5,863</u>	<u>\$ 6,589,895</u>

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

Year Ending March 31,	Governmental	Business-type	Total
	Activities	Activities	
2023	\$ 72,403	\$ 143,901	\$ 216,304
2024	65,212	133,164	198,376
2025	58,669	123,237	181,906
2026	52,850	114,114	166,964
2027	47,159	104,541	151,700
2028-2032	144,384	359,249	503,633
2033-2037	13,875	116,470	130,345
2038-2042	-	17,541	17,541
Total	<u>\$ 454,552</u>	<u>\$ 1,112,217</u>	<u>\$ 1,566,769</u>

## 12. NET POSITION AND FUND BALANCE

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

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

Governmental activities:

Capital assets, net of accumulated depreciation		\$ 24,291,868
Related debt:		
Serial bonds	\$ (2,336,800)	
Premiums on serial bonds	(38,406)	
Installment purchase debt	<u>(27,805)</u>	<u>(2,403,011)</u>
Net investment in capital assets		<u>\$ 21,888,857</u>

Business-type activities:

Capital assets, net of accumulated depreciation		\$ 26,914,800
Related debt:		
Serial bonds	\$ (5,913,200)	
Premiums on serial bonds	<u>(9,602)</u>	<u>(5,922,802)</u>
Net investment in capital assets		<u>\$ 20,991,998</u>

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

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. At March 31, 2022, the City reported no nonspendable fund balance.

In the fund financial statements, restricted fund balances are amounts with external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions and enabling legislation. Restricted fund balances maintained by the City at March 31, 2022 are presented as follows:

	General Fund
Retirement contributions	\$ 269,998
Employee benefits	205,586
Insurance	419,771
Capital projects	4,147,799
Debt service	6,535
Business improvement district	246,922
Repairs	30,673
Other	<u>35,741</u>
Total restricted fund balance	<u>\$ 5,363,025</u>

- **Retirement Contributions**—Represents funds set aside for any upcoming retirement contributions required of the City.
- **Employee Benefits**—Represents funds set aside for compensated absences payouts required of the City.
- **Insurance**—Represents funds set aside for medical and liability claims.
- **Capital Projects**—Represents funds to be used for future construction, reconstruction and/or acquisition of capital improvements and equipment.
- **Debt Service**—Represents funds from the General Fund to be used for future debt payments.
- **Business Improvement District**—Represents amounts accumulated for the purpose of future spending on the City’s business improvement District.



- **Repairs**—Represents funds which can only be used for repairs of Dwyer Stadium.
- **Other**—Represents amounts restricted for the following purposes: police (\$5,159), drug asset forfeiture (\$1,154), non-state external EMS program (\$7,528), Farrell Park (\$1,523), public broadcasting (\$11,189), and centennial celebration (\$9,188).

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by formal action of the City’s highest level of decision-making authority (City Council). Committed fund balances maintained by the City as of March 31, 2022 are presented below:

- **K-9**—Represents funds accumulated to be used for K-9 purposes within the City. At March 31, 2022, the City has committed \$14,124 within the General Fund for this purpose.
- **Creek Park**—Represents funds accumulated for environmental work the City’s Creek Park site. At March 31, 2022, the City has committed \$15,000 within the General Fund for this purpose.

In the fund financial statements, assigned amounts are subject to a purpose constraint that represents an intended use established by the City Council, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balances represents the residual amount of fund balance. Assigned fund balances maintained by the City at March 31, 2022 are presented as follows:

	General Fund	Nonmajor Funds	Total
Subsequent year's expenditures	\$ 275,000	\$ -	\$ 275,000
Encumbrances	540,047	-	540,047
Subdivision contractor	39,689	-	39,689
Parks	1,399	-	1,399
Memorial bricks	3,526	-	3,526
Specific use	-	395,472	395,472
Total assigned fund balance	<u>\$ 859,661</u>	<u>\$ 395,472</u>	<u>\$ 1,255,133</u>

- **Assigned to Subsequent Year’s Expenditure**—Represents funds to be used to assist in supporting the subsequent year authorized appropriations.
- **Assigned to Encumbrances**—Represents amounts related to unperformed contracts for goods and services.
- **Assigned to Subdivision Contractor**—Represents amounts related to fund balance designated to be used for specific purpose related to certain subdivisions within the City.
- **Assigned to Parks**— Represents fund balance designated to be used for specific purpose related to the City’s parks.

- **Assigned to Memorial Bricks**—Represents fund balance designated to be used for future spending related to memorial bricks within the City.
- **Assigned to Specific Use**—Represents remaining fund balance of the special revenue funds designated to be used for that funds’ specific purpose.

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

### 13. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are short-term in nature and exist because of temporary advances or payments made on behalf of other funds. Transfers are used primarily (1) to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) to move residual cash from closed projects, and (3) move cash to fund capital projects. The City had the following interfund balances and interfund transfers as of and for the year ended March 31, 2022:

Fund	Interfund		Transfers	
	Receivable	Payable	In	Out
Governmental Funds:				
General Fund	\$ 37,903	\$ -	\$ 271,197	\$ 3,102,387
Capital Projects Fund	-	800,000	297,964	175,824
Proprietary Funds:				
Sewer Fund	800,000	17,118	76,051	255,621
Water Fund	-	19,743	3,618	555,208
City Centre Fund	-	1,042	160,000	30,520
Internal Service Fund	-	-	3,310,730	-
Total	<u>\$ 837,903</u>	<u>\$ 837,903</u>	<u>\$ 4,119,560</u>	<u>\$ 4,119,560</u>

### 14. LABOR RELATIONS

The majority of City employees are represented by four bargaining units. The Police Benevolent Association has a contract through March 31, 2023, the International Association of Fire Fighters and AFSCME have contracts through March 31, 2024, and the CSEA has a contract through March 31, 2027.

### 15. COMMITMENTS

**Encumbrances**—Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. Open encumbrances are reported as an assignment of fund balance since such commitments will be honored through budget appropriations in the subsequent year. The City considers encumbrances to be significant for amounts that are encumbered in excess of \$50,000.

As of March 31, 2022, the City had the following significant encumbrances:

Description	Amount
Architect services	\$ 559,577
Architect services	351,750
Engineering services	219,871
Professional services	184,328
Snowplow and salter	183,200
Water project engineering	173,299
Engineering, architects & land surveying	141,327
Roofing	102,890
Engineering, architects & land surveying	99,317
Professional services	90,700
Radios	86,991
Water line project	67,460
Engineering services	60,000
Engineering services	59,560

## 16. TAX ABATEMENTS

The City is subject to programs entered into by the Genesee Industrial Economic Development Agency d/b/a the Genesee County Economic Development Center (the “GCEDA”). These programs have the stated purpose of increasing business activity and employment in the region. Economic development agreements are entered into by the GCEDA and incentives may include property tax abatements of any new property tax revenue realized from the increased assessed value of any incentivized project from the investment of private capital. The abatement agreements include a stipulated reduction pursuant to the limits set forth in State statute and rules. In the future, these new revenues will increase periodically until the project is taxed at full assessed value. Assuming the GCEDA incentivized projects would have been completed absent tax abatement, the unrealized property tax revenue is \$69,832. However, during the 2021-2022 fiscal year, the City collected \$39,812 related to these new incentivized projects.

## 17. CONTINGENCIES

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

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

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

## 18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 26, 2022, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

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## REQUIRED SUPPLEMENTARY INFORMATION



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

	Year Ended March 31,							
	2022	2021	2020	2019	2018	2017	2016	2015
Measurement date	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
City's proportion of the net pension liability	0.1723669%	0.1539512%	0.1659880%	0.1529920%	0.1433166%	0.1513918%	0.1488400%	0.1488400%
City's proportionate share of the net pension liability	<u>\$ 2,992,766</u>	<u>\$ 8,228,594</u>	<u>\$ 2,783,724</u>	<u>\$ 1,546,377</u>	<u>\$ 2,970,454</u>	<u>\$ 4,482,389</u>	<u>\$ 409,696</u>	<u>\$ 619,635</u>
City's covered payroll	\$ 5,054,368	\$ 5,223,214	\$ 5,038,218	\$ 5,009,124	\$ 4,722,442	\$ 4,432,386	\$ 4,182,948	\$ 4,612,109
City's proportionate share of the net pension liability as a percentage of its covered payroll	59.2%	157.5%	55.3%	30.9%	62.9%	101.1%	9.8%	13.4%
Plan fiduciary net position as a percentage of the total pension liability	95.8%	84.9%	95.1%	96.9%	93.5%	90.2%	111.5%	100.7%

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



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

	Year Ended March 31,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 1,312,633	\$ 1,164,277	\$ 1,094,552	\$ 1,091,470	\$ 1,532,230	\$ 1,023,988	\$ 877,335	\$ 1,213,742	\$ 677,447	\$ 1,156,334
Contributions in relation to the contractually required contribution	<u>(1,312,633)</u>	<u>(1,164,277)</u>	<u>(1,094,552)</u>	<u>(1,091,470)</u>	<u>(1,532,230)</u>	<u>(1,023,988)</u>	<u>(877,335)</u>	<u>(1,213,742)</u>	<u>(677,447)</u>	<u>(1,156,334)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 5,246,220	\$ 5,054,368	\$ 5,223,214	\$ 5,034,218	\$ 5,009,124	\$ 4,722,442	\$ 4,432,386	\$ 4,182,948	\$ 4,612,109	\$ 4,517,179
Contributions as a percentage of covered payroll	25.0%	23.0%	21.0%	21.7%	30.6%	21.7%	19.8%	29.0%	14.7%	25.6%

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

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

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

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

	Year Ended March 31,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Governmental activities:</b>										
Contractually required contribution	\$ 344,138	\$ 330,804	\$ 312,675	\$ 313,284	\$ 447,544	\$ 307,048	\$ 361,554	\$ 389,527	\$ 399,124	\$ 349,453
Contributions in relation to the contractually required contribution	<u>(344,138)</u>	<u>(330,804)</u>	<u>(312,675)</u>	<u>(313,284)</u>	<u>(447,544)</u>	<u>(307,048)</u>	<u>(361,554)</u>	<u>389,527</u>	<u>399,124</u>	<u>349,453</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,210,702	\$ 2,180,056	\$ 2,292,021	\$ 2,194,906	\$ 2,170,523	\$ 2,115,873	\$ 2,071,668	\$ 2,173,217	\$ 1,902,246	\$ 2,013,633
Contributions as a percentage of covered payroll	15.6%	15.2%	13.6%	14.3%	20.6%	14.5%	17.5%	17.9%	21.0%	17.4%
<b>Business-type activities</b>										
Contractually required contribution	\$ 253,797	\$ 211,498	\$ 208,450	\$ 208,857	\$ 298,363	\$ 213,373	\$ 251,250	\$ 259,684	\$ 293,800	\$ 257,236
Contributions in relation to the contractually required contribution	<u>(253,797)</u>	<u>(211,498)</u>	<u>(208,450)</u>	<u>(208,857)</u>	<u>(298,363)</u>	<u>(213,373)</u>	<u>(251,250)</u>	<u>259,684</u>	<u>293,800</u>	<u>257,236</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,629,990	\$ 1,393,805	\$ 1,528,017	\$ 1,463,276	\$ 1,447,017	\$ 1,470,353	\$ 1,439,638	\$ 1,448,809	\$ 1,400,264	\$ 1,482,257
Contributions as a percentage of covered payroll	15.6%	15.2%	13.6%	14.3%	20.6%	14.5%	17.5%	17.9%	21.0%	17.4%

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

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

(continued)

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

(concluded)

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

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

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

**CITY OF BATAVIA, NEW YORK**  
**Schedule of Revenues, Expenditures and Change in Fund Balance—**  
**Budget and Actual—General Fund**  
**Year Ended March 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Real property taxes	\$ 5,884,628	\$ 5,884,628	\$ 5,924,261	\$ 39,633
Other tax items	221,372	221,372	309,452	88,080
Non-property tax items	6,705,000	6,705,000	7,346,707	641,707
Departmental income	366,083	366,083	478,304	112,221
Use of money and property	109,113	109,113	97,909	(11,204)
Licenses and permits	77,900	77,900	87,476	9,576
Fines and forfeitures	60,500	60,500	83,453	22,953
Sale of property and compensation for loss	2,500	2,500	152,293	149,793
Miscellaneous	96,100	346,100	226,528	(119,572)
State aid	2,141,884	2,631,802	2,947,657	315,855
Federal aid	2,850	587,690	65,456	(522,234)
Total revenues	<u>15,667,930</u>	<u>16,992,688</u>	<u>17,719,496</u>	<u>726,808</u>
<b>EXPENDITURES</b>				
Current:				
General government support	2,663,413	2,127,513	1,965,034	162,479
Public safety	8,062,752	8,359,509	8,052,605	306,904
Health	19,860	19,341	19,341	-
Transportation	2,414,740	2,107,657	1,825,710	281,947
Economic assistance and opportunity	110,000	250,156	277,905	(27,749)
Culture and recreation	706,256	711,647	634,245	77,402
Home and community service	408,540	408,540	309,651	98,889
Debt service:				
Principal	381,808	382,120	382,119	1
Interest	82,814	82,502	82,500	2
Total expenditures	<u>14,850,183</u>	<u>14,448,985</u>	<u>13,549,110</u>	<u>899,875</u>
Excess (deficiency) of revenues over expenditures	<u>817,747</u>	<u>2,543,703</u>	<u>4,170,386</u>	<u>1,626,683</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	275,000	275,000	271,197	(3,803)
Transfers out	<u>(2,684,050)</u>	<u>(3,427,265)</u>	<u>(3,102,387)</u>	<u>324,878</u>
Total other financing sources (uses)	<u>(2,409,050)</u>	<u>(3,152,265)</u>	<u>(2,831,190)</u>	<u>321,075</u>
Net change in fund balance*	(1,591,303)	(608,562)	1,339,196	1,947,758
Fund balance—beginning	<u>8,037,163</u>	<u>8,037,163</u>	<u>8,037,163</u>	<u>-</u>
Fund balance—ending	<u>\$ 6,445,860</u>	<u>\$ 7,428,601</u>	<u>\$ 9,376,359</u>	<u>\$ 1,947,758</u>

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

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

**CITY OF BATAVIA, NEW YORK**  
**Notes to the Required Supplementary Information**  
**Year Ended March 31, 2022**

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**1. OPEB LIABILITY**

*Changes of Assumptions*—Changes of assumptions reflect the effects of changes in the long-term bond rate, the mortality rate, and the healthcare cost trend rate. The long-term bond rate is based on the Fidelity General Obligation 20-Year AA Municipal Bond Index rate as of the measurement date, which increased from 2.27% effective March 31, 2021, to 2.83% at March 31, 2022. Mortality improvement scales were updated from MP-2020 to MP-2021. Finally, the healthcare cost trend rate has an initial rate of 7.000% and an ultimate rate of 3.784%

**2. BUDGETARY INFORMATION**

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

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

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

*Excess of Expenditures over Appropriations*—For the year ended March 31, 2022, the City had budgetary expenditures in excess of the final budget amount within economic assistance and opportunity of \$27,749 pertaining to the Business Improvement District expenditures.

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## SUPPLEMENTARY INFORMATION



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**CITY OF BATAVIA, NEW YORK**  
**Combining Balance Sheet—Nonmajor Governmental Funds**  
**March 31, 2022**

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	<b>Special Revenue</b>		<b>Total</b>
	<b>Small Cities</b>	<b>Special Grant</b>	<b>Nonmajor Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 20,039	\$ 195,424	\$ 215,463
Receivables:			
Loans	21,119	158,890	180,009
Total assets	\$ 41,158	\$ 354,314	\$ 395,472
<b>FUND BALANCES</b>			
Assigned	41,158	354,314	395,472
Total fund balances	\$ 41,158	\$ 354,314	\$ 395,472

**CITY OF BATAVIA, NEW YORK**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances—Nonmajor Governmental Funds**  
**Year Ended March 31, 2022**

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	<u>Special Revenue</u>		<u>Total</u>
	<u>Small</u>	<u>Special</u>	<u>Governmental</u>
	<u>Cities</u>	<u>Grant</u>	<u>Funds</u>
<b>REVENUES</b>			
Use of money and property	\$ 365	\$ 2,880	\$ 3,245
Miscellaneous	40	5,824	5,864
State aid	-	26,977	26,977
Total revenues	<u>405</u>	<u>35,681</u>	<u>36,086</u>
<b>EXPENDITURES</b>			
Current:			
Home and community service	<u>26,326</u>	<u>93,175</u>	<u>119,501</u>
Total expenditures	<u>26,326</u>	<u>93,175</u>	<u>119,501</u>
Net change in fund balances	(25,921)	(57,494)	(83,415)
Fund balances—beginning	<u>67,079</u>	<u>411,808</u>	<u>478,887</u>
Fund balances—ending	<u>\$ 41,158</u>	<u>\$ 354,314</u>	<u>\$ 395,472</u>

**CITY OF BATAVIA, NEW YORK**  
**Combining Statement of Net Position—Internal Service Funds**  
**March 31, 2022**

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	<b>Health Insurance</b>	<b>Worker's Compensation</b>	<b>Total</b>
<b>ASSETS</b>			
Restricted cash and cash equivalents	\$ 759,498	\$ 1,354,982	\$ 2,114,480
Receivables	3,939	171	4,110
Total assets	763,437	1,355,153	2,118,590
<b>LIABILITIES</b>			
Accounts payable	61,816	-	61,816
Accrued liabilities	150,054	168,633	318,687
Total liabilities	211,870	168,633	380,503
<b>NET POSITION</b>			
Restricted	385,726	656,608	1,042,334
Unrestricted	165,841	529,912	695,753
Total net position	\$ 551,567	\$ 1,186,520	\$ 1,738,087

**CITY OF BATAVIA, NEW YORK**  
**Combining Statement of Revenues, Expenses, and**  
**Changes in Net Position—Internal Service Funds**  
**Year Ended March 31, 2022**

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	<b>Health Insurance</b>	<b>Worker's Compensation</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 178,198	\$ -	\$ 178,198
Other operating revenues	-	84,217	84,217
Total operating revenues	178,198	84,217	262,415
<b>OPERATING EXPENSES</b>			
Claims and contractual expenses	2,642,956	284,137	2,927,093
Total operating expenses	2,642,956	284,137	2,927,093
Operating (loss)	(2,464,758)	(199,920)	(2,664,678)
<b>NONOPERATING REVENUES</b>			
Investment income	687	1,795	2,482
Total nonoperating revenues	687	1,795	2,482
Loss before transfers	(2,464,071)	(198,125)	(2,662,196)
Transfers in	2,991,620	319,110	3,310,730
Change in net position	527,549	120,985	648,534
Net position—beginning	24,018	1,065,535	1,089,553
Net position—ending	\$ 551,567	\$ 1,186,520	\$ 1,738,087

**CITY OF BATAVIA, NEW YORK**  
**Combining Statement of Cash Flows—Internal Service Funds**  
**Year Ended March 31, 2022**

	<b>Health Insurance</b>	<b>Worker's Compensation</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 204,049	\$ 5,445	\$ 209,494
Payments to suppliers for goods and services	<u>(2,634,401)</u>	<u>(284,137)</u>	<u>(2,918,538)</u>
Net cash (used for) operating activities	<u>(2,430,352)</u>	<u>(278,692)</u>	<u>(2,709,044)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Loans from other funds	256,310	-	256,310
Transfers from other funds	<u>2,991,620</u>	<u>319,110</u>	<u>3,310,730</u>
Net cash provided by noncapital financing activities	<u>3,247,930</u>	<u>319,110</u>	<u>3,567,040</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on cash and cash equivalents	<u>687</u>	<u>1,795</u>	<u>2,482</u>
Net cash provided by investing activities	<u>687</u>	<u>1,795</u>	<u>2,482</u>
Net increase in cash and cash equivalents	818,265	42,213	860,478
Cash and cash equivalents—beginning	<u>(58,767)</u>	<u>1,312,769</u>	<u>1,254,002</u>
Cash and cash equivalents—ending	<u>\$ 759,498</u>	<u>\$ 1,354,982</u>	<u>\$ 2,114,480</u>
	<b>Health Insurance</b>	<b>Worker's Compensation</b>	<b>Total</b>
<b>Reconciliation of operating loss to net cash (used for) operating activities:</b>			
Operating loss	\$ (2,464,758)	\$ (199,920)	\$ (2,664,678)
Adjustments to reconcile operating loss to net cash (used for) operating activities			
Decrease in receivables	28,232	5,445	33,677
Increase in accounts payable	8,555	-	8,555
(Decrease) in accrued liabilities	<u>(2,381)</u>	<u>(84,217)</u>	<u>(86,598)</u>
Total adjustments	<u>34,406</u>	<u>(78,772)</u>	<u>(44,366)</u>
Net cash (used for) operating activities	<u>\$ (2,430,352)</u>	<u>\$ (278,692)</u>	<u>\$ (2,709,044)</u>



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Certified Public Accountants

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2022, 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 26, 2022 (which report includes an other matters paragraph regarding a reclassification of fund balance and net position).

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Drescher & Malecki LLP*

September 26, 2022