

**AUDITED
BASIC FINANCIAL STATEMENTS**

CITY OF GENEVA, NEW YORK

DECEMBER 31, 2019

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CITY OF GENEVA, NEW YORK
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the remaining aggregate fund information of the City of Geneva, New York (the City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the remaining aggregate fund information of the City, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As stated in Note 1, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. In addition, as discussed in Note 4 to the basic financial statements, the City restated the beginning of year net position in governmental activities and the fund financial statements for grant revenue that was applicable to the previous fiscal year. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Freed Maxick CPAs, P.C.
Batavia, New York
July 14, 2020

Management's Discussion and Analysis

City of Geneva, New York

Fiscal Year ended December 31, 2019

This section of City of Geneva, New York's (the City) annual financial report presents its discussion and analysis of the City's financial performance during the fiscal year ended December 31, 2019. Please read it in conjunction with the City's financial statements, which immediately follow this section. In this section, **ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF DOLLARS, UNLESS OTHERWISE INDICATED.**

Financial Highlights

Fiscal Year 2019 showed signs of struggle for City operations. After a few years of positive end of year balances, the City executed a pivot in 2019 toward a slight financial backslide. Some portions of these deficits were planned and some unplanned or due to emergencies.

Overview of the Financial Statements

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

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

The Geneva City Council convenes annually to develop a plan of work for the coming year. In 2016, the City Council reaffirmed its Mission and Vision Statement, and its Strategic Imperatives—a set of core strategies designed to propel our community toward the established vision. Council's established vision statement is:

"A City of diverse assets; a community of choice for an engaged, creative, and active citizenry; a premier destination for progressive households, businesses, and visitors."

Council will advance toward this mission through the application of four Strategic Imperatives, including:

- ***Economic Development:*** Private investment and job creation contribute to community success through diversification of the tax base and enhancement of quality of life for our residents. City Council will continue to make investments in well thought out economic development efforts that attract high-quality commercial activity. Our efforts will be focused on those investments that enhance our posture as a regional tourism center, a haven for small, independent businesses, and promote an industrial sector that provides high-skilled, high paying jobs, while respecting our sensitive watershed environment.
- ***Talent Capitalization:*** Vast community resources exist in our active residents and engaged civic, business, and not-for profit partners. City Council will invest time, effort, and resources in cultivating relationships--with existing and potential partners, in an effort to leverage public resources, community effort, and expertise. Infrastructure will be developed and utilized to seek out, evaluate, cultivate, and implement innovative programs and services to increase value to residents, visitors, and businesses.

- *Asset Promotion:* Active promotion of regional and community assets are critical to the development of a sound economic and community development program. In order to maintain and advance our position as a community of choice for residents, businesses, and visitors, City Council will invest resources to elevate our visibility among target audiences through effective and efficient brand distribution strategies, leveraging the resources of economic development and other community partners.

- *Pride of Place:* Promoting our community as a destination for discerning households, visitors, and businesses begins with intrinsic pride of place. Council will invest resources in efforts that engender neighborhood and community pride through programs and services that enhance the aesthetics, functionality, and safety of public spaces, and that showcase Geneva as a model community.

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

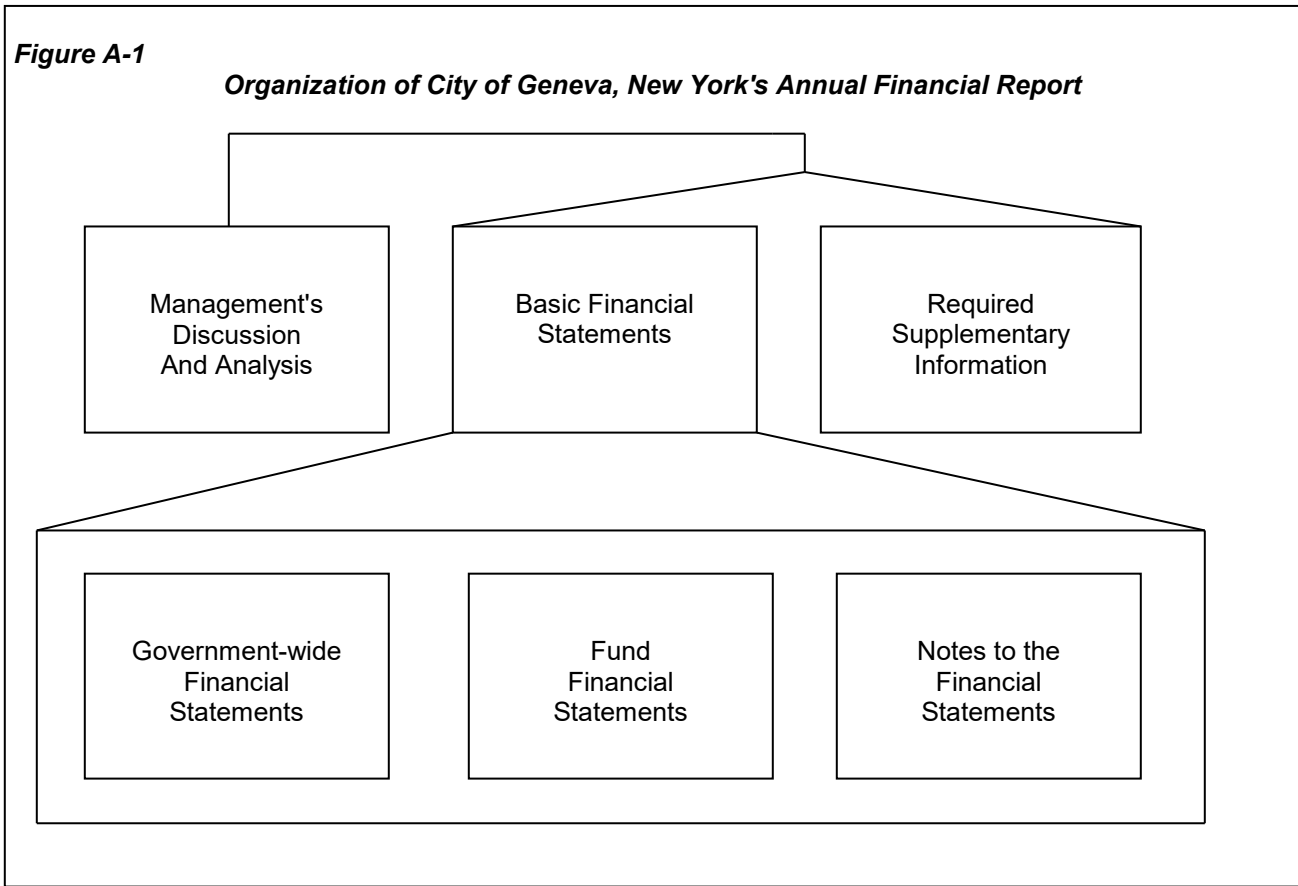


Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each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

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

Government-wide Statements

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

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

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

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

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

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

Fund Financial Statements

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

The City has three kinds of funds:

- **Governmental Funds:** Most of the City's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information provided with the governmental funds statements explains the relationship (or differences) between them.
- **Proprietary Funds:** These funds are generally used to account for services for which the City charges customers (both external and internal). These funds use accrual accounting, which is the same method used by the private sector. The City of Geneva has two enterprise funds. The City's enterprise funds are the water and sewer funds. Enterprise funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The enterprise fund financial statements provide separate information for each of the enterprise funds, both of which are considered to be major funds of the City.
- **Fiduciary Funds:** The City is the trustee, or fiduciary, for assets that belong to others, such as deposits. The City is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The City excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the City as a Whole

Financial Condition

As was noted in the previous section, the City was on a path toward financial sustainability. Fiscal Year 2019 represents a backslide, including decreases in net position, total assets, liquidity, and unrestricted fund balance.

On the general fund side of the ledger, modest increases in revenues were offset with large one-time increases in expenditures. On the utility fund side, decreases in net position are attributed to depreciation, with little impact on liquidity or cash position. While this is not an entirely positive indicator, it does retain City Council's ability to remain operationally flexible in these areas of operations, while representing an opportunity for future changes to rate structures to account for long term investment needs.

Explanation/Analysis of Financial Statements

What follows is an overview and analysis of the financial statements presented in later sections of this report. This is intended to provide stakeholders with the background information necessary to make informed positions about the City financial status.

Statement of Net Position

The Statement of Net Position (Page 22) is intended to provide the reader with a "50,000 foot view" of City finances as a whole. The "tale of the tape" in terms of this statement is the "net position," which deducts all of the City's liabilities from its total assets.

For 2019, the Statement of Net Position did not show growth in the position of general government activities (those you would traditionally attribute to a municipality, including public safety, streets and roads, parks, etc.). The net position for 2018 grew by 27.87% from the start of the year. The net position stands at (\$6,839,707).

An increase in net position results in asset accumulation outpacing liabilities. For 2019, the City experienced a spike in cash and cash equivalents due to borrowings that were unspent for capital projects. Additionally, capital assets increased due to continued investments in the City's infrastructure, which also resulted in an increase in the City's debt costs; the only significant increase in general government liabilities.

The City's business-type activities (our water and sewer programs) showed an overall decrease in net position of around 8% to \$11.09 million. This decrease was attributable to an increase in cost of operations and transfers to the general fund.

Statement of Revenues, Expenditures/Expenses, and Changes to Fund Balances/Net Position

These statements (Page 26) are designed to show the various mechanisms by which we obtain revenues and how our revenue streams are performing. Additionally, the statements break out costs by category to give a better indication of how funds are disbursed. Finally, overviews of fund balances in various funds are provided.

For general government operations, revenues remained relatively flat between 2018 and 2019. Upswings in the areas of sales and other taxes were offset by decreases in the areas of real property tax items. The City recognized \$3,626,821 of state and federal aid related to ongoing capital projects. An emphasis on cost management lead to a relatively even cut in costs across all operational areas. In addition, a freeze on filling of vacant positions resulted in a significant decrease in employment related costs.

Due to the nature of consolidated management across the three funds, it is routine for the City to transfer funds from the water and sewer accounts. This offsets costs associated with the City Manager, Human Resources, Finance, Information Technology, and other administrative costs, which are borne by the general fund. Beginning in 2014, and moving forward (inclusive of 2015), the City uses a position-by-position analysis to determine what level of effort is contributed by our employees in each fund. The transfers from water and sewer funds to the general fund totaled \$953,039 for 2019.

Fund balances are those dollars which are not utilized for operations. They are funds in excess of operational costs. The City Council has established a policy for the general fund that requires that unrestricted fund balances total 10% to 15% of current year appropriations. Entering the 2017 operating year, the City's unrestricted general fund balance did not meet the required threshold. As such, the City's management team developed a replenishment plan, which was approved by City Council, targeting a five year replenishment target.

At the close of 2019, expenses and transfers exceeded revenues by \$850,023. This resulted in a closing, unrestricted general fund balance of \$2,282,645, or 12.40% of current year (2019) appropriations. This was achieved 4 years ahead of Council's goal.

For 2019, the enterprise funds (water and sewer) yielded mixed results. While cash receipts exceeded cash allocations in the sewer fund, the water fund experienced a decrease in cash.

In the water fund, revenues and expenses were down approximately \$200,000 due to decreased billings and related operations. This resulted in an increase in net position of approximately \$65,000.

The sewer fund revenues decreased by approximately \$200,000 while expenses increased by approximately \$1,000,000 with the most significant increases in depreciation and OPEB expense, ultimately resulting in a decrease in net position of approximately \$966,000.

City Council recognizes the capital intense nature of the utility funds, and as such has set much higher thresholds for unrestricted net position at 30% to 35% of current year appropriations (net of planned drawdowns).

Summary

In general, the financial statements point to increased health of the City's fiscal condition. For the first time in over 5 years, all three funds are experiencing acceptable unrestricted fund balance levels. Many agencies, including bond rating groups and the New York State Comptroller, utilize unrestricted fund balances as an indicator of fiscal health.

On a broader scale, the City's general governmental operations accounts are performing incredibly well, with revenues stabilized and expenses declining. This trend must continue in order for the City to not only maintain strong unrestricted fund balances, but also for the City to grow critical equipment, capital, and revenue stabilization reserves. These reserves will reduce reliance on debt for future investments in facilities and equipment, and will negate the impact of volatile revenue swings that can occur with shifts in the global and national economies. These factors are beyond the City's control, but can be managed through careful financial planning.

Staff will continue to focus on conservative, objective, and reasonable revenue forecasting and on intense cost management efforts, in order to continue to move the City in the right direction relative to fiscal sustainability.

Condensed Statement of Net Position
(in thousands of dollars)

	Governmental Activities		Total Percentage Change	Business-Type Activities		Total Percentage Change
	2019	Restated 2018		2019	2018	
Current and other assets	\$ 16,274	\$ 16,557	-1.71%	\$ 7,042	\$ 7,863	-10.44%
Capital assets, net	41,704	41,239	1.13%	49,257	49,245	0.02%
Total assets	<u>57,978</u>	<u>57,796</u>	<u>0.31%</u>	<u>56,299</u>	<u>57,108</u>	<u>-1.42%</u>
Deferred outflows of resources	<u>8,391</u>	<u>4,948</u>	<u>69.58%</u>	<u>1,235</u>	<u>916</u>	<u>34.83%</u>
Long-term liabilities	49,273	46,877	5.11%	34,160	35,869	-4.76%
Other liabilities	13,382	11,504	16.32%	10,777	8,265	30.39%
Total liabilities	<u>62,655</u>	<u>58,381</u>	<u>7.32%</u>	<u>44,937</u>	<u>44,134</u>	<u>1.82%</u>
Deferred inflows of resources	<u>10,554</u>	<u>11,188</u>	<u>-5.67%</u>	<u>1,506</u>	<u>1,897</u>	<u>-20.61%</u>
Net investment in capital assets	27,063	23,799	13.71%	15,390	15,511	-0.78%
Restricted for:						
Capital projects	465	589	-21.05%	701	585	19.83%
Public safety	17	23	-26.09%	-	-	0.00%
Cemetery	20	20	0.00%	-	-	0.00%
Community development	3,724	3,501	6.37%	-	-	0.00%
Retirement	50	-	100.00%			
Unrestricted	<u>(38,179)</u>	<u>(34,757)</u>	<u>-9.85%</u>	<u>(5,000)</u>	<u>(4,103)</u>	<u>-21.86%</u>
Total net position	<u>\$ (6,840)</u>	<u>\$ (6,825)</u>	<u>0.22%</u>	<u>\$ 11,091</u>	<u>\$ 11,993</u>	<u>-7.52%</u>

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

	Governmental Activities		Total Percentage Change	Business-Type Activities		Total Percentage Change
	2019	Restated 2018		2019	2018	
Program Revenues:						
Charges for services	\$ 1,132	\$ 1,330	-14.89%	\$ 8,417	\$ 8,578	-1.88%
Operating grants and contributions	-	-	0.00%	-	-	0.00%
Capital grants and contributions	1,624	983	65.21%	-	30	0.00%
General Revenues:						
Property taxes, and property tax items	8,268	8,501	-2.74%	-	-	0.00%
Non-property taxes	4,203	4,063	3.45%	-	-	0.00%
Interest earnings	28	22	27.27%	2	2	0.00%
State and federal sources	2,487	6,045	-58.86%	-	-	0.00%
Premium on bond anticipation note	70	88	-20.45%	66	75	-12.00%
Miscellaneous	172	182	-5.49%	85	133	-36.09%
Total revenues	17,984	21,214	-15.23%	8,570	8,818	-2.81%
Program Expenses:						
General government	2,863	2,541	12.67%	-	-	0.00%
Public safety	9,256	8,626	7.30%	-	-	0.00%
Transportation	2,421	3,658	-33.82%	-	-	0.00%
Economic assistance	295	660	-55.30%	-	-	0.00%
Culture and recreation	2,095	1,448	44.68%	-	-	0.00%
Home and community service	1,476	1,193	23.72%	8,519	7,843	8.62%
Interest on debt	546	636	-14.15%	-	-	0.00%
Total expenses	18,952	18,762	1.01%	8,519	7,843	8.62%
Increase (decrease) in net position before transfers	(968)	2,452	139.48%	51	975	-94.77%
Transfers	953	786	-21.25%	(953)	(786)	21.25%
Change in net position	(15)	3,238	-100.46%	(902)	189	-577.25%
Net position-beginning, as restated	(6,825)	(10,063)	-32.18%	11,993	11,804	1.60%
Net position-ending	\$ (6,840)	\$ (6,825)	0.22%	\$ 11,091	\$ 11,993	-7.52%

Governmental Activities

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

Net Cost of Activities <i>(in thousands of dollars)</i>						
	Governmental Activities		Total	Business-Type Activities		Total
	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2019	Restated 2018		2019	2018	
General government	2,616	2,217	18.00%	-	-	0.00%
Public safety	8,780	7,663	14.58%	-	-	0.00%
Transportation	781	3,049	-74.39%	-	-	0.00%
Economic assistance	295	660	-55.30%	-	-	0.00%
Culture & recreation	1,831	1,181	55.04%	-	-	0.00%
Home & community service	1,347	1,043	29.15%	(102)	765	-113.33%
Interest on debt	546	636	-14.15%	-	-	0.00%
Total	<u>\$ 16,196</u>	<u>\$ 16,449</u>	<u>-1.54%</u>	<u>\$ (102)</u>	<u>\$ 765</u>	<u>-113.33%</u>

Financial Analysis of the City's Funds

The fiscal year ending December 31, 2019 concluded with positive fund balance/net positions in the City's general, water and sewer funds.

The General Fund

The general fund's assets decreased in fiscal year ending December 31, 2019. This decrease is shown mainly in one-time expenses.

Revenues for the general fund increased compared to prior year due to a number of grant awards. Revenues without the inclusion of this State Aid remained the same from the prior year.

Expenditures for the general fund increased compared to the prior year and this increase is related to expenditures for the capital projects and other one-time costs.

Water Fund

The water fund, including depreciation, had a positive change in net position. A lack of water consumption was reflected in the total amount billed out last year for water service. This continues to have an impact in net position of both the water and sewer funds.

Sewer Fund

The sewer fund, including depreciation, has experienced a negative change in net position as well. Again, a large part of this change from year-to-year resulted from a continuation of water consumption declining which is used to calculate sewer sales.

Capital Projects Fund

The City has a continuation of governmental projects accounted for in the capital projects fund.

**Revenues, Expenditures/Expenses and Changes in Fund
Balance/Net Position - Governmental Funds and Business-Type Activities
(in thousands of dollars)**

	2019		
	<u>Revenues</u>	<u>Expenditures/ Expenses</u>	<u>Fund Balance/ Net Position</u>
General Fund	\$ 17,906	\$ 18,756	\$ 3,457
Community Development Fund	218	494	3,724
Capital Fund	1,305	2,438	(4,418)
Cemetery	-	-	20
Sewer Fund	4,980	5,486	6,074
Water Fund	3,590	3,033	5,017
	2018		
	<u>Restated Revenues</u>	<u>Expenditures/ Expenses</u>	<u>Restated Fund Balance/ Net Position</u>
General Fund	\$ 19,787	\$ 19,318	\$ 4,307
Community Development Fund	676	819	4,001
Capital Fund	8,330	6,330	(3,285)
Cemetery	-	-	20
Sewer Fund	5,266	5,124	7,041
Water Fund	3,752	3,705	4,952

Revenues and Expenditures include other financing sources or uses.

General Fund Budgetary Highlights

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

As previously mentioned, the City continues to take a conservative approach when preparing the budget. Revenues that the City does not receive on a consistent basis are not included in future budgets. The City is making a concerted effort to fund reserves more aggressively. These methods have enabled the City to move towards a healthier financial position. While some one-time revenues have assisted with financial recovery, sustained growth in larger reoccurring revenues remain doubtful. These include sales tax and gross utilities receipts tax, which have not seen much of an increase the past few years. Occupancy tax will increase in the near future with the addition of a new hotel. This will help bring in more revenue that we can expect each year moving forward.

In addition to conservative revenue budgeting and the utilization of one-time revenues to fund capital acquisitions, the City continued the practice of conservative spending and strict expense monitoring.

While the City has experienced several unexpected one-time revenues, these one-time revenues are short lived and will not continue in future years. Furthermore, depending on the severity of change, revenue declines and expenditure increases, such as healthcare, social security and New York State retirement costs, the City may experience challenges in building the financial resources necessary to gain better financial footing. With the New York State Property Tax Cap, the inability to increase property taxes may further limit our ability to maintain services to residents at current levels.

Capital Asset and Debt Administration

Capital Assets

Capital projects effecting the lakefront took place starting in 2014 including the Lakefront Improvement Project which will consist of several phases over the course of the next few years. These projects will be funded by a combination of bonds and grants in the City's general fund. Several capital projects will effect the water and sewer funds as well including a sewer lining project, repairs to the wastewater treatment plant and water main replacements.

The City's capital assets, net of accumulated depreciation for governmental and business-type activities for the years ended Decmeber 31, 2019 and 2018 is presented below. Additional information on the City's capital asset can be found in Note 3.F to the financial statements.

<i>Capital Assets Net of Depreciation</i>				
<i>(in thousands of dollars)</i>				
	Governmental Activities		Business -Type Activities	
	2019	2018	2019	2018
Land	\$ 1,090	\$ 1,090	\$ 311	\$ 311
Construction work in progress	6,099	8,890	11,012	10,529
Land improvements	5,901	6,371	37	38
Site-improvements	27	27	52	70
Buildings	13,035	8,822	10,579	10,904
Machinery & equipment	3,320	3,709	11,828	10,366
Infrastructure	12,232	12,330	15,438	17,027
Total	\$ 41,704	\$ 41,239	\$ 49,257	\$ 49,245

Long-Term Obligations

For the year ending December 31, 2019, the City's constitutional debt limit was \$27,529,160. Outstanding bonds and bond anticipation notes totaled \$54,209,682. Of this total, \$18,811,002 is debt chargeable against the debt limit.

Standard & Poor's Rating Services recently raised the City's bond rating from A+ to AA- with a Stable outlook due to very strong liquidity and a strong economy within the City. Despite an elevated debt burden, the City's debt is manageable due to low, fixed rates as well as old debt being paid off as new debt is being issued. Additional information on the City's long-term debt can be found in Note 3.M to the financial statements.

A summary of the City's long-term liabilities at December 31, 2019 and 2018 is presented below.

Outstanding Long-Term Obligations				
<i>(in thousands of dollars)</i>				
	Governmental Activities		Business-Type Activities	
	2019	2018	2019	2018
General obligation debt backed by the City	\$ 5,962	\$ 7,125	\$ 27,403	\$ 29,453
Unamortized premium	111	122	272	298
Installment purchase debt	1,849	2,496	463	599
Compensated absences	331	273	135	124
Employee retirement system	96	118	46	57
Other post employment benefits	37,921	34,979	5,308	5,070
Net pension liability	3,003	1,764	533	268
Total	<u>\$ 49,273</u>	<u>\$ 46,877</u>	<u>\$ 34,160</u>	<u>\$ 35,869</u>

Factors Bearing on the City's Future

Factors Affecting Continued Fiscal Health

The City consistently scans the horizon for factors that bear on the fiscal health of the organization. Like many organizations, the City utilizes the time-tested SWOT (strengths, weaknesses, opportunities, threats) model for strategic planning and decision-making. A current representation of our SWOT analysis is as follows:

Strengths

Strengths are characterized as those factors or attributes internal to the organization that put us in a competitive advantage relative to fiscal health. These include the following:

- *Real Estate Market Health:* The City Assessor recently completed the preliminary revaluation for all City properties. The net effect of the preliminary evaluation is that the market value of real property in Geneva has increased by 6% in the last several years. While this number is likely to be lowered due to appeals, the initial survey demonstrates stability and growth in our property values. This will result in, at a minimum, stable revenue collections as it relates to real property values. This also makes Geneva an attractive investment opportunity relative to commercial and residential development.

The City will capitalize on this growth by appropriately setting tax policy to ensure revenue stability while maintaining our competitive position with respect to attractiveness for development. We will also continue to aggressively market Geneva as a destination for investors in alignment with our economic development goals.

- *Conservative Revenue Forecasting:* City Council has established a revenue forecasting policy that calls on staff to utilize conservative, objective, and reasonable revenue forecasts during budget development efforts. This eliminates the ability for staff or Council members to interject personal or anecdotal information into the forecasting process, and has resulted in revenues that meet or exceed targeted forecasts.

The City will capitalize on this by continuing these efforts in future budget preparation activities, such that revenue forecasts can be counted on to paint an accurate picture of resources available for operations.

- *Organization-Wide Cost Focus:* Beginning in 2015, the City's financial management team established weekly cost meetings with the entire management staff. Department managers are required to submit spending requests each week, for review and approval by the City Manager and City Comptroller. This has resulted in a more conservative spending approach across the board. Managers have shifted their focus, and determined that line item allocations are *maximum* spending limits, and not required disbursement levels.

The City will capitalize on this by continuing to meet regularly with managers, and fostering a cost-conscious culture. This will result in lower than anticipated expense levels, which when coupled with accurate or conservative revenue forecasts, contributes to expanded reserve levels and fiscal solvency.

- *Public-Private/Interagency Partnerships:* Over the last several years, the City has explored ways to engage private, not-for-profit, and government partners to deliver services at a much-reduced cost. The City has entered into inter-municipal agreements with the City of Canandaigua for the provision of information technology and real property assessment services. This has resulted in reduced costs in both areas. Additionally, in 2015, City Council approved the consolidation of emergency communications services between the City and Ontario County. This is on target for a mid-2016 conversion. When complete, this will result in an immediate, annual cost reduction of over \$250,000. The City also engages with a range of not-for-profit and private partners for the delivery of services at a much-reduced rate over the cost of public service delivery.

The City will capitalize on this by continuing to seek out opportunities to partner with other governments, not-for-profit agencies, and private firms to either reduce costs of existing program/services, or deliver new services at lower costs than we would experience delivering them ourselves.

- *Enhanced Reporting Model:* Staff developed a monthly, high level performance reporting program in 2014 to provide City Council and the public with a range of indicators of financial and operational performance. During 2015, staff developed an expanded reporting system, which provides City Council and the management team with monthly reports on every aspect of spending by City departments. This has enhanced transparency, which has results that are twofold. First, managers who realize that all expenditures have the opportunity to be scrutinized will carefully consider all spending requests. Second, Councilors have the ability to be completely engaged in the City's financial picture.

The City will capitalize on this by continuing to report out operational results, and to formalize quarterly reports to the Council and the public. This will result in a continued culture of cost management.

Weaknesses

Weaknesses are characterized as those factors or attributes internal to the organization that open us up to potential risks relative to fiscal health. These include the following:

- *Lack of Specialized Reserves:* While unassigned fund balance levels are returning to healthy levels, the City's balance sheet continues to lack specialized reserves for areas of operation including capital programming, equipment amortization, and revenue stabilization, among others dictated by best practice. Funding of these critical reserves can mitigate escalating capital costs and reduce the need for debt issuance for capital and equipment needs. Additionally, the City can mitigate or slow the impacts of volatile revenue streams including sales and occupancy taxes, the dynamics of which are only within limited control of the City.

The City will resolve this by evaluating best practices for establishment of reserves, and establishing a funding plan for each area of reserve development.

- *Organization-Wide Succession:* Over the next ten years, the City will see another wave of retirements at the department head and mid-manager levels. Failure to address this will result in the depletion of institutional knowledge and experience, as well as the potential acquisition and placement of either expensive or inexperienced management talent. Should Council elect the latter, new managers will lack the financial acumen necessary to continue on a path toward fiscal sustainability.

The City will address this by regularly reviewing potential retirement losses, and establishing a plan for staff development to ensure that that a well-developed bench is in place. A significant focus of staff development programming should be financial concepts, including budgeting, cost development, and project management.

- *Long-Term Facilities and Equipment Planning:* The City has been fortunate over the last ten years to receive a significant amount of grant dollars for the development of facilities and amenities. These recently developed projects have limited maintenance exposure in the early years, but will ultimately require repair and replacement investments.

The City will address this by developing replacement and amortization plans for all large equipment. Additionally, capital planning will take into account expanded maintenance and replacement budgets for recently constructed facilities.

Opportunities

Opportunities are characterized as those factors external to the organization that, if leveraged, have the potential to positively affect the City's operational and fiscal health. These include the following:

- *Upstate Revitalization Initiative:* The State of New York recently announced that the Finger Lakes Region will be awarded \$500 million over the next five years for economic development efforts outlined in the Finger Lakes Regional Plan. Council and staff worked diligently through the plan's development to ensure that City project opportunities were laid out, and that plan priorities aligned with local development efforts. The City's efforts received several specific citations in the plan.

The City will capitalize on this by aggressively pursuing our share of the allocated dollars. We will utilize existing plans to showcase "shovel ready" development projects, in an effort to leverage state dollars against existing priorities.

- *Development Opportunities:* The City has spent much of the last decade developing infrastructure and other logistical investments in downtown, the Geneva Industrial Park, the Cornell Agriculture and Food Technology Park, and other economic development assets. Additionally, the City's comprehensive plan was recently updated to identify economic development opportunities on the Exchange Street and Hamilton Street corridors.

The City will capitalize on these opportunities through continued infrastructure investments, regulatory reform relative to land use development processes, and aggressive marketing of economic development assets.

- *Craft Food and Beverage Innovation District:* In 2015, City Council identified the alignment of private sector expertise, academic and research resources, and local place-making successes as they relate to the attraction of food and beverage firms in the region. Council has established this as the centerpiece of their economic development efforts.

The City will capitalize on this by developing out entrepreneurial support networks that encourage firms at all stages of development to locate in the City. This will result in enhanced property values and job creation for new and existing City residents.

- *Sales Tax Agreement Extension:* The City Council approved an extension through December 31, 2023, and thereafter until either the City or County opts out. This agreement, when originally implemented in 2007, resulted in an immediate 100% increase in sales tax revenues to the City. Staff has found the County to be a willing and friendly partner in the negotiation of a longer term extension under current terms. This establishes collection stability (though actual revenue activity will be dependent upon local economic conditions) for a longer period of time. This also gives the City the opportunity to develop a full analysis of the revenue potential of a locally administered collection program.

The City will capitalize on this by working with County officials to negotiate favorable terms on a 5 to 7 year agreement for Countywide collection and distribution, and to utilize the next term to develop a full analysis of the revenue potential of a standalone collection program.

- *Expanded Interagency Partnership Opportunities:* The city's primary interagency partner, the City of Canandaigua, recently experienced turnover at the City Manager position. In recent discussions with the new Manager, it was discovered that there is a high level of interest in expanded partnerships.

The City will capitalize on this by exploring every opportunity to collaborate with the City of Canandaigua and other municipalities on existing and expanded service delivery. We will also evaluate not-for-profit and private firms with respect to their ability to more cost effectively deliver new and existing services where appropriate.

Threats

Threats are characterized as those factors external to the organization that, if leveraged, have the potential to negatively impact the City's operational and fiscal health. These include the following:

- ***Guardian Glass Assessment Challenge:*** Guardian Industries maintains a very large glass manufacturing plant in the City's industrial park. The property is subject to a 30-year Payment in Lieu of Tax agreement with the City's Industrial Development Agency. The initial years of the agreement were very favorable to the firm. In 2013, the agreement called for ramping up of a phase in toward full payment of property taxes. The payments are based upon the assessed value of the property, which stands at \$57 million. This represents nearly 7% of the City's total assessed value. The firm as asserted that the value is closer to \$12 million. This not only has the potential to impact future revenue collections, but it has been determined that, if successful, the firm could be owed rebates of fees paid since 2013.

The City will mitigate this through the acquisition and deployment of legal counsel and other experts skilled in the prosecution of specialized assessment challenges. We will also take steps to establish reserves necessary to mitigate impacts associated with diminished assessed value at this property.

- ***Sales Tax Volatility:*** Anecdotal observations seemed to indicate a very healthy performance for County sales tax receipts in the fourth quarter of 2015. When actual receipts were processed, it was determined that the 4th quarter collections were lower than collections for the same period in the previous year. Sales tax receipts represent approximately 20% of the City's total revenue base for operations. Performance is wholly dependent upon *Countywide* economic conditions, over which the City executes very limited control.

The City will mitigate this through the execution of conservative forecasting models. This approach paid off in 2015, as even with the fourth quarter dip, collections exceeded City forecasts.

- ***New York State Financial Health:*** Another substantial revenue stream is state aid provided to municipalities by New York State. State aid allocations to the general fund exceed \$2 million, or around 13% of general fund appropriations. While the State is currently in a position of fiscal stability and growth, one only need look back five years to see the impacts of national decline on state finances. Should the State shift its investment approach relative to municipal aid, or should economic conditions result in reduced aid allocations, the City would be left with a volatile or reduced revenue stream.

The City will mitigate this through the development of revenue stabilization reserves, which will absorb volatility and phase in any necessary reductions in appropriations or increases in other revenue areas.

Conclusions

The 2019 adopted City budget cites fiscal sustainability among its key objectives. The document identifies many of the efforts outlined here as priorities for City management moving forward. The results of heightened management scrutiny, as well as the implementation of responsible, responsive policies, have put the City on a path toward achieving its financial goals.

The City's net position is advancing, thanks to these efforts. Government operations have been modified to ensure that structural deficits are mitigated or eliminated. Business activities must turn their attention to capital asset planning, to offset eroded net position caused by depreciation of capital assets.

Undesignated fund balances in the general, water, and sewer funds are all now at levels within compliance of Council adopted financial policies. Council and staff must work to establish dedicated reserves for capital projects, equipment amortization, and revenue stabilization, among others deemed appropriate by Council and the community. Long term obligations are decreasing, but failure to establish capital reserves will ensure that this downward trend is shortened.

Council and staff should continue to identify opportunities for revenue enhancement, cost management, leveraging partnerships, and economic development. These will be the keys to economic success in the long run.

The City should also continue to scan the horizon for ways to capitalize on strengths and opportunities, and for new and emerging threats to financial and operational sustainability. Long term financial and operational planning, continuously updated, will ensure that the City has the resources and flexibility needed to grow into Council's established vision as a community of choice for an engaged, active, and creative citizenry.

Contacting the City's Financial Management

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

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**CITY OF GENEVA, NEW YORK
STATEMENT OF NET POSITION
DECEMBER 31, 2019**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 4,571,995	\$ -	\$ 4,571,995
Cash and cash equivalents - restricted	4,503,989	5,076,530	9,580,519
Receivables (net of allowance for uncollectible receivables)			
Accounts receivable	381,255	2,581,673	2,962,928
Taxes receivable	578,782	-	578,782
Loans receivable	1,221,771	-	1,221,771
State and federal receivables	3,488,739	-	3,488,739
Due from other governments	498,031	-	498,031
Interfund balances	683,593	(683,593)	-
Prepaid items	345,976	68,006	413,982
Capital assets not being depreciated	7,189,227	11,322,776	18,512,003
Capital assets, net of accumulated depreciation	<u>34,514,907</u>	<u>37,933,955</u>	<u>72,448,862</u>
Total assets	<u>57,978,265</u>	<u>56,299,347</u>	<u>114,277,612</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred postemployment benefits outflows	5,648,856	790,651	6,439,507
Deferred pension outflows	<u>2,742,519</u>	<u>444,719</u>	<u>3,187,238</u>
Deferred outflows of resources	<u>8,391,375</u>	<u>1,235,370</u>	<u>9,626,745</u>
LIABILITIES			
Accounts payable	632,493	337,797	970,290
Accrued interest payable	206,697	335,423	542,120
Unearned revenue	1,798,195	-	1,798,195
Other liabilities	4,352	-	4,352
Bond anticipation notes payable	10,740,000	10,104,200	20,844,200
Noncurrent liabilities:			
Due and payable within one year	1,418,558	2,228,937	3,647,495
Due and payable after one year	<u>47,855,083</u>	<u>31,931,239</u>	<u>79,786,322</u>
Total liabilities	<u>62,655,378</u>	<u>44,937,596</u>	<u>107,592,974</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred postemployment benefits inflows	8,923,747	1,249,026	10,172,773
Deferred pension inflows	<u>1,630,222</u>	<u>256,606</u>	<u>1,886,828</u>
Deferred inflows of resources	<u>10,553,969</u>	<u>1,505,632</u>	<u>12,059,601</u>
NET POSITION (DEFICIT)			
Net investment in capital assets	27,063,174	15,390,121	42,453,295
Restricted for:			
Capital projects	464,656	701,208	1,165,864
Public safety	17,480	-	17,480
Cemetery	20,288	-	20,288
Community development	3,723,888	-	3,723,888
Retirement contribution	50,000	-	50,000
Unrestricted (deficit)	<u>(38,179,193)</u>	<u>(4,999,840)</u>	<u>(43,179,033)</u>
Total net position (deficit)	<u>\$ (6,839,707)</u>	<u>\$ 11,091,489</u>	<u>\$ 4,251,782</u>

See accompanying notes to basic financial statements.

**CITY OF GENEVA, NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government						
Governmental activities						
General government	\$ 2,863,256	\$ 247,733	\$ -	\$ (2,615,523)	\$ -	\$ (2,615,523)
Public safety	9,256,056	476,402	-	(8,779,654)	-	(8,779,654)
Transportation	2,421,037	15,768	1,624,057	(781,212)	-	(781,212)
Economic assistance and opportunity	294,777	-	-	(294,777)	-	(294,777)
Culture and recreation	2,094,816	263,356	-	(1,831,460)	-	(1,831,460)
Home and community services	1,475,547	128,571	-	(1,346,976)	-	(1,346,976)
Interest on debt	545,465	-	-	(545,465)	-	(545,465)
Total governmental activities	<u>18,950,954</u>	<u>1,131,830</u>	<u>1,624,057</u>	<u>(16,195,067)</u>	<u>-</u>	<u>(16,195,067)</u>
Business-type activities						
Sewer	5,485,781	4,870,209	-	-	(615,572)	(615,572)
Water	3,032,841	3,547,100	-	-	514,259	514,259
Total business-type activities	<u>8,518,622</u>	<u>8,417,309</u>	<u>-</u>	<u>-</u>	<u>(101,313)</u>	<u>(101,313)</u>
Total primary government	<u>\$ 27,469,576</u>	<u>\$ 9,549,139</u>	<u>\$ 1,624,057</u>	<u>(16,195,067)</u>	<u>(101,313)</u>	<u>(16,296,380)</u>
General revenues:						
Real property taxes and real property tax items				8,267,799	-	8,267,799
Non-property taxes				4,202,809	-	4,202,809
Interest earnings				27,675	1,543	29,218
State and federal aid not restricted for a specific purpose				2,487,018	-	2,487,018
Premium on bond anticipation notes				70,669	66,486	137,155
Other miscellaneous revenues				171,730	84,837	256,567
Transfers				953,039	(953,039)	-
Total general revenues and transfers				<u>16,180,739</u>	<u>(800,173)</u>	<u>15,380,566</u>
Change in net position				(14,328)	(901,486)	(915,814)
Net position (deficit) - beginning, as restated (Note 4)				<u>(6,825,379)</u>	<u>11,992,975</u>	<u>5,167,596</u>
Net position (deficit) - ending				<u>\$ (6,839,707)</u>	<u>\$ 11,091,489</u>	<u>\$ 4,251,782</u>

See accompanying notes to basic financial statements.

**CITY OF GENEVA, NEW YORK
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	<u>General</u>	<u>Community Development</u>	<u>Capital Projects</u>	<u>Nonmajor Permanent Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 2,008,303	\$ 725,930	\$ -	\$ -	\$ 2,734,233
Certificates of deposit	-	1,817,474	-	20,288	1,837,762
Cash and cash equivalents - restricted	482,136	-	4,021,853	-	4,503,989
Receivables (net of allowance for uncollectible receivables)					
Accounts receivable	381,255	-	-	-	381,255
Taxes receivable	578,782	-	-	-	578,782
Loans receivable	-	1,221,771	-	-	1,221,771
State and federal receivables	936,068	-	2,552,671	-	3,488,739
Due from other governments	498,031	-	-	-	498,031
Due from other funds	683,593	-	-	-	683,593
Prepaid items	345,976	-	-	-	345,976
	<u>5,914,144</u>	<u>3,765,175</u>	<u>6,574,524</u>	<u>20,288</u>	<u>16,274,131</u>
Total assets	\$	\$	\$	\$	\$
LIABILITIES					
Accounts payable	\$ 338,920	\$ 41,287	\$ 252,286	\$ -	\$ 632,493
Accrued liabilities	25,150	-	-	-	25,150
Unearned revenue	1,798,195	-	-	-	1,798,195
Other liabilities	2,026	-	-	-	2,026
Bond anticipation notes payable	-	-	10,740,000	-	10,740,000
	<u>2,164,291</u>	<u>41,287</u>	<u>10,992,286</u>	<u>-</u>	<u>13,197,864</u>
Total liabilities					
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	292,748	-	-	-	292,748
	<u>292,748</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>292,748</u>
Total deferred inflows of resources					

See accompanying notes to basic financial statements.

**CITY OF GENEVA, NEW YORK
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2019 (CONTINUED)**

	<u>General</u>	<u>Community Development</u>	<u>Capital Projects</u>	<u>Nonmajor Permanent Fund</u>	<u>Total Governmental Funds</u>
FUND BALANCES (DEFICIT)					
Nonspendable	345,976	-	-	-	345,976
Restricted	532,136	3,723,888	-	20,288	4,276,312
Assigned	296,348	-	-	-	296,348
Unassigned (deficit)	2,282,645	-	(4,417,762)	-	(2,135,117)
Total fund balances (deficit)	<u>3,457,105</u>	<u>3,723,888</u>	<u>(4,417,762)</u>	<u>20,288</u>	<u>2,783,519</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,914,144</u>	<u>\$ 3,765,175</u>	<u>\$ 6,574,524</u>	<u>\$ 20,288</u>	

Amounts reported for governmental activities in the Statement of Net Position (page 22) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	41,704,134
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds	
Accrued interest payable	(206,697)
Serial bonds payable	(6,073,224)
Compensated absences	(308,381)
Installment purchase debt	(1,849,589)
Total OPEB liability	(37,921,247)
Employee retirement system liability	(95,571)
Net pension liability	(3,002,805)
Other long-term assets are not available to pay for prior period expenditures and therefore are deferred in the funds	292,748
Deferred outflows and inflows are not assets or liabilities of the current period and therefore are not reported in the funds	
Deferred postemployment benefits outflows	5,648,856
Deferred postemployment benefits inflows	(8,923,747)
Deferred pension outflows	2,742,519
Deferred pension inflows	<u>(1,630,222)</u>
Net position of governmental activities	<u>\$ (6,839,707)</u>

See accompanying notes to basic financial statements.

CITY OF GENEVA, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>General</u>	<u>Community Development</u>	<u>Capital Projects</u>	<u>Nonmajor Permanent Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Real property taxes	\$ 6,931,210	\$ -	\$ -	\$ -	\$ 6,931,210
Real property tax items	1,304,290	-	-	-	1,304,290
Sales and other taxes	4,202,809	-	-	-	4,202,809
Departmental income	512,131	-	-	-	512,131
Intergovernmental charges	422,819	-	-	-	422,819
Use of money and property	35,387	24,958	-	39	60,384
Licenses and permits	55,736	-	-	-	55,736
Fines and forfeitures	81,822	-	-	-	81,822
Sale of property and compensation for loss	29,267	-	-	-	29,267
Miscellaneous local sources	168,882	194	-	-	169,076
State and federal sources	3,037,318	192,452	881,305	-	4,111,075
Total revenues	<u>16,781,671</u>	<u>217,604</u>	<u>881,305</u>	<u>39</u>	<u>17,880,619</u>
EXPENDITURES					
Current:					
General government	2,485,059	35,520	-	-	2,520,579
Public safety	5,853,870	-	-	-	5,853,870
Transportation	1,298,328	-	-	-	1,298,328
Economic assistance and opportunity	289,764	-	-	-	289,764
Culture and recreation	1,125,824	-	-	-	1,125,824
Home and community services	996,633	286,995	-	-	1,283,628
Employee benefits	3,912,483	-	-	-	3,912,483
Capital outlay:					
General government	-	-	416,794	-	416,794
Transportation	-	-	1,766,661	-	1,766,661
Culture and recreation	-	-	225,397	-	225,397
Home and community services	-	-	29,384	-	29,384
Debt service:					
Principal	1,809,772	-	-	-	1,809,772
Interest	631,560	-	-	-	631,560
Total expenditures	<u>18,403,293</u>	<u>322,515</u>	<u>2,438,236</u>	<u>-</u>	<u>21,164,044</u>

See accompanying notes to basic financial statements.

**CITY OF GENEVA, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019 (CONTINUED)**

	<u>General</u>	<u>Community Development</u>	<u>Capital Projects</u>	<u>Nonmajor Permanent Fund</u>	<u>Total Governmental Funds</u>
(Deficit) excess of revenues over expenditures	(1,621,622)	(104,911)	(1,556,931)	39	(3,283,425)
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	1,124,794	-	353,195	-	1,477,989
Interfund transfers out	(353,195)	(171,755)	-	-	(524,950)
Premium on bond anticipation notes	-	-	70,669	-	70,669
Total other financing sources and (uses)	<u>771,599</u>	<u>(171,755)</u>	<u>423,864</u>	<u>-</u>	<u>1,023,708</u>
Net change in fund balances	(850,023)	(276,666)	(1,133,067)	39	(2,259,717)
Fund balances (deficit) - beginning, as restated (Note 4)	<u>4,307,128</u>	<u>4,000,554</u>	<u>(3,284,695)</u>	<u>20,249</u>	<u>5,043,236</u>
Fund balances (deficit) - ending	<u>\$ 3,457,105</u>	<u>\$ 3,723,888</u>	<u>\$ (4,417,762)</u>	<u>\$ 20,288</u>	<u>\$ 2,783,519</u>

See accompanying notes to basic financial statements.

**CITY OF GENEVA, NEW YORK
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

Net change in fund balances - total governmental funds (page 27) \$ (2,259,717)

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

Governmental funds report capital outlays as expenditures. However in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$7,498,314) excluding construction work in progress placed in service (\$4,937,992) exceeded depreciation (\$2,016,597) exceeded in the current period. 543,725

The net effect of various miscellaneous transactions involving capital assets (i.e. sales; capital contribution) is to decrease net position. (78,617)

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

Change in deferred outflows and inflows - other postemployment benefits 3,184,627

Change in deferred outflows and inflows - pension - proportionate share 892,776

Change in the proportionate share of net pension and OPEB liabilities reported in the Statement of Net Position do not provide for or require the use of current financial resources and therefore is not reported as revenues or expenditures in the governmental funds.

Total OPEB liability (2,942,426)

Net pension liability - proportionate share (1,238,768)

The governmental funds report the effect of bond premiums when debt is first issued whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the current year's amortization of the bond premiums. 10,714

Revenues that are not available to pay current obligations are not reported in the fund financial statement, but they are presented as revenues in the Statement of Activities. 32,299

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when paid. 75,381

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 an effect on net position. 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 the 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	\$ 1,163,107	
Repayment of installment purchase debt	646,665	
Change in compensated absences	(65,911)	
Change in Employee Retirement System Original Contribution		
Stabilization Program	<u>21,817</u>	<u>1,765,678</u>

Change in net position of governmental activities \$ (14,328)

**CITY OF GENEVA, NEW YORK
STATEMENT OF NET POSITION – ENTERPRISE FUNDS
DECEMBER 31, 2019**

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents - restricted	\$ 1,820,362	\$ 3,256,168	\$ 5,076,530
Receivables	1,324,044	1,257,629	2,581,673
Prepaid items	40,239	27,767	68,006
Capital assets not being depreciated	4,568,438	6,754,338	11,322,776
Capital assets, net of accumulated depreciation	26,459,901	11,474,054	37,933,955
Total assets	<u>34,212,984</u>	<u>22,769,956</u>	<u>56,982,940</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred postemployment benefits outflows	217,287	573,364	790,651
Deferred pension outflows	264,714	180,005	444,719
Total deferred outflows of resources	<u>482,001</u>	<u>753,369</u>	<u>1,235,370</u>
LIABILITIES			
Accounts payable	270,754	67,043	337,797
Accrued interest payable	190,977	144,446	335,423
Due to other funds	81,683	601,910	683,593
Bond anticipation notes payable	4,709,200	5,395,000	10,104,200
Noncurrent liabilities:			
Due and payable within one year	1,327,130	901,807	2,228,937
Due and payable after one year	21,544,654	10,386,585	31,931,239
Total liabilities	<u>28,124,398</u>	<u>17,496,791</u>	<u>45,621,189</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred postemployment benefits inflows	343,257	905,769	1,249,026
Deferred pension inflows	152,742	103,864	256,606
Total deferred inflows of resources	<u>495,999</u>	<u>1,009,633</u>	<u>1,505,632</u>
NET POSITION			
Net investment in capital assets	6,896,334	8,493,787	15,390,121
Restricted for capital projects	253,911	447,297	701,208
Unrestricted (deficit)	(1,075,657)	(3,924,183)	(4,999,840)
Total net position	<u>\$ 6,074,588</u>	<u>\$ 5,016,901</u>	<u>\$ 11,091,489</u>

See accompanying notes to basic financial statements.

**CITY OF GENEVA, NEW YORK
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION— ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 4,870,209	\$ 3,547,100	\$ 8,417,309
Other operating revenues	77,795	7,042	84,837
Total operating revenues	<u>4,948,004</u>	<u>3,554,142</u>	<u>8,502,146</u>
OPERATING EXPENSES			
Salaries, wages and employee benefits	1,684,391	1,157,942	2,842,333
Contractual expense	1,144,660	594,849	1,739,509
Depreciation	2,254,605	1,055,241	3,309,846
Total operating expenses	<u>5,083,656</u>	<u>2,808,032</u>	<u>7,891,688</u>
Operating income (loss)	<u>(135,652)</u>	<u>746,110</u>	<u>610,458</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	786	757	1,543
Interest expense	(402,125)	(224,809)	(626,934)
Premium on bond anticipation notes	30,987	35,499	66,486
Total nonoperating expenses	<u>(370,352)</u>	<u>(188,553)</u>	<u>(558,905)</u>
Income before transfers	(506,004)	557,557	51,553
Transfers out	<u>(460,402)</u>	<u>(492,637)</u>	<u>(953,039)</u>
Change in net position	(966,406)	64,920	(901,486)
Net position - beginning	<u>7,040,994</u>	<u>4,951,981</u>	<u>11,992,975</u>
Net position - ending	<u>\$ 6,074,588</u>	<u>\$ 5,016,901</u>	<u>\$ 11,091,489</u>

See accompanying notes to basic financial statements.

CITY OF GENEVA, NEW YORK
STATEMENT OF CASH FLOWS – ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 4,757,536	\$ 3,295,721	\$ 8,053,257
Cash payments for contractual expenses	(876,915)	22,226	(854,689)
Cash payments to employees for services	(1,614,620)	(1,435,817)	(3,050,437)
Other operating revenues	77,795	7,042	84,837
Net cash provided by operating activities	<u>2,343,796</u>	<u>1,889,172</u>	<u>4,232,968</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	<u>(460,402)</u>	<u>(492,637)</u>	<u>(953,039)</u>
Net cash used by noncapital financing activities	<u>(460,402)</u>	<u>(492,637)</u>	<u>(953,039)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(1,948,749)	(1,372,763)	(3,321,512)
Principal payments on debt	(1,464,788)	(1,036,143)	(2,500,931)
Proceeds from debt issuance	2,349,200	400,000	2,749,200
Interest paid on debt	(462,899)	(309,623)	(772,522)
Premium on bond anticipation notes	30,987	35,499	66,486
Net cash used by capital and related financing activities	<u>(1,496,249)</u>	<u>(2,283,030)</u>	<u>(3,779,279)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on cash and investments	<u>786</u>	<u>757</u>	<u>1,543</u>
Net cash provided by investing activities	<u>786</u>	<u>757</u>	<u>1,543</u>
Net increase (decrease) in cash and cash equivalents	387,931	(885,738)	(497,807)
Cash and cash equivalents - beginning	<u>1,432,431</u>	<u>4,141,906</u>	<u>5,574,337</u>
Cash and cash equivalents - ending	<u>\$ 1,820,362</u>	<u>\$ 3,256,168</u>	<u>\$ 5,076,530</u>
Reconciliation of cash and cash equivalents to statement of net position:			
Cash and cash equivalents - restricted	<u>1,820,362</u>	<u>3,256,168</u>	<u>5,076,530</u>
Total cash and cash equivalents	<u>\$ 1,820,362</u>	<u>\$ 3,256,168</u>	<u>\$ 5,076,530</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (135,652)	\$ 746,110	\$ 610,458
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	2,254,605	1,055,241	3,309,846
Pension expense	(97,367)	(348,788)	(446,155)
Change in assets and liabilities:			
Decrease (increase) in:			
Accounts receivable	(112,673)	(251,379)	(364,052)
Prepaid items	2,567	990	3,557
Increase (decrease) in:			
Accounts payable	183,495	14,175	197,670
Due to other funds	81,683	601,910	683,593
Compensated absences	10,189	530	10,719
Retirement system liability	(6,117)	(4,465)	(10,582)
Postemployment benefits	163,066	74,848	237,914
Net cash provided by operating activities	<u>\$ 2,343,796</u>	<u>\$ 1,889,172</u>	<u>\$ 4,232,968</u>

See accompanying notes to basic financial statements.

**CITY OF GENEVA, NEW YORK
STATEMENT OF NET POSITION – FIDUCIARY FUND
DECEMBER 31, 2019**

	<u>Custodial Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>401,707</u>
Total assets	\$ <u><u>401,707</u></u>
 NET POSITION	
Restricted for employee HRA	\$ <u>401,707</u>
Total net position	\$ <u><u>401,707</u></u>

See accompanying notes to basic financial statements.

**CITY OF GENEVA, NEW YORK
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUND
 FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Custodial Funds</u>
ADDITIONS	
Contributions to HRA - Employees	\$ 14,880
Contributions to HRA - City	<u>161,194</u>
Total additions	<u>176,074</u>
DEDUCTIONS	
Employee usage of HRA	<u>151,176</u>
Net change in net position	24,898
Net position - beginning, as restated (Note 4)	<u>376,809</u>
Net position - ending	<u>\$ 401,707</u>

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The City is a municipal corporation incorporated in 1898 and governed by an elected mayor and an eight member governing council (council) and operates under a Council-Manager form of government. The Council appoints a City Manager who serves as the chief executive officer of the City and is responsible to the Council for proper administration of all affairs of the City. The City reports related organizations under the guidance of the Governmental Accounting Standards Board. The Standards define the primary government, and redefine and establish the criteria for which potential component units are included in the reporting entity. The Standards also defines financial accountability of the primary government as being determined on the basis of fiscal dependency, appointment of a voting majority of a governing board, ability to impose its will or potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government.

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.

The City of Geneva Local Development Corporation (the Corporation) is a local development corporation organized pursuant to Section 1411 of the Not-for-Profit Corporation Law of the State of New York. The sole member of the Corporation is the City of Geneva and the formation of the Corporation is to relieve and reduce unemployment, promote and provide for additional and maximum employment, improve and maintain job opportunities, and lessen the burden of government and act in the public interest. Separately issued financial reports are available by contacting the Corporation at 47 Castle Street, Geneva, New York.

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

B. BASIS OF PRESENTATION

1. GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

2. FUND FINANCIAL STATEMENTS

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

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

Governmental Funds:

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

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

Community Development Fund – used to account for community development block grants and other federal grants not required to be accounted for in other funds.

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

Enterprise Funds:

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

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

Other Fund Types:

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

Custodial Fund – This fund is used to account for amounts held in escrow that are custodial in nature.

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

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

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

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

The enterprise and custodial funds are reported using the *economic measurement focus* and the *accrual basis of accounting*.

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

1. CASH AND CASH EQUIVALENTS

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

2. RESTRICTED ASSETS

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

3. PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. ACCOUNTS/TAXES RECEIVABLE

Receivables are carried at their net realizable value. Receivables are written off as uncollectible after the likelihood of payment is considered remote by management. Generally accepted accounting principles require the establishment of an allowance for uncollectible accounts which has been provided for loans in the Community Development Fund and taxes in the General Fund. (See Note 3.B and 3.C.)

5. DUE TO/FROM OTHER FUNDS

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.”

The amounts reported on the Statement of Net Position for due to and due from other funds represents amounts due between different fund types (governmental and business-type activities, and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year-end is provided in Note 3.D.

6. CAPITAL ASSETS

Government-wide financial statements

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

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

Interest incurred during the construction phase of capital assets of enterprise funds are included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances. This year tax-exempt bond anticipation notes (BANS) were issued to finance specific improvements related to water and sewer activity. This activity included projects such as water and sewer line reconstruction and replacement, reconstruction and repairing and work performed on water and sewer treatment plants. Accordingly, the interest capitalized for the year ended December 31, 2019 for water and sewer activities amounted to \$141,660 and \$114,195 respectively.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land improvements	\$ 2,000	straight-line	10-50 years
Buildings	50,000	straight-line	25-50 years
Building and site improvements	50,000	straight-line	10-50 years
Infrastructure	100,000	straight-line	25-50 years
Furniture and equipment	5,000	straight-line	3-20 years
Vehicles	20,000	straight-line	5-10 years

7. INSURANCE

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

8. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category. They are related to pensions, OPEB and unavailable revenue related to property taxes. Deferred inflows related to pensions and OPEB are reported in the government-wide Statement of Net Position, and the unavailable revenue related to property taxes is reported in the Balance Sheet – Governmental Funds. Pensions and OPEB represent the effect of the net change in the City's proportion of the collective net pension liability and OPEB liability, and the difference during the measurement period between the City's contributions and its proportional share of total contributions to the pension systems and OPEB plan not included in pension and OPEB expense. See details of deferred pension inflows in Note 3.G and deferred OPEB inflows in Note 3.H.

9. UNEARNED REVENUE

The City reports unearned revenue on its combined balance sheet. Unearned revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the City before it has legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the City has legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized. As of December 31, 2019, unearned revenue in the General Fund consisted of unearned state aid of \$1,798,195.

10. LONG-TERM LIABILITIES

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of serial bonds payable, installment purchase debt, loans payable, compensated absences, OPEB liability and net pension liability.

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

11. POSTEMPLOYMENT BENEFITS/OTHER BENEFITS

Eligible City employees participate in the New York State Employees' Retirement System or the New York State Police and Fire Retirement System.

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

In addition to providing pension benefits, the City provides postemployment benefits health insurance coverage and survivor benefits to retirement employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirements. The obligation of the City and its retirees to contribute to the cost of providing these benefits has been established pursuant to Council resolution and various collective bargaining agreements. Payments are budgeted annually without accrual and are based on the pay-as-you-go method (See Note 3.H).

12. 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 amounts 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.

13. 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 balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

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

14. FUND BALANCE POLICIES

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City’s highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) 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 three major funds, general fund, water fund and sewer fund, to provide for adequate emergency reserves and to assist with fluctuations in revenue receipts. The City will endeavor to maintain unassigned fund balances in its general fund of between ten and fifteen percent (10-15%) and thirty and thirty-five percent (30-35%) for water and sewer funds of the most recently adopted fund budgets, exclusive of fund balance appropriations. 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.

In limited circumstances, City Council may direct staff to utilize fund balances to mitigate significant swings in recurring revenues. In cases where property tax or utility rates would require significant increases to meet expenditure needs, City Council may choose to use fund balances to “phase in” necessary increases. In all cases fund balances must be appropriated via the budget development or budget amendment process.

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 Comptroller 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.

F. REVENUES AND EXPENDITURES/EXPENSES

1. PROGRAM REVENUES

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

2. PROPERTY TAXES

Real property taxes attach as an enforceable lien on property as of January 1. Taxes are levied upon budget adoption and are payable in two installments on February 1 and June 1. The City bills and collects City and Ontario County real property taxes on properties within the City. The City also collects real property taxes of the Geneva City School District which remain unpaid at March 1. The City pays the County and School District the full amount of their property taxes during the year.

In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end.

The City is permitted by the New York State Constitution to levy taxes up to 2% of the most recent 5-year average full valuation of taxable real property. Taxes for principal and interest on long-term debt and for budgetary appropriations for capital outlay are excludable. The City has exhausted 44.72% of its constitutional tax limit.

3. COMPENSATED ABSENCES

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

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

Compensated absences for governmental fund type employees are reported as a fund liability and as an expenditure in the government-wide financial statements. A portion of the compensated absences liability recognized is attributed to the value of sick leave converted to pay the employees' share of postemployment health insurance premiums. The compensated absences liability for the governmental and enterprise funds at the year-end totaled \$331,205 and \$135,004, respectively. A liability for those amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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

4. ENTERPRISE FUNDS – OPERATING AND NONOPERATING REVENUES AND EXPENSES

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

G. USE OF ESTIMATES IN PREPARATION OF FINANCIAL STATEMENTS

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

H. ACCOUNTING PRONOUNCEMENTS

During the fiscal year ended December 31, 2019, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. The primary objective of Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The City reclassified certain activities, no longer considered fiduciary in nature, to the governmental funds to comply with this Statement in the current year.

The City has evaluated the provisions of GASB Statement No. 83, *Certain Asset Retirement Obligations*, Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*, and Statement No. 90, *Majority Equity Interests-an Amendment of GASB Statements No. 14 and 61*, which became effective for the fiscal year ended December 31, 2019, and determined that they have no significant impact on the City's financial statements.

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

- Statement No. 87, *Leases*, which will be effective for the year ending December 31, 2022.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective for the year ending December 31, 2021.
- Statement No. 91, *Conduit Debt Obligations*, which will be effective for the year ending December 31, 2022.
- Statement No. 92, *Omnibus 2020*, which will be effective for the year ending December 31, 2022.
- Statement No. 93, *Replacement of Interbank Offered Rates*, which will be effective for the year ending December 31, 2022.
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which will be effective for the year ending December 31, 2023.

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

NOTE 2 - STEWARDHIP, COMPLIANCE AND ACCOUNTABILITY

A. DEFICIT FUND EQUITY

At December 31, 2019, the capital projects fund, a major fund, has a deficit fund balance of \$4,417,762. It is not unusual for a capital projects fund, especially one that finances capital projects mainly by borrowings, to report a deficit. The reason for the deficit in this case is that the City issued bond anticipation notes (BANS), which do not qualify for treatment as a long-term liability.

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

Accordingly, the BANS are reported as a fund liability in the capital projects fund balance sheet (rather than an inflow on the statement of revenues, expenditures, and changes in fund balances (deficit)). When the cash from the BANS are spent, expenditures are reported and fund balance is reduced. Because the BANS are the main source of resources for the fund, the result is an overall fund deficit. This deficit will be eliminated as resources are obtained (e.g., from revenues, long-term debt issuances, and transfers in to make the scheduled debt service principal and interest payments on the BANS.

B. LEGAL COMPLIANCE - BUDGETS

Budgets and Budgetary Accounting – The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- No later than October 5th, the City Manager submits a tentative budget to the City Council for the fiscal year commencing the following January 1st. The tentative budget includes proposed expenditures and the proposed means of financing for all funds except Capital Projects and the Custodial Fund.
- After public hearings are conducted to obtain taxpayer comments, no later than November 20th, the City Council adopts the budget. Appropriations established by the budget constitute a limitation on expenditures which may be incurred.
- All modifications of the budget must be approved by the City Council and all appropriations lapse at fiscal year end.

C. VIOLATIONS OF LEGAL OR CONTRACTUAL PROVISIONS

The notes to required supplementary information, excess of expenditures over appropriations, describes a budgetary violation that occurred for the year ended December 31, 2019.

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. DEPOSITS AND INVESTMENTS

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

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

The City's aggregate bank balances were fully collateralized at December 31, 2019.

The City reports restricted cash and cash equivalents amounts to support restricted fund balance and unspent proceeds of debt as restricted cash and cash equivalents. At December 31, 2019, the City reported \$9,580,519 as cash and cash equivalents as restricted.

Investment and Deposit Policy

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

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.

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

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 and deposit policy authorizes the reporting entity to purchase the following types of investments:

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the City's investment and deposit policy, all deposits of the City including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 102% of the aggregate amount of deposits.

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

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

B. LOANS RECEIVABLES

The loans receivable recorded in the Community Development Fund represent revolving loans receivable issued under the City's Community Development Block Grant programs and those passed through the U.S. Department of Housing and Urban Development. Loans outstanding as of December 31, 2019 under both programs amounted to \$1,395,502, against which an allowance of \$173,731 for uncollectible loans has been recorded.

C. RECEIVABLES

Significant revenues accrued by the City at December 31, 2019 include the following:

General Fund:

Miscellaneous receivables	\$ <u>381,255</u>
Taxes receivable current	\$ 206,508
Taxes receivable overdue	128,017
City School taxes receivable	186,616
Property acquired for taxes	191,857
Allowance for uncollectible taxes	<u>(134,216)</u>
Total taxes receivable	\$ <u>578,782</u>
NYS - Tech Park and the Smith Center for Arts	\$ 375,000
NYS - Dove Block Grant DRI	386,654
Miscellaneous state and federal receivables	<u>174,414</u>
Total state and federal receivables	\$ <u>936,068</u>
Due from other governments - sales tax	\$ <u>498,031</u>

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

Capital Projects Fund:

NYS - Finger Lakes Welcome Center	\$	2,070,988
NYS DOT - CHIPS		398,224
Miscellaneous state and federal receivables		83,459
Total state and federal receivables	\$	<u><u>2,552,671</u></u>

Sewer Fund:

Sewer rents receivable	\$	128,355
Zotos		124,106
Miscellaneous receivables		6,953
Unbilled receivable		1,064,630
Total	\$	<u><u>1,324,044</u></u>

Water Fund:

Water rents receivable	\$	135,827
Miscellaneous receivables		1,105
Unbilled receivable		1,120,697
Total	\$	<u><u>1,257,629</u></u>

D. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of December 31, 2019 is as follows:

Due from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water	601,910
General	Sewer	81,683
Total		<u><u>\$ 683,593</u></u>

The outstanding interfund loan balance of water and sewer owed to general fund is a result of reclassification of negative cash balances at year end.

E. INTERFUND TRANSFERS

The composition of interfund transfers as of December 31, 2019 is as follows:

Interfund transfers:

	<u>Transfer in:</u>	
	<u>General</u>	<u>Capital</u>
<u>Transfer out:</u>		
Community Development	\$ 171,755	-
Water	492,637	-
Sewer	460,402	-
General	-	353,195
Total	<u><u>\$ 1,124,794</u></u>	<u><u>\$ 353,195</u></u>

Transfers among funds are provided for as part of the annual budget process related to chargebacks for administrative services and ongoing or upcoming projects. Transfers from general fund to capital project fund relate to BAN principal paydown.

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

F. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019, was as follows:

	Balance 01/01/19	Increases	Decreases	Balance 12/31/19
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 1,089,823	\$ -	\$ -	\$ 1,089,823
Construction work in progress	8,889,683	2,147,713	4,937,992	6,099,404
Total capital assets not being depreciated	<u>9,979,506</u>	<u>2,147,713</u>	<u>4,937,992</u>	<u>7,189,227</u>
Capital assets being depreciated:				
Land improvements	10,990,772	-	-	10,990,772
Site-improvements	760,430	-	-	760,430
Buildings	14,069,116	4,647,992	-	18,717,108
Vehicles & equipment	9,193,314	412,609	547,416	9,058,507
Infrastructure	26,331,332	290,000	-	26,621,332
Total capital assets, being depreciated	<u>61,344,964</u>	<u>5,350,601</u>	<u>547,416</u>	<u>66,148,149</u>
Less accumulated depreciation:				
Land improvements	4,620,418	469,361	-	5,089,779
Site-improvements	732,743	700	-	733,443
Buildings	5,246,774	435,073	-	5,681,847
Vehicles & equipment	5,483,892	724,045	468,799	5,739,138
Infrastructure	14,001,617	387,418	-	14,389,035
Total accumulated depreciation	<u>30,085,444</u>	<u>2,016,597</u>	<u>468,799</u>	<u>31,633,242</u>
Total capital assets being depreciated, net	<u>31,259,520</u>	<u>3,334,004</u>	<u>78,617</u>	<u>34,514,907</u>
Governmental activities capital assets, net	<u>\$ 41,239,026</u>	<u>\$ 5,481,717</u>	<u>\$ 5,016,609</u>	<u>\$ 41,704,134</u>

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

General government	\$ 44,536
Public safety	429,690
Transportation	698,183
Culture and recreation	679,381
Home and community services	164,807
Total depreciation expense - governmental activities	<u>\$ 2,016,597</u>

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

	Balance 01/01/19	Increases	Decreases	Balance 12/31/19
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 310,800	\$ -	\$ -	\$ 310,800
Construction work in progress	10,529,222	3,061,422	2,578,668	11,011,976
Total capital assets not being depreciated	<u>10,840,022</u>	<u>3,061,422</u>	<u>2,578,668</u>	<u>11,322,776</u>
Capital assets being depreciated:				
Land improvements	50,027	-	-	50,027
Site-improvements	356,347	-	-	356,347
Buildings	15,666,873	-	-	15,666,873
Vehicles & equipment	22,364,431	2,937,875	128,584	25,173,722
Infrastructure	<u>30,688,304</u>	<u>-</u>	<u>-</u>	<u>30,688,304</u>
Total capital assets, being depreciated	<u>69,125,982</u>	<u>2,937,875</u>	<u>128,584</u>	<u>71,935,273</u>
Less accumulated depreciation:				
Land improvements	11,675	1,373	-	13,048
Site-improvements	286,598	17,408	-	304,006
Buildings	4,763,065	325,011	-	5,088,076
Vehicles & equipment	11,998,289	1,376,634	29,467	13,345,456
Infrastructure	<u>13,661,312</u>	<u>1,589,420</u>	<u>-</u>	<u>15,250,732</u>
Total accumulated depreciation	<u>30,720,939</u>	<u>3,309,846</u>	<u>29,467</u>	<u>34,001,318</u>
Total capital assets being depreciated, net	<u>38,405,043</u>	<u>(371,971)</u>	<u>99,117</u>	<u>37,933,955</u>
Business-type capital assets, net	<u>\$ 49,245,065</u>	<u>\$ 2,689,451</u>	<u>\$ 2,677,785</u>	<u>\$ 49,256,731</u>

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

Home and community services	<u>\$ 3,309,846</u>
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G. PENSION OBLIGATIONS

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

Plan Description

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

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

Funding Policy

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

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

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

	<u>ERS</u>	<u>PFRS</u>
Measurement date	03/31/2019	03/31/2019
Net pension liability	\$ 1,269,939	\$ 2,266,241
City's portion of the Plan's total net pension liability	0.0179236 %	0.1351315
Change in proportion since the prior measurement date	(0.0013928)	(0.0042378)
Pension expense at December 31, 2019	\$ 747,098	\$ 1,282,281

At December 31, 2019 the City's reported deferred outflows of resources and deferred inflows of resources related to pensions arose from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>PFRS</u>	<u>ERS</u>	<u>PFRS</u>
Differences between expected and actual experience	\$ 250,078	\$ 550,533	\$ 85,249	\$ 241,959
Change of assumptions	319,211	823,386	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	325,937	453,873
Changes in proportion and differences between the City's contributions and proportionate share of contributions	998	1,085	199,781	580,029
City's contributions subsequent to the measurement date	<u>488,567</u>	<u>753,380</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,058,854</u>	<u>\$ 2,128,384</u>	<u>\$ 610,967</u>	<u>\$ 1,275,861</u>

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

The City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>ERS</u>	<u>PFRS</u>
<u>Year ended March 31:</u>		
2020	\$ 192,945	\$ 250,844
2021	(314,104)	(242,751)
2022	(67,649)	(107,933)
2023	148,128	184,531
2024	-	14,452
Thereafter	-	-

Actuarial Assumptions

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

	<u>ERS</u>	<u>PFRS</u>
Inflation	2.5 %	2.5 %
Salary increases	4.2	5.0
Investment rate of return (net of investment expense, including inflation)	7.0	7.0
Cost of living adjustments	1.3	1.3

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

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

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

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

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

Discount Rate

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

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

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

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
<u>ERS</u>			
City's proportionate share of the net pension liability/(asset)	\$ 5,552,378	\$ 1,269,939	\$ (2,327,613)
<u>PFRS</u>			
City's proportionate share of the net pension liability/(asset)	\$ 8,189,856	\$ 2,266,241	\$ (2,680,665)

Pension Plan Fiduciary Net Position

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

	(Dollars in Thousands)		
	<u>ERS</u>	<u>PFRS</u>	<u>Total</u>
Employers' total pension liability	\$ 189,803,429	\$ 34,128,100	\$ 223,931,529
Plan net position	182,718,124	32,451,037	215,169,161
Employers' net pension liability	<u>\$ 7,085,305</u>	<u>\$ 1,677,063</u>	<u>\$ 8,762,368</u>
Ratio of plan net position to the employers' total pension liability	96.3%	95.1%	96.1%

Prepays to the Pension Plan

For ERS and PFRS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Prepaid retirement contributions as of December 31, 2019 represent the employer contribution for the period of January 1, 2020 through March 31, 2020 of the retirement invoice for the Plan year April 1, 2019 through March 31, 2020. Prepaid retirement contributions as of December 31, 2019 amounted to \$251,127 and \$162,855 for ERS and PFRS, respectively.

H. TOTAL OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY

Plan Description

The City of Geneva, New York (the City), administers the City of Geneva Retiree Medical, Dental and Life Insurance Plan (the Plan) as a single-employer defined benefit Other Postemployment Benefit plan (OPEB). The Plan provides for continuation of medical, dental and life insurance benefits for certain retirees and their spouses and can be amended by action of the City subject to applicable collective bargaining and employment agreements. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

Funding Policy

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

Employees Covered by Benefit Terms

At December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	168
Inactive employees entitled to but not receiving benefit payments	-
Active employees	118
Total	<u>286</u>

The City's total OPEB liability of \$43,228,955 was determined by an actuarial valuation as of December 31, 2019.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 %
Salary increases	3.22 %
Single discount rate	2.75 %
Initial healthcare cost trend rate	5.20 %
Ultimate healthcare cost trend rate	4.18 %

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

Mortality rate updated to rates based on the Pub-2010 Public Retirement Plans Mortality Tables, Headcount-Weighted, distinct for Teachers, General, and Safety, without separate Contingent Survivor mortality, fully generational using scale MP-2019 mortality rates.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2019 – December 31, 2019.

Changes in the Total OPEB Liability:

	<u>Total OPEB Liability</u>
Balance at January 1, 2019	\$ 40,048,615
Changes for the year:	
Service cost	795,573
Interest	1,517,578
Changes of benefit terms	-
Differences between expected and actual experience	(5,538,401)
Changes in assumptions or other inputs	7,626,327
Benefit payments	<u>(1,220,737)</u>
Net changes	<u>3,180,340</u>
Balance at December 31, 2019	<u>\$ 43,228,955</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.83 percent in 2018 to 2.75 percent in 2019, updated premium information and mortality rate scale.

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

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

The following present the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.75%) or 1 percentage point higher (3.75%) than the current discount rate.

	1% Decrease (1.75%)	Discount Rate (2.75%)	1% Increase (3.75%)
Total OPEB liability	\$ 51,017,862	\$ 43,228,955	\$ 37,058,317

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (4.20%) or 1 percentage point higher (6.20%) than the current healthcare cost trend rate:

	1% Decrease (4.20% decreasing to 3.18%)	Healthcare Cost Trend Rates (5.20% decreasing to 4.18%)	1% Increase (6.20% decreasing to 5.18%)
Total OPEB liability	\$ 36,436,514	\$ 43,228,955	\$ 52,068,823

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

For the year ended December 31, 2019, the City recognized OPEB expense of \$(482,149). OPEB expense reflects the costs to the OPEB plan incurred during the year, including the service cost, interest cost, immediate recognition of the impact of all plan provision changes, and the amortization of gains and losses due to experience or changes in the assumptions. At December 31, 2019, the City reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 7,195,039
Changes of assumptions or other inputs	6,130,969	2,977,734
Contributions subsequent to measurement date	308,538	-
Total	\$ 6,439,507	\$ 10,172,773

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

Year ended December 31:

2020	\$ (1,568,319)
2021	(1,568,319)
2022	(1,004,027)
2023	57,920
2024	40,941
Thereafter	-

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

I. COMMITMENTS

Construction Commitments

The City has ongoing construction capital projects related to various infrastructure throughout the City. For the fiscal year ended December 31, 2019, the City had the following construction commitments outstanding:

<u>Vendor</u>	<u>Project</u>	<u>Remaining Balance</u>
Chrisantha Construction	Dove Block Restoration	\$ 1,003,347
Concord Electric Corporation	City Hall	48,669
John W Danforth Company	Marsh Creek WWTP	11,225
J & E Electric Inc	Marsh Creek WWTP	40,750
Lovett Mechanical	City Hall	25,552
Massa Construction	City Hall	416,736
Ben Mittiga Construction	Belt Press Building	5,000
F. Rizzo Construction	Hogarth Ave Rehab	613
		<u>\$ 1,551,892</u>

J. RISK MANAGEMENT

Workers' Compensation Plan

The City is a participant in the Ontario County Self-Insurance Workers' Compensation Plan (the Plan). The Plan was established under the provisions of Workers' Compensation Law of the State of New York and is administered and sponsored by its predominant participant, Ontario County. The Plan is a public entity risk pool and provides the City the opportunity to participate in a cooperative program for providing workers' compensation benefits to its employees.

The City is one of 30 municipal corporations that participate in the Plan. Eligible participants may become members upon filing with the County Board of Supervisors a copy of the resolution of the prospective member's governing board electing participation in the Plan on or before July 15th. Voluntary withdrawal from the Plan is effective only once annually.

Withdrawal from the Plan is effective at the end of the operating year upon filing with the County Board of Supervisors a copy of the resolution of the member's governing board electing to withdraw from the Plan on or before July 15th of the prior year. Currently, the Plan does not provide for payment of remaining financial obligations upon withdrawal of an entity. It is the intent of the County Board of Supervisors to evaluate, on a case by case basis, an entity's share of Plan liabilities once it elects out of the Plan. Contributions to the Plan are determined annually based upon claim payment experience, the number of employees of a participant, real property tax assessments, cash flow and bi-annual actuarial studies.

No refunds or assessments, other than periodic premiums, are charged to the participant organizations. In the event that the Plan's assets are not sufficient to meet its liabilities, the deficiency would be built into the Plan's ensuing year's budget. The Plan has established reserve liabilities which provide for current claim expenses. As of December 31, 2018, the actuarial estimate of ultimate liabilities for the plan was \$7,410,000 and there was \$5,700,455 in plan funds.

K. SHORT-TERM DEBT

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

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

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

The schedule below details the changes in short-term capital borrowings during the year ended December 31, 2019 for both governmental and business-type activities:

	Original Issue Date	Interest rate	Balance 01/01/2019	Issues	Redemptions	Balance 12/31/2019
Governmental Activities						
City Hall	2017	2.50 %	\$ 500,000	\$ -	\$ 30,000	\$ 470,000
Clark Street reconstruction	2017	2.50 %	550,000	-	30,000	520,000
23 Jackson Street demolition & restoration	2017	2.50 %	360,278	-	95,278	265,000
Park improvements	2017	2.50 %	150,000	-	10,000	140,000
Wireless network	2017	2.50 %	50,000	-	15,000	35,000
Street lighting	2017	2.50 %	1,500,000	-	100,000	1,400,000
Food Innovation Center	2017	2.50 %	1,162,917	-	72,917	1,090,000
Construction of a Curtain Wall Breakwater	2018	2.50 %	750,000	-	-	750,000
Various street improvements	2018	2.50 %	3,250,000	-	-	3,250,000
23 Jackson St. demolition & restoration	2018	2.50 %	500,000	-	-	500,000
Various park improvements	2018	2.50 %	175,000	-	-	175,000
Sidewalk reconstruction	2019	2.50 %	-	120,000	-	120,000
N Main St. reconstruction/repaving	2019	2.50 %	-	550,000	-	550,000
Various sidewalk reconstruction and equipment acquisition	2019	2.50 %	-	1,300,000	-	1,300,000
Various park improvements	2019	2.50 %	-	175,000	-	175,000
Total governmental activities bond anticipation notes			\$ 8,948,195	\$ 2,145,000	\$ 353,195	\$ 10,740,000
Business-Type Activities						
<u>Water</u>						
Lochland Rd. water main	2016	2.50 %	\$ 3,625,000	\$ -	\$ 125,000	\$ 3,500,000
City Hall	2017	2.50 %	500,000	-	30,000	470,000
Clark Street reconstruction	2017	2.50 %	300,000	-	15,000	285,000
Preemption Road	2017	2.50 %	150,000	-	10,000	140,000
N. Main St. & Mason St. water main improvements	2018	2.50 %	600,000	-	-	600,000
N Main St. water main improvements	2019	2.50 %	-	400,000	-	400,000
Total water bond anticipation notes			5,175,000	400,000	180,000	5,395,000
<u>Sewer</u>						
Gulvin Park wastewater treatment plant	2016	2.50 %	470,000	-	20,000	450,000
Marsh Creek wastewater treatment plant	2016	2.50 %	75,000	-	10,000	65,000
City Hall	2017	2.50 %	500,000	-	30,000	470,000
Clark Street reconstruction	2017	2.50 %	400,000	-	20,000	380,000
Sealing/resealing City lines	2017	2.50 %	200,000	-	10,000	190,000
Doran Ave meters	2017	2.50 %	300,000	-	15,000	285,000
Doran Ave pumps/controls	2017	2.50 %	150,000	-	10,000	140,000
Doran Ave bell press	2017	2.50 %	400,000	-	20,000	380,000
Sewer line reconstruction	2019	2.50 %	-	50,000	-	50,000
Gulvin Park wastewater treatment plant	2019	2.50 %	-	225,000	-	225,000
Marsh Creek wastewater treatment plant	2019	2.50 %	-	2,074,200	-	2,074,200
Total sewer bond anticipation notes			2,495,000	2,349,200	135,000	4,709,200
Total business-type activities bond anticipation notes			\$ 7,670,000	\$ 2,749,200	\$ 315,000	\$ 10,104,200
Total short term capital borrowings			\$ 16,618,195	\$ 4,894,200	\$ 668,195	\$ 20,844,200

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

L. LEASE OBLIGATIONS

Operating lease

The City entered into a lease agreement on January 26, 2016, for a term of 25 years, to lease a firehouse to provide a fire station for the Geneva Fire Department. The annual payments include a debt service component for years 2016-2025 in the amount of \$41,532, annually. Total cost for the lease was \$46,825 for the year ended December 31, 2019. The future minimum lease payments for this lease is as follows:

<u>Year Ending December 31,</u>	<u>Firehouse</u>
2020	\$ 46,931
2021	47,039
2022	47,149
2023	47,261
2024	47,376
2025-2029	79,474
2030-2034	32,248
2035-2039	37,813
2040-2041	9,364
Total	<u>\$ 394,655</u>

M. LONG-TERM LIABILITIES

GENERAL OBLIGATION BONDS

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds outstanding at December 31, 2019 are as follows:

<u>Issue Description</u>	<u>Original Issue Date</u>	<u>Original Borrowing</u>	<u>Interest Rates to Maturity</u>	<u>Final Maturity</u>	<u>Outstanding Balance 12/31/2019</u>
Governmental Activities					
<u>General Obligation Bonds</u>					
Various Projects	2014	2,238,000	2.50-3.50 %	2023	\$ 890,000
General improvements & various projects - refunding	2018	1,874,485	2.00-5.00 %	2023	1,332,070
Various Projects	2018	4,085,127	3.00-3.50 %	2032	3,740,000
Total governmental activities					<u>\$ 5,962,070</u>
Business-Type Activities					
<u>Water Obligation Bonds</u>					
Water tank-EFC	2002	1,657,422	4.26-5.74 %	2020	95,000
Various Projects	2014	3,911,000	2.50-3.50 %	2023	2,530,000
Water improvements & various projects - refunding	2018	1,601,215	2.00-5.00 %	2030	1,381,650
Various Projects	2018	2,893,339	3.00-3.50 %	2039	2,760,000
Total water fund serial bonds					<u>\$ 6,766,650</u>
<u>Sewer Obligation Bonds</u>					
Sewer Improvements-EFC	2008	13,666,554	0.00 %	2038	\$ 8,655,482
Sewer Lines	2011	1,190,000	3.75-4.25 %	2025	510,000
Various Projects	2014	6,345,000	2.50-3.50 %	2041	5,540,000
Sewer improvements & various projects - refunding	2018	2,594,300	2.00-5.00 %	2030	2,236,280
Various Projects	2018	3,868,339	3.00-3.50 %	2039	3,695,000
Total sewer fund serial bonds					<u>\$ 20,636,762</u>
Total business-type activities serial bonds					<u>\$ 27,403,412</u>
Total primary government					<u>\$ 33,365,482</u>

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

As of December 31, 2019, there was \$4,848,000 in authorized but unissued bonds. These bonds were authorized for various public improvements.

INSTALLMENT PURCHASE DEBT

The City enters into installment purchase debt agreements as needed for various purposes. Installment purchase debt agreements are direct obligations and pledge of the full faith and credit of the City. Installment purchase debt agreements outstanding at December 31, 2019 are as follows:

<u>Issue Description</u>	<u>Original Issue Date</u>	<u>Original Borrowing</u>	<u>Interest Rates to Maturity</u>	<u>Final Maturity</u>	<u>Outstanding Balance 12/31/2019</u>
Governmental Activities					
<u>General Installment Purchase Debt</u>					
Energy performance contract	2011	\$ 3,134,249	4.47 %	2026	\$ 1,718,317
Ice resurfacers	2016	128,250	2.99 %	2021	53,290
Wheel loader	2017	46,248	3.27 %	2022	28,841
Ford explorers	2018	72,000	4.66 %	2020	24,543
Dodge charger & interceptor	2018	72,000	7.24 %	2020	24,598
Total governmental activities					<u>\$ 1,849,589</u>
Business-Type Activities					
<u>Water Installment Purchase Debt</u>					
Energy performance contract	2011	\$ 370,797	4.47 %	2026	\$ 203,286
Wheel loader	2017	44,888	3.27 %	2022	27,992
Backhoe	2017	75,726	3.96 %	2022	47,189
Total water fund					<u>\$ 278,467</u>
<u>Sewer Installment Purchase Debt</u>					
Energy performance contract	2011	\$ 120,388	4.47 %	2026	\$ 66,003
Wheel loader	2017	44,888	3.27 %	2022	27,993
JCB Tellhandler	2017	145,860	3.09 %	2022	90,166
Total sewer fund					<u>\$ 184,162</u>
Total business-type activities					<u>\$ 462,629</u>
Total primary government					<u>\$ 2,312,218</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 December 31, 2019, that amount was \$27,529,160. As of December 31, 2019, the total outstanding debt applicable to the limit was \$18,811,002 which is 68.33 percent of the total debt limit.

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

CHANGES IN LONG-TERM LIABILITIES

Changes in the City's long-term liabilities for the year ended December 31, 2019 are as follows:

	Balance 01/01/2019	Additions	Reductions	Balance 12/31/2019	Due Within One Year
Governmental Activities					
Bonds payable:					
General obligation bonds	\$ 7,125,177	\$ -	\$ 1,163,107	\$ 5,962,070	\$ 1,063,210
Plus unamortized premium	121,868	-	10,714	111,154	10,714
Other liabilities:					
Installment purchase debt	2,496,254	-	646,665	1,849,589	299,193
Compensated absences**	272,963	116,484	58,242	331,205	22,824
Employee Retirement System	117,388	-	21,817	95,571	22,617
Total OPEB liability	34,978,821	8,871,668	5,929,242	37,921,247	-
Net pension liability *	1,764,037	1,238,768	-	3,002,805	-
Total governmental activities	<u>\$ 46,876,508</u>	<u>\$ 10,226,920</u>	<u>\$ 7,829,787</u>	<u>\$ 49,273,641</u>	<u>\$ 1,418,558</u>
Business-type Activities					
Bonds payable:					
General obligation bonds	\$ 29,452,662	\$ -	\$ 2,049,250	\$ 27,403,412	\$ 2,082,342
Plus unamortized premium	297,878	-	26,187	271,691	26,187
Other liabilities:					
Installment purchase debt	599,310	-	136,681	462,629	95,937
Compensated absences	124,285	21,439	10,720	135,004	13,500
Employee Retirement System	56,939	-	10,582	46,357	10,971
Total OPEB liability	5,069,794	1,220,382	982,468	5,307,708	-
Net pension liability *	268,073	265,302	-	533,375	-
Total business-type activities	<u>\$ 35,868,941</u>	<u>\$ 1,507,123</u>	<u>\$ 3,215,888</u>	<u>\$ 34,160,176</u>	<u>\$ 2,228,937</u>
Total primary government	<u>\$ 82,745,449</u>	<u>\$ 11,734,043</u>	<u>\$ 11,045,675</u>	<u>\$ 83,433,817</u>	<u>\$ 3,647,495</u>

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

** Current portion of compensated absences has been accrued in the governmental funds.

The debt service requirements for the City's bonds are as follows:

Governmental Activities

Year ending December 31,	Bonds		
	Principal	Premium	Interest
2020	\$ 1,063,210	\$ 10,714	\$ 164,032
2021	1,086,540	10,714	132,976
2022	691,700	10,714	107,690
2023	465,620	10,714	88,008
2024	365,000	10,714	74,726
2025-2029	1,915,000	53,568	200,556
2030-2032	375,000	4,016	11,631
Total	<u>\$ 5,962,070</u>	<u>\$ 111,154</u>	<u>\$ 779,619</u>

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

Business-type activities

Year ending December 31,	Bonds		
	Principal	Premium	Interest
2020	\$ 2,082,342	\$ 26,187	\$ 629,079
2021	1,709,012	26,187	586,137
2022	1,613,852	26,187	551,221
2023	1,614,932	26,187	510,466
2024	1,615,552	26,187	472,492
2025-2029	7,062,760	130,935	1,812,124
2030-2034	5,732,758	9,821	1,088,493
2035-2039	5,147,204	-	467,789
2040-2042	825,000	-	41,000
Total	\$ 27,403,412	\$ 271,691	\$ 6,158,801

The debt service requirements for the City's installment purchase debt are as follows:

Governmental Activities

Year ending December 31,	Installment Purchase Debt	
	Principal	Interest
2020	\$ 299,193	\$ 82,204
2021	260,637	68,632
2022	243,988	57,589
2023	244,536	46,791
2024	255,477	35,850
2025-2026	545,758	36,896
Total	\$ 1,849,589	\$ 327,962

Business-Type Activities

Year ending December 31,	Installment Purchase Debt	
	Principal	Interest
2020	\$ 95,937	\$ 18,541
2021	99,533	14,945
2022	103,267	11,211
2023	38,322	7,333
2024	40,037	5,618
2025-2026	85,533	5,782
Total	\$ 462,629	\$ 63,430

Compensated Absences

As explained in Note 1, the City records the value of governmental type compensated absences. The annual budgets of the respective funds of which the employees' payroll is recorded provide funding for these benefits as they become payable throughout the year. Payments by the City to liquidate compensated absences are typically from the funds in which the individuals are employed. Since the payment of compensated absences is dependent upon many factors, the timing of future payments is not readily determinable. While the payments of compensated absences are dependent upon many factors, the City has estimated that \$22,824 and \$13,500 for the governmental activities and business-type activities will be due within one year, respectively.

Net Pension Liability

The City reported a liability of \$3,002,805 and \$533,375 for the governmental activities and business-type activities, respectively for the year ended December 31, 2019 for its proportionate share of the net pension liability for the Police and Fire Retirement System and Employees Retirement System. Refer to Note 3.G for additional information related to the City's net pension liability. Payments by the City for retirement contributions are typically from funds in which the individuals are employed.

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

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

	Governmental Activities	Business-type Activities
Capital assets, net of accumulated depreciation	\$ 41,704,134	\$ 49,256,731
Bonds payable used for capital assets	(5,962,070)	(27,403,412)
Debt premium	(111,154)	(271,691)
BANs used for capital assets	(10,740,000)	(10,104,200)
Installment purchase debt used for capital assets	(1,849,589)	(462,629)
Unspent BAN proceeds	4,021,853	4,375,322
Net investment in capital assets	<u>\$ 27,063,174</u>	<u>\$ 15,390,121</u>

Restricted net position – This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

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

FUND BALANCE

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

Nonspendable – represents 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.

- *General Fund* – represents funds that are paid to the ERS and PFRS retirement systems prior to December 31, 2018 that are applicable to the subsequent year.

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

- *Restricted for capital projects* – represents funds to be used for construction, reconstruction and/or acquisition of capital improvements and equipment.
- *Restricted for public safety* – represents funds set aside for substance use prevention education and for use related to drug activity.
- *Restricted for Community Development* – represents funds that had restrictions externally imposed by the funding agency that provided funding for the loan programs administered by the City.
- *Cemetery* – represents amounts received that must remain intact and any earnings used for the purposes of the cemetery.

Assigned to subsequent years' expenditure – represents available fund balance being appropriated to meet expenditure requirements in the 2020 fiscal year.

Assigned to specific use – represents fund balance within the special revenue funds that is assigned for a specific purpose. The assignment's purpose relates to each fund's operations and represents amounts within funds that are not restricted or committed. None in the current year.

Unassigned fund balance – represents the residual classification of the City's General Fund surplus. Residual deficit amounts of other governmental funds would also be reported as unassigned.

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

DETAIL OF FUND BALANCES

As of December 31, 2019, fund balances were classified as follows:

	<u>General</u>	<u>Community Development</u>	<u>Capital Projects</u>	<u>Nonmajor Permanent Fund</u>	<u>Total</u>
<u>Nonspendable:</u>					
Prepaid items	\$ 345,976	\$ -	\$ -	\$ -	\$ 345,976
<u>Restricted:</u>					
Cemetery	-	-	-	20,288	20,288
Capital projects	464,656	-	-	-	464,656
Public safety	17,480	-	-	-	17,480
Retirement contribution	50,000	-	-	-	50,000
Community development	-	3,723,888	-	-	3,723,888
<u>Assigned:</u>					
Subsequent years' expenditures	296,348	-	-	-	296,348
<u>Unassigned:</u>					
General Fund	2,282,645	-	-	-	2,282,645
Capital Projects (deficit)	-	-	(4,417,762)	-	(4,417,762)
 Total	 \$ <u>3,457,105</u>	 \$ <u>3,723,888</u>	 \$ <u>(4,417,762)</u>	 \$ <u>20,288</u>	 \$ <u>2,783,519</u>

O. INTERMUNICIPAL AGREEMENTS

The City has several intermunicipal agreements for shared services such as assessments; emergency dispatch services; information technology services; and to allow the use of the repository for integrated criminalistic imaging system (RICI System).

P. CONTINGENCIES

Assessments – The City is a defendant in various litigation under Article 7 of the Real Property Tax Law of the State of New York to review tax assessments. While the City vigorously defends assessments, the likelihood of success is on a case by case basis, and is dependent upon various factors including market values and appraised amounts. Management believes that the level of potential losses on these cases, if any, would be immaterial and no provisions have been made within the financial statements.

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

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

Q. TAX ABATEMENTS

The Geneva Industrial Development Agency, created by Chapter 565 of the Laws of 1970 of the State of New York pursuant to Title I of Article 18-A of General Municipal Law of the State of New York (collectively "the Act"), has five real property tax abatement agreements, and the City holds six real property tax abatement agreements, with various businesses in the City under Section 412-a of the New York State Real Property Tax Law and Section 874 of the Act for the purpose of redevelopment and job creation in the City.

Generally, these agreements provide for a 100 percent abatement of real property taxes in exchange for a payment in lieu of taxes (PILOT) based on the requirements noted in said individual agreements.

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

Should the property owner not comply with the policies and laws as set forth in each agreement, the PILOT will discontinue as outlined in each agreement.

As a result of these tax abatement agreements, for the year ended December 31, 2019, the City's total tax revenues were reduced by \$1,116,987

Copies of the agreements may be obtained from Adam Blowers, City Comptroller, 47 Castle Street, Geneva, NY 14456, www.cityofgenevany.com

NOTE 4 - RESTATEMENT OF FUND BALANCE AND NET POSITION

For the fiscal year ended December 31, 2019, the City implemented GASB 84, *Fiduciary Activities*. The implementation of Statement No. 84 resulted in the reporting of net position in the Custodial Fund.

	<u>Custodial Fund</u>
Net position - beginning, as previously stated	\$ -
GASB Statement No. 84 implementation	376,809
Net position - beginning of year, as restated	<u>\$ 376,809</u>

For the fiscal year ended December 31, 2019, in addition to the restatement noted above, the City recorded grant revenue in the current year that was applicable to the prior year. The recognition of the revenue resulted in an increase to the beginning net position and fund balance. The reconciliation of the restated beginning net position and fund balance are as follows:

	<u>Community Development</u>
Fund balance - beginning, as previously stated	\$ 3,500,554
Grant revenue applicable to prior year	500,000
Fund balance - beginning of year, as restated	<u>\$ 4,000,554</u>
 <u>Governmental Activities</u>	
Net position - beginning, as previously stated	\$ (7,325,379)
Grant revenue applicable to prior year	500,000
Net position - beginning of year, as restated	<u>\$ (6,825,379)</u>

NOTE 5 - SUBSEQUENT EVENT

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

On June 3, 2020, the City Council authorized the City Manager to execute a grant agreement with the New York State Environmental Facilities Corporation through the Green Innovation Grant Program (GIGP) in an amount up to \$1,800,000 in grant funding. The GIGP will provide funding to allow for green infrastructure elements which will improve the water quality, with an expected total project cost of \$2,000,000 and a local match requirement of 10% to be provided through the City's Downtown Revitalization Initiative 2016 award.

Management has evaluated subsequent events through July 14, 2020 which is the date the financial statements are available for issuance, and have determined, with exception to the events noted in the above paragraphs, there are no subsequent events that require disclosure under generally accepted accounting principles other than the authorization of debt issuance referred to above.

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REQUIRED SUPPLEMENTARY INFORMATION

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

	Year Ended December 31,					
	2014	2015	2016	2017	2018	2019
<u>Employees' Retirement System (ERS)</u>						
Measurement date	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
City's proportion of the net pension liability	0.0203924%	0.0203924%	0.0205785%	0.0200672%	0.0193164%	0.0179236%
City's proportionate share of the net pension liability	\$ <u>921,504</u>	\$ <u>688,906</u>	\$ <u>3,302,899</u>	\$ <u>1,885,555</u>	\$ <u>623,425</u>	\$ <u>1,269,939</u>
City's covered payroll	\$ 4,143,232	\$ 4,013,208	\$ 4,186,806	\$ 4,278,834	\$ 4,494,486	\$ 4,484,960
City's proportionate share of the net pension liability as a percentage of its covered payroll	23.0%	17.2%	78.9%	44.1%	13.9%	28.3%
Plan fiduciary net position as a percentage of the total pension liability	97.2%	97.9%	90.7%	94.7%	98.2%	96.3%
<u>Police and Fire Retirement System (PFRS)</u>						
Measurement date	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
City's proportion of the net pension liability	0.1443866%	0.1443866%	0.1465621%	0.1393879%	0.1393693%	0.1351315%
City's proportionate share of the net pension liability	\$ <u>601,095</u>	\$ <u>397,438</u>	\$ <u>4,339,392</u>	\$ <u>2,889,026</u>	\$ <u>1,408,685</u>	\$ <u>2,266,241</u>
City's covered payroll	\$ 4,984,194	\$ 4,985,244	\$ 4,832,699	\$ 4,824,078	\$ 4,452,294	\$ 4,650,429
City's proportionate share of the net pension liability as a percentage of its covered payroll	12.1%	8.0%	89.8%	59.9%	31.6%	48.7%
Plan fiduciary net position as a percentage of the total pension liability	99.0%	98.5%	90.2%	93.5%	96.9%	95.1%

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

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

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

	Year Ended December 31,					
	2014	2015	2016	2017	2018	2019
<u>Employees' Retirement System (ERS)</u>						
Contractually required contribution	\$ 971,531	\$ 896,991	\$ 754,700	\$ 737,571	\$ 691,115	\$ 654,243
Contributions in relation to the contractually required contribution	<u>971,531</u>	<u>896,991</u>	<u>754,700</u>	<u>737,571</u>	<u>691,115</u>	<u>654,243</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City's covered payroll	\$ 4,080,472	\$ 4,634,600	\$ 4,657,875	\$ 4,606,664	\$ 4,441,430	\$ 4,685,100
Contributions as a percentage of covered payroll	24%	19%	16%	16%	16%	14%
<u>Police and Fire Retirement System (PFRS)</u>						
Contractually required contribution	\$ 1,000,532	\$ 888,919	\$ 962,770	\$ 1,011,250	\$ 1,183,798	\$ 997,437
Contributions in relation to the contractually required contribution	<u>1,000,532</u>	<u>888,919</u>	<u>962,770</u>	<u>1,011,250</u>	<u>1,183,798</u>	<u>997,437</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City's covered payroll	\$ 4,556,579	\$ 4,048,540	\$ 4,351,743	\$ 4,502,010	\$ 4,598,085	\$ 4,717,277
Contributions as a percentage of covered payroll	22%	22%	22%	22%	26%	21%

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

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

**CITY OF GENEVA, NEW YORK
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST THREE FISCAL YEARS***

	Year Ended December 31,		
	2017	2018	2019
<u>Total OPEB Liability</u>			
Service cost	\$ 1,123,292	\$ 998,340	\$ 795,573
Interest	1,478,651	1,564,281	1,517,578
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(954,726)	(3,739,366)	(5,538,401)
Changes of assumptions or other inputs	(3,317,750)	(2,470,051)	7,626,327
Benefit payments	<u>(1,160,471)</u>	<u>(1,209,182)</u>	<u>(1,220,737)</u>
Net change in total OPEB liability	(2,831,004)	(4,855,978)	3,180,340
Total OPEB liability - beginning	<u>47,735,597</u>	<u>44,904,593</u>	<u>40,048,615</u>
Total OPEB liability - ending	<u>\$ 44,904,593</u>	<u>\$ 40,048,615</u>	<u>\$ 43,228,955</u>
Covered-employee payroll	\$ 7,263,974	\$ 7,263,974	\$ 7,481,893
Total OPEB liability as a percentage of covered-employee payroll	618%	551%	578%

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

**CITY OF GENEVA, NEW YORK
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Real property taxes	\$ 6,976,885	\$ 6,976,885	\$ 6,931,210	\$ (45,675)
Real property tax items	1,359,374	1,359,374	1,304,290	(55,084)
Non-property tax items	3,980,000	3,980,000	4,202,809	222,809
Departmental income	639,818	580,000	512,131	(67,869)
Intergovernmental charges	260,236	376,553	422,819	46,266
Use of money and property	93,200	57,200	35,387	(21,813)
Licenses and permits	59,500	64,500	55,736	(8,764)
Fines and forfeitures	160,000	72,500	81,822	9,322
Sale of property and compensation for loss	85,000	86,000	29,267	(56,733)
Miscellaneous local sources	299,800	181,800	168,882	(12,918)
State and federal sources	<u>2,146,613</u>	<u>2,146,613</u>	<u>3,037,318</u>	<u>890,705</u>
Total revenues	<u>16,060,426</u>	<u>15,881,425</u>	<u>16,781,671</u>	<u>900,246</u>
EXPENDITURES				
General government	1,955,552	2,542,652	2,485,059	57,593
Public safety	5,853,844	5,952,001	5,853,870	98,131
Transportation	1,284,091	1,284,091	1,298,328	(14,237)
Economic assistance and opportunity	216,950	341,650	289,764	51,886
Culture and recreation	1,041,963	1,137,245	1,125,824	11,421
Home and community services	211,638	1,758,638	996,633	762,005
Employee benefits	3,991,627	4,092,227	3,912,483	179,744
Debt service:				
Principal	2,240,795	1,887,600	1,809,772	77,828
Interest	<u>633,287</u>	<u>633,287</u>	<u>631,560</u>	<u>1,727</u>
Total expenditures	<u>17,429,747</u>	<u>19,629,391</u>	<u>18,403,293</u>	<u>1,226,098</u>
Excess (deficit) of revenue over expenditures	(1,369,321)	(3,747,966)	(1,621,622)	(2,126,344)
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	953,039	1,537,322	1,124,794	(412,528)
Interfund transfers out		<u>(353,195)</u>	<u>(353,195)</u>	
Total other financing sources	<u>953,039</u>	<u>1,184,127</u>	<u>771,599</u>	<u>(412,528)</u>
Net change in fund balance *	(416,282)	(2,563,839)	(850,023)	(2,538,872)
Fund balance - beginning	<u>4,307,128</u>	<u>4,307,128</u>	<u>4,307,128</u>	<u>-</u>
Fund balance - ending	<u>\$ 3,890,846</u>	<u>\$ 1,743,289</u>	<u>\$ 3,457,105</u>	<u>\$ (2,538,872)</u>

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

CITY OF GENEVA, NEW YORK
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

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

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

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

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2019, expenditures exceeded appropriations in the transportation, function by \$14,237, respectively. However, total expenditures did not exceed appropriations.

NOTE 3 – FACTORS AFFECTING TRENDS IN PENSIONS

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

NOTE 4 – FACTORS AFFECTING TRENDS IN RETIREE HEALTH PLAN (OPEB)

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

<u>Year Ended May 31:</u>	<u>Long-Term Bond Rate</u>	<u>Salary Scale</u>	<u>Single Discount Rate</u>	<u>Ultimate Healthcare Cost Trend Rate</u>
2019	2.75%	3.22%	2.75%	4.18%
2018	3.83%	3.00%	3.83%	4.23%