

**AUDITED
BASIC FINANCIAL STATEMENTS**

CITY OF GENEVA, NEW YORK

DECEMBER 31, 2017

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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, 2017, 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, 2017, 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) Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68*; and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Freed Maxick CPAs, P.C.

Batavia, New York
August 1, 2018

**CITY OF GENEVA, NEW YORK
STATEMENT OF NET POSITION
DECEMBER 31, 2017**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 6,151,364	\$ 1,616,977	\$ 7,768,341
Cash and cash equivalents - restricted	2,460,386	5,483,988	7,944,374
Certificates of deposit	887,131	-	887,131
Receivables (net of allowance for uncollectible receivables)			
Accounts receivable	375,123	2,343,739	2,718,862
Taxes receivable	883,138	-	883,138
Loans receivable	1,066,448	-	1,066,448
State and federal receivables	1,670,996	-	1,670,996
Due from other governments	418,328	-	418,328
Prepaid items	357,215	70,248	427,463
Capital assets not being depreciated	7,570,362	9,264,740	16,835,102
Capital assets, net of accumulated depreciation	<u>30,215,067</u>	<u>39,989,338</u>	<u>70,204,405</u>
Total assets	<u>52,055,558</u>	<u>58,769,030</u>	<u>110,824,588</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows	<u>3,951,446</u>	<u>638,050</u>	<u>4,589,496</u>
Deferred outflows of resources	<u>3,951,446</u>	<u>638,050</u>	<u>4,589,496</u>
LIABILITIES			
Accounts payable	722,934	113,413	836,347
Accrued interest payable	103,136	161,546	264,682
Unearned revenue	1,798,195	-	1,798,195
Other liabilities	1,305	-	1,305
Bond anticipation notes payable	8,745,399	14,358,444	23,103,843
Noncurrent liabilities:			
Due and payable within one year	1,501,672	2,006,561	3,508,233
Due and payable after one year	48,894,477	30,344,662	79,239,139
Total liabilities	<u>61,767,118</u>	<u>46,984,626</u>	<u>108,751,744</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred postemployment benefits inflows	3,015,723	450,625	3,466,348
Deferred pension inflows	<u>1,287,030</u>	<u>167,751</u>	<u>1,454,781</u>
Deferred inflows of resources	<u>4,302,753</u>	<u>618,376</u>	<u>4,921,129</u>
NET POSITION			
Net investment in capital assets	24,556,618	14,863,603	39,420,221
Restricted for:			
Capital projects	520,623	366,764	887,387
Public safety	41,015	-	41,015
Cemetery	20,249	-	20,249
Community development	4,143,973	-	4,143,973
Unrestricted (deficit)	<u>(39,345,345)</u>	<u>(3,426,289)</u>	<u>(42,771,634)</u>
Total net position (deficit)	<u>\$ (10,062,867)</u>	<u>\$ 11,804,078</u>	<u>\$ 1,741,211</u>

See notes to basic financial statements.

**CITY OF GENEVA, NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government							
Governmental activities							
General government	\$ 3,123,925	\$ 262,662	\$ -	\$ -	\$ (2,861,263)	\$ -	\$ (2,861,263)
Public safety	9,854,726	360,650	-	-	(9,494,076)	-	(9,494,076)
Transportation	3,261,288	-	-	445,084	(2,816,204)	-	(2,816,204)
Economic assistance and opportunity	170,487	1,545,319	-	-	1,374,832	-	1,374,832
Culture and recreation	1,968,938	262,232	500	-	(1,706,206)	-	(1,706,206)
Home and community services	2,128,832	122,079	50,000	-	(1,956,753)	-	(1,956,753)
Interest on debt	420,532	-	-	-	(420,532)	-	(420,532)
Total governmental activities	20,928,728	2,552,942	50,500	445,084	(17,880,202)	-	(17,880,202)
Business-type activities							
Sewer	4,182,421	4,681,167	-	-	-	498,746	498,746
Water	3,292,924	3,489,852	-	-	-	196,928	196,928
Total business-type activities	7,475,345	8,171,019	-	-	-	695,674	695,674
Total primary government	\$ 28,404,073	\$ 10,723,961	\$ 50,500	\$ 445,084	(17,880,202)	695,674	(17,184,528)
General revenues:							
Real property taxes and real property tax items					8,624,182	-	8,624,182
Non-property taxes					3,812,030	-	3,812,030
Interest earnings					63,404	2,724	66,128
State and federal aid not restricted for a specific purpose					4,485,481	-	4,485,481
Premium on bond anticipation notes					91,477	150,190	241,667
Other miscellaneous revenues					266,634	1,047,691	1,314,325
Sale of property for compensation and loss					101,740	-	101,740
Transfers					729,280	(729,280)	-
Total general revenues and transfers					18,174,228	471,325	18,645,553
Change in net position					294,026	1,166,999	1,461,025
Net position - beginning, as restated (Note 4)					(10,356,893)	10,637,079	280,186
Net position - ending					\$ (10,062,867)	\$ 11,804,078	\$ 1,741,211

See notes to basic financial statements.

CITY OF GENEVA, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	<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	\$ 3,897,709	\$ 2,233,406	\$ -	\$ 20,249	\$ 6,151,364
Cash and cash equivalents - restricted	-	-	2,460,386	-	2,460,386
Certificates of deposit	-	887,131	-	-	887,131
Receivables (net of allowance for uncollectible receivables)					
Accounts receivable	375,123	-	-	-	375,123
Taxes receivable	883,138	-	-	-	883,138
Loans receivable	-	1,066,448	-	-	1,066,448
State and federal receivables	138,483	-	1,532,513	-	1,670,996
Due from other funds	36,835	-	-	-	36,835
Due from other governments	418,328	-	-	-	418,328
Prepaid items	357,215	-	-	-	357,215
	<u>6,106,831</u>	<u>4,186,985</u>	<u>3,992,899</u>	<u>20,249</u>	<u>14,306,964</u>
Total assets	<u>\$ 6,106,831</u>	<u>\$ 4,186,985</u>	<u>\$ 3,992,899</u>	<u>\$ 20,249</u>	<u>\$ 14,306,964</u>
LIABILITIES					
Accounts payable	\$ 183,820	\$ 6,177	\$ 532,937	\$ -	\$ 722,934
Accrued liabilities	22,618	-	-	-	22,618
Due to other funds	-	36,835	-	-	36,835
Unearned revenue	1,798,195	-	-	-	1,798,195
Other liabilities	1,305	-	-	-	1,305
Bond anticipation notes payable	-	-	8,745,399	-	8,745,399
	<u>2,005,938</u>	<u>43,012</u>	<u>9,278,336</u>	<u>-</u>	<u>11,327,286</u>
Total liabilities	<u>2,005,938</u>	<u>43,012</u>	<u>9,278,336</u>	<u>-</u>	<u>11,327,286</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	263,123	-	-	-	263,123
	<u>263,123</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>263,123</u>
Total deferred inflows of resources	<u>263,123</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>263,123</u>

See notes to basic financial statements.

CITY OF GENEVA, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2017
(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	357,215	-	-	-	357,215
Assigned	117,000	-	-	-	117,000
Restricted	561,638	4,143,973	-	20,249	4,725,860
Unassigned (deficit)	2,801,917	-	(5,285,437)	-	(2,483,520)
Total fund balances (deficit)	<u>3,837,770</u>	<u>4,143,973</u>	<u>(5,285,437)</u>	<u>20,249</u>	<u>2,716,555</u>
Total liabilities, deferred inflows of resources and fund balances (deficit)	<u>\$ 6,106,831</u>	<u>\$ 4,186,985</u>	<u>\$ 3,992,899</u>	<u>\$ 20,249</u>	

Amounts reported for governmental activities in the statements of net position (page 24) 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	37,785,429
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds	
Accrued interest payable	(103,136)
Serial bonds payable	(3,928,994)
Compensated absences	(255,893)
Installment purchase debt	(3,014,805)
Postemployment benefits	(39,015,048)
Employee retirement system liability	(138,432)
Net pension liability	(4,020,359)
Other long-term assets are not available to pay for prior period expenditures and therefore are deferred in the funds	263,123
Deferred outflows and inflows are not assets or liabilities of the current period and therefore are not reported in the funds	
Deferred postemployment benefits inflows	(3,015,723)
Deferred pension outflows	3,951,446
Deferred pension inflows	<u>(1,287,030)</u>
Net position	<u>\$ (10,062,867)</u>

See 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, 2017

	<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	\$ 7,283,486	\$ -	\$ -	\$ -	\$ 7,283,486
Real property tax items	1,339,150	-	-	-	1,339,150
Sales and other taxes	3,812,030	-	-	-	3,812,030
Departmental income	545,743	-	-	-	545,743
Intergovernmental charges	237,725	1,545,319	-	-	1,783,044
Use of money and property	40,643	59,286	-	-	99,929
Licenses and permits	52,456	-	-	-	52,456
Fines and forfeitures	85,024	-	-	-	85,024
Sale of property and compensation for loss	152,938	-	-	-	152,938
Miscellaneous local sources	230,748	371	34,467	-	265,586
State and federal sources	2,254,569	678,521	2,047,975	-	4,981,065
Premium on bond anticipation notes	-	-	91,477	-	91,477
Total revenues	<u>16,034,512</u>	<u>2,283,497</u>	<u>2,173,919</u>	<u>-</u>	<u>20,491,928</u>
EXPENDITURES					
Current:					
General government	1,805,985	-	-	-	1,805,985
Public safety	5,281,491	-	-	-	5,281,491
Transportation	1,206,000	-	-	-	1,206,000
Economic assistance and opportunity	171,877	-	-	-	171,877
Culture and recreation	1,061,794	-	-	-	1,061,794
Home and community services	319,691	728,927	-	-	1,048,618
Employee benefits	4,079,089	-	-	-	4,079,089
Capital outlay:					
General government	-	-	317,704	-	317,704
Public safety	-	-	33,242	-	33,242
Transportation	-	-	1,129,763	-	1,129,763
Culture and recreation	-	-	1,674,714	-	1,674,714
Home and community services	-	-	1,801,069	-	1,801,069
Debt service:					
Principal	1,821,250	-	-	-	1,821,250
Interest	377,137	-	-	-	377,137
Total expenditures	<u>16,124,314</u>	<u>728,927</u>	<u>4,956,492</u>	<u>-</u>	<u>21,809,733</u>

See 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, 2017
(Continued)

	<u>General</u>	<u>Community Development</u>	<u>Capital Projects</u>	<u>Nonmajor Permanent Fund</u>	<u>Total Governmental Funds</u>
Excess (deficit) of revenues over expenditures	(89,802)	1,554,570	(2,782,573)	-	(1,317,805)
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	901,035	-	192,907	-	1,093,942
Interfund transfers out	(192,907)	(171,755)	-	-	(364,662)
BANs redeemed from appropriations	-	-	304,667	-	304,667
Proceeds from installment purchase debt	-	-	92,080	-	92,080
Total other financing sources and (uses)	<u>708,128</u>	<u>(171,755)</u>	<u>589,654</u>	<u>-</u>	<u>1,126,027</u>
Net change in fund balances	618,326	1,382,815	(2,192,919)	-	(191,778)
Fund balances (deficit) - beginning	<u>3,219,444</u>	<u>2,761,158</u>	<u>(3,092,518)</u>	<u>20,249</u>	<u>2,908,333</u>
Fund balances (deficit) - ending	<u>\$ 3,837,770</u>	<u>\$ 4,143,973</u>	<u>\$ (5,285,437)</u>	<u>\$ 20,249</u>	<u>\$ 2,716,555</u>

See 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, 2017**

Net change in fund balances - total governmental funds (page 29) \$ (191,778)

Amounts reported for governmental activities in the Statement of Activities (page 25) 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 (\$6,942,010) excluding construction work in progress placed in service (\$2,760,047) exceeded depreciation (\$2,384,838) in the current period. 1,797,125

The net effect of various miscellaneous transaction involving capital assets (i.e. sales, trades) is to decrease net position. (1,202,804)

Change in the proportionate share of net pension liability reported in the Statement of Net Position does not provide for or require the use of current financial resources and therefore is not reported as expenditures in the governmental funds. 2,333,801

Change in the proportionate share of the net 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 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. (3,097,283)

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. 1,988

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. 1,546

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when paid. (45,383)

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	896,750	
Proceeds of installment purchase debt	(92,080)	
Repayment of installment purchase debt	593,833	
Repayment of HUD loan	26,000	
Change in compensated absences	(36,982)	
Change in Employee Retirement System Original Contribution Stabilization Program	20,300	1,407,821

Change in the net postemployment liability reported in the Statement of Net Position does not provide for or require the use of current financial resources and therefore is not reported as revenues or expenditures in the governmental funds. 2,304,716

Change in the net postemployment deferred inflows and outflows reported in the Statement of Net Position during the measurement period between the City's contributions to its postemployment liability 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. (3,015,723)

Change in net position of governmental activities \$ 294,026

See notes to basic financial statements.

CITY OF GENEVA, NEW YORK
STATEMENT OF NET POSITION - ENTERPRISE FUNDS
DECEMBER 31, 2017

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 952,746	\$ 664,231	\$ 1,616,977
Cash and cash equivalents - restricted	1,827,024	3,656,964	5,483,988
Receivables	1,213,426	1,130,313	2,343,739
Prepaid items	39,341	30,907	70,248
Capital assets not being depreciated	4,633,265	4,631,475	9,264,740
Capital assets, net of accumulated depreciation	27,181,027	12,808,311	39,989,338
Total assets	<u>35,846,829</u>	<u>22,922,201</u>	<u>58,769,030</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows	350,927	287,123	638,050
Total deferred outflows of resources	<u>350,927</u>	<u>287,123</u>	<u>638,050</u>
LIABILITIES			
Accounts payable	82,763	30,650	113,413
Accrued interest payable	74,732	86,814	161,546
Bond anticipation notes payable	6,606,693	7,751,751	14,358,444
Noncurrent liabilities:			
Due and payable within one year	1,252,087	754,474	2,006,561
Due and payable after one year	21,016,963	9,327,699	30,344,662
Total liabilities	<u>29,033,238</u>	<u>17,951,388</u>	<u>46,984,626</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred postemployment benefits inflows	173,317	277,308	450,625
Deferred pension inflows	92,263	75,488	167,751
Total deferred inflows of resources	<u>265,580</u>	<u>352,796</u>	<u>618,376</u>
NET POSITION			
Net investment in capital assets	7,364,431	7,499,172	14,863,603
Restricted for capital projects	169,609	197,155	366,764
Unrestricted (deficit)	(635,102)	(2,791,187)	(3,426,289)
Total net position	<u>\$ 6,898,938</u>	<u>\$ 4,905,140</u>	<u>\$ 11,804,078</u>

See 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, 2017**

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 4,681,167	\$ 3,489,852	\$ 8,171,019
Other operating revenues	267,659	780,032	1,047,691
Total operating revenues	<u>4,948,826</u>	<u>4,269,884</u>	<u>9,218,710</u>
OPERATING EXPENSES			
Salaries, wages and employee benefits	1,548,110	1,390,955	2,939,065
Contractual expense	498,551	1,038,925	1,537,476
Depreciation	1,767,107	656,341	2,423,448
Total operating expenses	<u>3,813,768</u>	<u>3,086,221</u>	<u>6,899,989</u>
Operating income	<u>1,135,058</u>	<u>1,183,663</u>	<u>2,318,721</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	1,409	1,315	2,724
Interest expense	(368,653)	(206,703)	(575,356)
Premium on bond anticipation notes	69,106	81,084	150,190
Total nonoperating expenses	<u>(298,138)</u>	<u>(124,304)</u>	<u>(422,442)</u>
Income before transfers	836,920	1,059,359	1,896,279
Transfers out	<u>(349,642)</u>	<u>(379,638)</u>	<u>(729,280)</u>
Change in net position	487,278	679,721	1,166,999
Net position - beginning, as restated (Note 4)	<u>6,411,660</u>	<u>4,225,419</u>	<u>10,637,079</u>
Net position - ending	<u>\$ 6,898,938</u>	<u>\$ 4,905,140</u>	<u>\$ 11,804,078</u>

See notes to basic financial statements.

CITY OF GENEVA, NEW YORK
STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 4,668,053	\$ 3,367,712	\$ 8,035,765
Cash payments for contractual expenses	(536,788)	(1,796,706)	(2,333,494)
Cash payments to employees for services	(1,582,452)	(1,295,389)	(2,877,841)
Other operating revenues	267,659	780,032	1,047,691
Net cash provided by operating activities	<u>2,816,472</u>	<u>1,055,649</u>	<u>3,872,121</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	<u>(349,642)</u>	<u>(379,638)</u>	<u>(729,280)</u>
Net cash used by noncapital financing activities	<u>(349,642)</u>	<u>(379,638)</u>	<u>(729,280)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(2,265,402)	(4,224,661)	(6,490,063)
Principal payments on debt	(1,572,808)	(1,060,249)	(2,633,057)
Proceeds on debt issuance	1,950,000	950,000	2,900,000
Proceeds from installment purchase debt	190,747	120,614	311,361
Interest paid on debt	(349,486)	(198,734)	(548,220)
Premium on bond anticipation notes	69,106	81,084	150,190
Net cash provided (used) by capital and related financing activities	<u>(1,977,843)</u>	<u>(4,331,946)</u>	<u>(6,309,789)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on cash and investments	<u>1,409</u>	<u>1,315</u>	<u>2,724</u>
Net cash provided by investing activities	<u>1,409</u>	<u>1,315</u>	<u>2,724</u>
Net increase (decrease) in cash and cash equivalents	490,396	(3,654,620)	(3,164,224)
Cash and cash equivalents - beginning	<u>2,289,374</u>	<u>7,975,815</u>	<u>10,265,189</u>
Cash and cash equivalents - ending	<u>\$ 2,779,770</u>	<u>\$ 4,321,195</u>	<u>\$ 7,100,965</u>
Reconciliation of cash and cash equivalents to statement of net position:			
Cash and cash equivalents	952,746	664,231	1,616,977
Cash and cash equivalents - restricted	1,827,024	3,656,964	5,483,988
Total cash and cash equivalents	<u>\$ 2,779,770</u>	<u>\$ 4,321,195</u>	<u>\$ 7,100,965</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 1,135,058	\$ 1,183,663	\$ 2,318,721
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,767,107	656,341	2,423,448
Pension expense	251,680	(153,765)	97,915
Change in assets and liabilities:			
Decrease (increase) in:			
Accounts receivable	(13,114)	(122,140)	(135,254)
Prepaid items	(1,902)	579	(1,323)
Increase (decrease) in:			
Accounts payable	(36,335)	(758,360)	(794,695)
Compensated absences	4,602	2,679	7,281
Retirement system liability	(5,692)	(4,154)	(9,846)
Post employment benefits	(284,932)	250,806	(34,126)
Net cash provided by operating activities	<u>\$ 2,816,472</u>	<u>\$ 1,055,649</u>	<u>\$ 3,872,121</u>

See notes to basic financial statements.

**CITY OF GENEVA, NEW YORK
STATEMENT OF NET POSITION - AGENCY FUND
DECEMBER 31, 2017**

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ <u>367,595</u>
Total assets	\$ <u><u>367,595</u></u>
LIABILITIES	
Agency liabilities	\$ <u>367,595</u>
Total liabilities	\$ <u><u>367,595</u></u>

See notes to basic financial statements.

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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. DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

B. REPORTING ENTITY

The City 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

C. BASIS OF PRESENTATION

1. GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

1. FUND FINANCIAL STATEMENTS

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

The government reports the following major governmental funds:

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

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

The government reports the following major enterprise funds:

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

Additionally, the government reports the following fund type:

The Agency Fund is used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

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.

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

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

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.

2. 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.

3. 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, C.)

4. 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, enterprise, and fiduciary activities). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual balances at year-end is provided subsequently in Note 3, D.

5. 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, 2017 for water and sewer amounted to \$115,771 and \$97,910, respectively.

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
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

6. 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.

7. 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 currently has two items that qualify for reporting in this category. The first is related to pensions reported in the government-wide Statement of Net Position. This represents the effect of the net change in the City's proportion of the collective net pension liability and the difference during the measurement period between the City's contributions and its proportional share of the total contributions to the pension systems not included in pension expense. Also included is the City contributions to the pension system subsequent to the measurement date. See details of deferred pension outflows in 3.G.

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 currently has two items that qualify for reporting in this category. The first is related to pensions reported in the government-wide Statement of Net Position. This represents the effect of the net change in the City's proportion of the collective net pension liability and difference during the measurement periods between the City's contributions and its proportional share of total contributions to the pension systems not included in pension expense. See details of deferred pension inflows in Note 3.G. The second item is related to OPEB reported in the government-wide Statement of Net Position. This represents the net effect of the net changes in assumptions or other inputs. See details of deferred OPEB inflows in Note 3.H. The other item is unavailable revenue related to property taxes and is reported in the Balance Sheet – Governmental Funds.

8. 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, 2017, unearned revenue in the General Fund consisted of unearned state aid of \$1,798,195.

9. LONG-TERM LIABILITIES

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

10. 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.

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.

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 Council has by resolution authorized the City

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

Comptroller to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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 tax 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 93.92% 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 \$278,511 and \$124,290, 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. PROPRIETARY FUNDS – OPERATING AND NONOPERATING REVENUES AND EXPENSES

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

G. USE OF ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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, 2017, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68*; Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*; Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits Other than Pensions*, Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*; Statement No. 81, *Split-Interest Agreements*; and Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, 68 and 73*.

The primary object of Statement No. 73 is to improve the usefulness of information about pensions included in the financial statements that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions.

The primary objective of Statements No. 74 and 75 is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

The primary objective of Statement No. 80 is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units.

The primary objective of Statement No. 81 is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

The primary objective of Statement No. 82 is to address certain issues that have been raised with respect to Statements No. 67, 68, and 73.

The City has evaluated Statements No. 73, 74, 75, 80, 81, and 82 and have determined that Statement No. 75 had a material impact on the City's current year financial statements. See Note 4.

The GASB has issued the following new pronouncements:

- Statement No. 83, *Certain Asset Retirement Obligations*, which will be effective for the year ending December 31, 2019;
- Statement No. 84, *Fiduciary Activities*, which will be effective for the year ending December 31, 2019;
- Statement No. 85, *Omnibus*, which will be effective for the year ending December 31, 2018;
- Statement No. 86, *Certain Debt Extinguishment Issues*, which will be effective for the year ending December 31, 2018;

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

- Statement No. 87, *Leases*, which will be effective for the year ending December 31, 2020; and
- 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, 2020.

The City is currently reviewing these statements and plans on adoption, as required.

NOTE 2 - STEWARDHIP, COMPLIANCE AND ACCOUNTABILITY

A. DEFICIT FUND EQUITY

At December 31, 2017, the capital projects fund, a major fund, has a deficit fund balance of \$5,285,437. It is not unusual for a capital projects fund, especially one that finances capital projects mainly by borrowings, to report a deficit. The reason for the deficit in this case is that the City issued bond anticipation notes (BANS), which do not qualify for treatment as a long-term liability

Accordingly, the BANS are reported as a fund liability in the capital projects fund balance sheet (rather than an inflow on the statement of revenues, expenditures, and changes in fund balances (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 Fiduciary 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.

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 and obligations of the State and municipalities and school districts.

The City's aggregate bank balances were fully collateralized at December 31, 2017.

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

Investment and Deposit Policy

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

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 restricts the securities to the following eligible items:

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

B. 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, 2017 under both programs amounted to \$1,503,904, against which an allowance of \$437,456 for uncollectible loans has been recorded.

C. RECEIVABLES

Significant revenues accrued by the City at December 31, 2017 include the following:

General Fund:

Miscellaneous accounts receivable	\$ <u>375,123</u>
Taxes receivable current	\$ 257,374
Taxes receivable overdue	150,432
City School taxes receivable	277,317
Property acquired for taxes	298,133
Allowance for uncollectible taxes	<u>(100,118)</u>
Total taxes receivable	\$ <u>883,138</u>
Due from other governments - sales tax	\$ <u>418,328</u>
State and federal receivables	\$ <u>138,483</u>

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

<u>Capital Projects:</u>	
NYS receivable	\$ <u>1,532,513</u>
 <u>Water:</u>	
Water rents receivable	\$ 1,129,757
Miscellaneous receivables	<u>556</u>
Total accounts receivable	\$ <u>1,130,313</u>
 <u>Sewer:</u>	
Sewer rents receivable	\$ 1,088,187
Town of Waterloo	98,824
Miscellaneous receivables	<u>26,415</u>
Total accounts receivable	\$ <u>1,213,426</u>

D. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of December 31, 2017 is as follows:

Due from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Community Development	\$ <u>36,835</u>
	Total	\$ <u>36,835</u>

The outstanding interfund loan balance between the general and community development funds relate to grant expenditures.

E. INTERFUND TRANSFERS

The composition of interfund transfers as of December 31, 2017 is as follows:

Interfund transfers:

	<u>Transfer in</u>		
	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
<u>Transfer out:</u>			
General	\$ -	\$ 192,907	\$ 192,907
Community Development	171,755	-	171,755
Water	379,638	-	379,638
Sewer	<u>349,642</u>	-	<u>349,642</u>
Total	<u>\$ 901,035</u>	<u>\$ 192,907</u>	<u>\$1,093,942</u>

Transfers among funds are provided for as part of the annual budget process and related to chargebacks for administrative services. Amounts transferred from General to Capital Projects is City share of capital projects.

F. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017, was as follows:

Governmental Activities:

	<u>Balance</u> <u>01/01/17</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/17</u>
<u>Capital assets, not being depreciated:</u>				
Land	\$ 1,089,823	\$ -	\$ -	\$ 1,089,823
Construction work in progress	<u>4,952,359</u>	<u>4,288,227</u>	<u>2,760,047</u>	<u>6,480,539</u>
Total capital assets not being depreciated	<u>6,042,182</u>	<u>4,288,227</u>	<u>2,760,047</u>	<u>7,570,362</u>

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

	Balance <u>01/01/17</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>12/31/17</u>
<u>Capital assets, being depreciated:</u>				
Buildings	10,990,772	-	-	10,990,772
Site improvements	760,430	-	-	760,430
Improvements	16,069,912	-	2,294,966	13,774,946
Vehicles & equipment	8,584,433	1,933,549	1,607,665	8,910,317
Infrastructure	<u>22,734,711</u>	<u>720,234</u>	<u>194,146</u>	<u>23,260,799</u>
Total capital assets, being depreciated	<u>59,140,258</u>	<u>2,653,783</u>	<u>4,096,777</u>	<u>57,697,264</u>
<u>Less accumulated depreciation:</u>				
Improvements	5,810,898	374,483	1,314,243	4,871,138
Site improvements	727,506	4,537	-	732,043
Buildings	3,647,830	486,294	-	4,134,124
Vehicles & equipment	5,748,794	560,339	1,457,290	4,851,843
Infrastructure	<u>12,056,304</u>	<u>959,185</u>	<u>122,440</u>	<u>12,893,049</u>
Total accumulated depreciation	<u>27,991,332</u>	<u>2,384,838</u>	<u>2,893,973</u>	<u>27,482,197</u>
Total capital assets being depreciated, net	<u>31,148,926</u>	<u>268,945</u>	<u>1,202,804</u>	<u>30,215,067</u>
Governmental activities capital assets, net	<u>\$ 37,191,108</u>	<u>\$ 4,557,172</u>	<u>\$ 3,962,851</u>	<u>\$ 37,785,429</u>

Business-Type Activities:

	Balance <u>01/01/17</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>12/31/17</u>
<u>Capital assets, not being depreciated:</u>				
Land	\$ 325,400	\$ -	\$ 14,600	\$ 310,800
Construction work in progress	<u>4,166,382</u>	<u>5,661,101</u>	<u>873,543</u>	<u>8,953,940</u>
Total capital assets not being depreciated	<u>4,491,782</u>	<u>5,661,101</u>	<u>888,143</u>	<u>9,264,740</u>
<u>Capital assets, being depreciated:</u>				
Land improvements	50,027	-	-	50,027
Site improvements	356,347	-	-	356,347
Buildings and improvements	15,735,873	-	149,000	15,586,873
Vehicles & equipment	20,712,586	1,104,169	263,465	21,553,290
Infrastructure	<u>30,034,761</u>	<u>653,543</u>	<u>-</u>	<u>30,688,304</u>
Total capital assets, being depreciated	<u>66,889,594</u>	<u>1,757,712</u>	<u>412,465</u>	<u>68,234,841</u>
<u>Less accumulated depreciation:</u>				
Land improvements	8,929	1,373	-	10,302
Site improvements	251,782	17,408	-	269,190
Buildings and improvements	4,243,361	323,795	127,768	4,439,388
Vehicles & equipment	9,636,470	1,272,989	244,090	10,665,369
Infrastructure	<u>12,053,371</u>	<u>807,883</u>	<u>-</u>	<u>12,861,254</u>
Total accumulated depreciation	<u>26,193,913</u>	<u>2,423,448</u>	<u>371,858</u>	<u>28,245,503</u>
Total capital assets being depreciated, net	<u>40,695,681</u>	<u>(665,736)</u>	<u>40,607</u>	<u>39,989,338</u>
Business activities capital assets, net	<u>\$ 45,187,463</u>	<u>\$ 4,995,365</u>	<u>\$ 928,750</u>	<u>\$ 49,254,078</u>

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

Governmental activities:

General government	\$ 192,653
Public safety	354,097
Economic assistance and opportunity	1,435,492
Culture and recreation	<u>402,596</u>
Total depreciation expense - governmental activities	<u>2,384,838</u>

Business-type activities:

Home and community services	<u>2,423,448</u>
Total depreciation expense	<u>\$ 4,808,286</u>

F. CONSTRUCTION COMMITMENTS

The City has active construction projects as of December 31, 2017. Significant projects include the Finger Lakes Welcome Center, waste water treatment plant upgrades and improvements to the City's street lighting. Significant commitments related to these projects amounted to \$2,081,878, \$402,453 and \$832,205, respectively.

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.

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, 2017, 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, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2016. 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	March 31, 2017	March 31, 2017
Net pension liability	\$ 1,885,555	\$ 2,889,026
City's portion of the Plan's total net pension liability	.020067%	.139388%
Change in proportion since the prior measurement date	(.000512)	(.007174)

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended December 31, 2017, the City recognized pension expense of \$2,600,995. At December 31, 2017 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	\$ 47,250	\$ 378,990	\$ 286,332	\$ 499,160
Changes of assumptions	644,175	1,423,302	-	-
Net difference between projected and actual earnings on pension plan investments	376,622	431,472	-	-
Changes in proportion and differences between the City's contributions and proportionate share of contributions	2,995	2,170	133,044	536,245
City's contributions subsequent to the measurement date	<u>524,082</u>	<u>758,438</u>	<u>-</u>	<u>-</u>
Total	<u>\$1,595,124</u>	<u>\$2,994,372</u>	<u>\$ 419,376</u>	<u>\$1,035,405</u>

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, 2018. 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>
Year ended:		
2018	\$315,102	\$ 436,217
2019	315,102	436,217
2020	294,961	404,013
2021	(273,499)	(106,783)
2022	-	30,865
Thereafter	-	-

ACTUARIAL ASSUMPTIONS

The total pension liability as of the March 31, 2017 was determined by using an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total pension liability to March 31, 2017. The actuarial valuation used the following actuarial assumptions:

	<u>ERS</u>	<u>PFRS</u>
Inflation	2.5%	2.5%
Salary increases	3.8	4.5
Investment rate of return (net of investment expense, including inflation)	7.0	7.0
Cost of living adjustments	1.3	1.3
Decrement tables	April 1, 2010 - March 2015	April 1, 2010 - March 2015

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

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, 2016 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, 2017 for both ERS and PFRS are summarized below:

<u>Asset Class:</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	36.0%	4.6%
International equity	14.0	6.4
Private equity	10.0	7.8
Real estate	10.0	5.8
Absolute return strategies	2.0	4.0
Opportunistic portfolio	3.0	5.9
Real assets	3.0	5.5
Bond and mortgages	17.0	1.3
Cash	1.0	(0.3)
Inflation-indexed bonds	4.0	1.5
Total	100.0%	

DISCOUNT RATE

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

SENSITIVITY OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TO THE DISCOUNT RATE ASSUMPTION

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

	<u>1% Decrease (6.0%)</u>	<u>Current Assumption (7.0%)</u>	<u>1% Increase (8.0%)</u>
<u>ERS</u>			
City’s proportionate share of the net pension liability (asset)	\$6,022,088	\$1,885,555	(\$1,611,877)
<u>PFRS</u>			
City’s proportionate share of the net pension liability (asset)	\$8,190,222	\$2,889,026	(\$1,557,379)

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

PENSION PLAN FIDUCIARY NET POSITION

The components of the current-year net pension liability of the employers as of March 31, 2017 were as follows:

	ERS	PFRS (Dollars in Thousands)	Total
Employers' total pension liability	\$ 177,400,586	\$ 31,670,483	\$ 209,071,069
Plan net position	<u>168,004,363</u>	<u>29,597,830</u>	<u>197,602,193</u>
Employers' net pension liability	<u>\$ 9,396,223</u>	<u>\$ 2,072,653</u>	<u>\$ 11,468,876</u>
Ratio of Plan net position to the employers' total pension liability	94.7%	93.5 %	94.5%

PREPAIDS 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, 2017 represent the employer contribution for the period of January 1, 2018 through March 31, 2018 of the retirement invoice for the Plan year April 1, 2017 through March 31, 2018. Prepaid retirement contributions as of December 31, 2017 amounted to \$174,677 and \$252,786 for ERS and PFRS, respectively.

H. OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS (OPEB)

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.

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

As of December 31, 2017, the following employees were covered by the benefit terms:

Active employees, not eligible to retire	95
Active employees, eligible to retire	19
Retired and surviving spouses	105
Retiree spouses covered	<u>67</u>
Total	<u><u>286</u></u>

The City's total OPEB liability of \$44,904,594 was determined by an actuarial valuation as of December 31, 2017.

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

ACTUARIAL ASSUMPTIONS AND OTHER INPUTS

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.37%
Salary Increases	3.00%, average, including inflation
Discount Rate	3.50%
Healthcare Cost Trend Rates	5.30% of 2017, with an ultimate rate of 4.17% for 2071 and later years
Retirees' Share of Benefit-Related Costs	100% of future retirees eligible for an employer subsidy. Employer subsidies are based on years of service.

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

Mortality rates for plan members were updated to Adjusted RP 2014, fully generational using Mortality Improvement Scale MP-2017.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2017 – December 31, 2017.

CHANGES IN THE TOTAL OPEB LIABILITY

Balance at January 1, 2017	\$ 47,735,597
Changes for the year:	
Service cost	1,123,292
Interest	1,478,651
Changes of benefit terms	-
Differences between expected and actual experience	(954,726)
Changes in assumptions or other inputs	(3,317,750)
Benefit payments	<u>(1,160,471)</u>
Net changes	<u>(2,831,004)</u>
Balance at December 31, 2017	<u>\$ 44,904,593</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 4.00 percent in 2016 to 3.50 percent in 2017.

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 (2.50%) or 1 percentage point higher (4.50%) than the current discount rate.

	<u>1% Decrease</u> <u>(2.50%)</u>	<u>Discount Rate</u> <u>(3.50%)</u>	<u>1% Increase</u> <u>(4.50%)</u>
Total OPEB Liability	\$ <u>53,635,313</u>	\$ <u>44,904,594</u>	\$ <u>38,137,883</u>

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

SENSITIVITY OF THE TOTAL OPEB LIABILITY TO CHANGES IN THE HEALTHCARE COST TREND RATES

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (3.17 percent) or 1 percentage point higher (5.17%) than the current healthcare cost trend rate:

	1% Decrease (4.30% to 3.17%)	Healthcare Cost Trend Rates (5.30% to 4.17%)	1% Increase (6.30% to 5.17%)
Total OPEB Liability	\$ <u>36,332,297</u>	\$ <u>44,904,594</u>	\$ <u>57,175,649</u>

OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended December 31, 2017, the City recognized OPEB expense of \$1,795,815. At December 31, 2017, 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	\$ -	\$ 774,589
Changes of assumptions	-	2,691,759
Contributions subsequent to Measurement date	-	-
Total	\$ <u>-</u>	\$ <u>3,466,348</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2018	\$ (806,128)
2019	(806,128)
2020	(806,128)
2021	(806,128)
2022	(241,836)
Thereafter	-

H. 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.

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

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. At December 31, 2017, the Plan sponsor determined that the reserves were considered adequate to cover discounted future claim liabilities.

I. 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, bond anticipation notes issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

The schedule below details the changes in short-term capital borrowings during the year ended December 31, 2017 for both governmental and business-type activities:

	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Balance 1/1/17</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance 12/31/17</u>
Governmental Activities:						
Lakefront Improvement Phase I	9/30/2014	1.50%	\$ 275,000	\$ -	\$ 27,199	\$ 247,801
Lakefront Improvement Phase II	9/30/2014	1.50%	740,000	-	60,000	680,000
Lakefront Improvement Phase III	5/12/2015	1.50%	800,000	-	60,000	740,000
Acquisition/ demo City owned structures	9/30/2014	1.50%	85,000	-	15,000	70,000
B & G roof replacement and auxiliary bldg.	9/30/2014	1.50%	105,000	-	20,000	85,000
N. Genesee St. reconstruction and repaving	5/12/2015	1.50%	600,000	-	40,000	560,000
N. Wadsworth St. reconstruction and repaving	5/12/2015	1.50%	450,000	-	95,173	354,827
Pultney St. reconstruction and repaving	5/12/2015	1.50%	650,000	-	50,000	600,000
Acquisition and installation of generator at City Hall	5/12/2015	1.50%	38,000	-	5,229	32,771
Acquisition of Heavy Rescue Fire Apparatus Truck	5/11/2016	1.50%	650,000	-	-	650,000
City Recreational Complex and various park improvements	5/11/2016	1.50%	500,000	-	-	500,000
Ceiling renovations to the event center	5/11/2016	1.50%	25,000	-	-	25,000
Demolition and repair various buildings and structures	5/11/2016	1.50%	200,000	-	-	200,000
City Hall	5/9/2017	2.38%	-	500,000	-	500,000
Clark Street Reconstruction	5/9/2017	2.38%	-	550,000	-	550,000
23 Jackson Street Demolition & Restoration	5/9/2017	2.38%	-	250,000	-	250,000
Park Improvements	5/9/2017	2.38%	-	150,000	-	150,000
Wireless Network	5/9/2017	2.38%	-	50,000	-	50,000
Street Lighting	5/9/2017	2.38%	-	1,500,000	-	1,500,000
Food Innovation Center	5/9/2017	2.38%	-	1,000,000	-	1,000,000
Total Bond Anticipation Notes			\$ 5,118,000	\$ 4,000,000	\$ 372,601	\$ 8,745,399

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

Business-Type Activities:

Water

N. Genesee St. reconstruction and repaving	5/12/2015	1.50%	\$ 300,000	\$ -	\$ 20,000	\$ 280,000
N. Wadsworth St. reconstruction and repaving	5/12/2015	1.50%	250,000	-	145,389	104,611
Pultney St. reconstruction and repaving	5/12/2015	1.50%	2,000,000	-	95,000	1,905,000
Acquisition and installation of generator at City Hall	5/12/2015	1.50%	38,000	-	5,213	32,787
N. Genesee St. water lines	9/30/2014	1.50%	585,000	-	75,648	509,352
Lochland Rd. water main	5/11/2016	1.50%	3,750,000	-	-	3,750,000
City St. treatment plant	5/11/2016	1.50%	220,000	-	-	220,000
City Hall	5/9/2017	2.38%	-	500,000	-	500,000
Clark Street Reconstruction	5/9/2017	2.38%	-	300,000	-	300,000
Preemption Road	5/9/2017	2.38%	-	150,000	-	150,000

Sewer

N. Genesee St. Reconstruction and repaving.	5/12/2015	1.50%	400,000	-	30,000	370,000
N. Wadsworth St. Reconstruction and repaving t.	5/12/2015	1.50%	300,000	-	120,302	179,698
Pultney St. Reconstruction and repaving	2/12/2015	1.50%	850,000	-	40,000	810,000
Acquisition and installation of generator at City Hall	5/12/2015	1.50%	38,000	-	5,213	32,787
N. Genesee St. sewer lines	9/30/2014	1.50%	715,000	-	90,792	624,208
South treatment and Marsh Creek plants	9/30/2014	1.50%	2,180,000	-	105,000	2,075,000
Gulvin Park wastewater treatment plant	5/11/2016	1.50%	485,000	-	-	485,000
Marsh Creek wastewater treatment plant	5/11/2016	1.50%	80,000	-	-	80,000
City Hall	5/9/2017	2.38%	80,000	500,000	-	500,000
Clark Street Reconstruction	5/9/2017	2.38%	80,000	400,000	-	400,000
Sealing/Resealing City Lines	5/9/2017	2.38%	80,000	200,000	-	200,000
Doran Ave Meters	5/9/2017	2.38%	80,000	300,000	-	300,000
Doran Ave Pumps/Controls	5/9/2017	2.38%	80,000	150,000	-	150,000
Doran Ave Bell Press	5/9/2017	2.38%	<u>80,000</u>	<u>400,000</u>	<u>-</u>	<u>400,000</u>

Total Bond Anticipation Notes \$12,191,000 \$ 2,900,000 \$ 732,557 \$14,358,444

Total short term capital borrowings \$ 17,309,000 \$ 6,900,000 \$1,105,158 \$23,103,843

J. 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 rate for years 2016-2025 in the amount of \$41,532, annually. Total cost for the lease was \$49,774 for the year ended December 31, 2017. The City also entered into a lease agreement on May 24, 2016, for a term of three years with an option to renew for up to three years, to lease three commercial storefronts that are to be used as the Geneva Entrepreneur's Lab. Total cost for the lease was \$18,328 for the year ended December 31, 2017. The future minimum lease payments for each lease are as follows:

<u>Year Ending December 31,</u>	<u>Firehouse</u>	<u>Entrepreneur's Lab</u>
2018	\$ 46,681	\$ 18,628
2019	46,825	12,552
2020	46,931	-
2021	47,039	-
2022-2026	202,281	-
2027-2030	32,273	-
2031-2036	35,632	-
2037-2041	<u>32,499</u>	<u>-</u>
Total	<u>\$ 490,161</u>	<u>\$ 31,180</u>

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

K. 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, 2017 are as follows:

<u>Issue Description</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Year of Issue/ Maturity</u>	<u>Outstanding Balance 12/31/17</u>
Governmental Activities				
<u>General Obligation Bonds:</u>				
General Improvements	\$ 2,973,034	3.86-4.25%	2005/2024	\$ 161,000
General Improvements	2,041,421	3.25-4.00%	2007/2038	495,000
Various Projects	2,238,000	3.75-4.25%	2010/2028	1,792,000
Various Projects	3,911,000	2.50-3.50%	2014/2023	<u>1,480,000</u>
				\$ 3,928,000
Business-Type Activities				
<u>Water Obligation Bonds:</u>				
S. Main St.	\$ 243,000	2.00-3.00%	2011/2018	\$ 33,500
Water tank- EFC	1,657,422	4.26-5.74%	2000/2020	285,000
Water lines	769,000	4.20-4.75%	2004/2030	345,500
Water Improvements	601,315	3.75-4.00%	2005/2024	236,000
Water Improvements	516,551	3.75-4.00%	2007/2021	165,000
Various Projects	1,746,000	3.25-4.00%	2010/2028	1,114,000
Various Projects	4,745,000	2.50-3.50%	2014/2040	<u>3,295,000</u>
				\$ 5,474,000
<u>Sewer Obligation Bonds:</u>				
S. Main St.	\$ 614,000	2.00-3.00%	2011/2018	\$ 86,500
Sewer Lines	449,500	4.20-4.75%	2004/2030	199,500
Sewer Improvements	744,899	3.86-4.25%	2005/2024	318,000
Sewer Improvements	680,370	3.75-4.00%	2007/2021	220,000
Sewer Improvements- EFC	13,666,554	0.00%	2008/2038	9,566,586
Various Projects	3,538,000	3.25-4.00%	2010/2028	2,289,000
Sewer Lines	1,190,000	3.75-4.25%	2011/2025	680,000
Various Projects	6,345,000	2.50-3.50%	2014/2041	<u>5,950,000</u>
				\$ 19,309,586
				\$ 28,711,586

Total serial bonds

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 the full faith and credit of the City. Installment purchase debt agreements outstanding at December 31, 2017 are as follows:

<u>Issue Description</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Year of Issue/ Maturity</u>	<u>Outstanding Balance 12/31/17</u>
Governmental Activities				
<u>General Installment Debt:</u>				
Energy performance contract	\$ 3,134,249	4.47%	2011/2026	\$ 2,120,045
Jacobsen JR9016 Mower	52,006	2.66%	2013/2018	10,594
Phone system	54,410	4.50%	2014/2019	17,550
Passenger Van – rec van	26,453	3.31%	2014/2019	10,931
Street Sweeper Truck	148,935	2.24%	2014/2019	61,648
Ford F-350 dump truck	35,706	2.91%	2014/2018	7,343
Police vehicles (2) – ford utility	81,200	2.39%	2015/2018	27,708
Police vehicles (2) – ford explorer	89,200	2.61%	2016/2019	59,462
Ice resurfacer	128,250	2.99%	2016/2021	103,904
Dispatch equipment	763,887	3.51%	2016/2019	517,979
Fire Chief vehicle	45,833	3.85%	2017/2019	31,033
Wheel loader	46,248	3.27%	2017/2022	<u>46,248</u>
				\$ 3,014,805

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

<u>Issue Description</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Year of Issue/ Maturity</u>	<u>Outstanding Balance 12/31/17</u>
Business-Type Activities				
<u>Water Installment Debt:</u>				
Energy performance contract	\$ 370,797	4.47%	2011/2026	\$ 250,812
Backhoe	75,726	3.96%	2017/2022	75,726
Wheel loader	44,888	3.27%	2017/2022	44,887
				<u>\$ 371,425</u>
<u>Sewer Installment Debt:</u>				
Energy performance contract	\$ 120,388	4.47%	2011/2026	\$ 81,432
Vac-Con	170,904	2.32%	2015/2019	87,412
JCB Tellhandler	145,860	3.09%	2017/2022	145,860
Wheel loader	44,888	3.27%	2017/2022	44,888
				<u>\$ 359,592</u>
Total installment purchase debt				<u>\$ 3,745,822</u>
Total serial bonds and installment purchase debt				<u>\$ 32,457,408</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, 2017, that amount was \$27,753,450. As of December 31, 2017, the total outstanding debt applicable to the limit was \$14,125,894 which is 50.9 percent of the total debt limit.

CHANGES IN LONG-TERM LIABILITIES

Changes in the City's long-term liabilities for the year ended December 31, 2017 are as follows:

	<u>Balance 01/01/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/17</u>	<u>Due Within One Year</u>
Governmental Activities					
General obligation debt:					
Serial bonds	\$ 4,824,750	\$ -	\$ 896,750	\$ 3,928,000	\$ 834,750
Plus unamortized premium	2,982	-	1,988	994	994
Other liabilities:					
Compensated absences	231,720	94,033	47,242	278,511	22,618
Loan payable	26,000	-	26,000	-	-
Employee retirement system incentive	158,732	-	20,300	138,432	21,044
Net other post-employment benefit obligation	4,482,814	39,252,613	4,720,379	39,015,048	-
Installment purchase debt	3,516,558	92,080	593,833	3,014,805	622,266
Net pension liability*	<u>6,354,160</u>	<u>-</u>	<u>2,333,801</u>	<u>4,020,359</u>	<u>-</u>
Total government activities	<u>\$ 19,597,716</u>	<u>\$39,438,726</u>	<u>\$ 8,640,293</u>	<u>\$50,396,149</u>	<u>\$ 1,501,672</u>
Business-type Activities					
General obligation debt:					
Serial bonds	\$ 26,612,388	\$ -	\$ 1,828,802	\$ 24,783,586	\$ 1,850,802
Plus unamortized premium	4,245	-	2,830	1,415	1,415
Other liabilities:					
Compensated absences	117,009	14,562	7,281	124,290	12,429
Employee retirement system	76,993	-	9,846	67,147	10,208
Net other post-employment benefit obligation	855,084	5,560,748	526,286	5,889,546	-
Installment purchase debt	491,352	311,361	71,696	731,017	131,707
Net pension liability*	<u>1,288,131</u>	<u>-</u>	<u>533,909</u>	<u>754,222</u>	<u>-</u>
Business-type activities	<u>29,445,202</u>	<u>5,886,671</u>	<u>2,980,650</u>	<u>32,351,223</u>	<u>2,006,561</u>
Total long-term liabilities	<u>\$ 49,042,918</u>	<u>\$45,325,397</u>	<u>\$11,620,943</u>	<u>\$ 82,747,372</u>	<u>\$ 3,508,233</u>

*Reductions to net pension liability are presented net of additions.

**Due within one year included in accrued liabilities in governmental funds.

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

The debt service requirements for the City's bonds, loans payable and installment purchase debt are as follows:

Fiscal Year	Principal	Serial Bonds		Interest	Installment Purchase Debt	
		Premium	Net		Principal	Interest
2018	\$ 2,685,552	\$ 2,409	\$ 2,687,962	\$ 637,321	\$ 753,973	\$ 152,126
2019	2,575,552	-	2,575,552	569,559	728,776	124,157
2020	2,460,552	-	2,460,552	503,508	345,989	97,759
2021	2,105,552	-	2,105,552	444,087	360,171	83,576
2022	1,720,552	-	1,720,552	395,950	347,255	68,800
2023-2027	6,542,760	-	6,542,760	1,465,714	1,209,659	138,270
2028-2032	4,552,760	-	4,552,760	863,066	-	-
2033-2037	4,117,755	-	4,117,755	480,000	-	-
2038-2042	1,950,551	-	1,950,551	138,700	-	-
Total	<u>\$28,711,586</u>	<u>\$ 2,409</u>	<u>\$28,713,996</u>	<u>\$ 5,497,905</u>	<u>\$3,745,822</u>	<u>\$ 664,689</u>

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	\$ 38,096,791	\$ 48,942,716
Bonds payable used for capital assets	(3,928,995)	(24,785,001)
BANS used for capital assets	(8,745,399)	(14,358,444)
Installment purchase debt used for capital assets	(3,326,166)	(419,656)
Unspent BAN proceeds	<u>2,460,387</u>	<u>5,483,988</u>
Net investment in capital assets	<u>\$ 24,556,618</u>	<u>\$ 14,863,603</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. Nonspendable fund balances maintained by City at December 31, 2017 include prepaid items, related to payments to the retirement system.

Assigned to subsequent year's expenditure – represents available fund balance being appropriated to meet expenditure requirements in the 2018 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.

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

Unassigned fund balance – represents the residual classification of the government’s General Fund surplus and funds with deficit fund balances.

DETAIL OF FUND BALANCES

As of December 31, 2017, fund balances were classified as follows:

	<u>General</u>	<u>Capital Projects</u>	<u>Community Development</u>	<u>Nonmajor Permanent Fund</u>	<u>Total</u>
<u>Nonspendable:</u>					
Prepays	\$ 357,215	\$ -	\$ -	\$ -	\$ 357,215
<u>Assigned:</u>					
Subsequent years’ budget	117,000	-	-	-	117,000
<u>Restricted:</u>					
Capital projects	520,623	-	-	-	520,623
Public safety	41,015	-	-	-	41,015
Permanent fund	-	-	-	20,249	20,249
Community development	-	-	4,143,973	-	4,143,973
<u>Unassigned:</u>					
General fund	2,801,917	-	-	-	2,801,917
Capital Projects	-	(5,285,437)	-	-	(5,285,437)
Total	<u>\$3,837,770</u>	<u>\$(5,285,437)</u>	<u>\$ 4,143,973</u>	<u>\$ 20,249</u>	<u>\$ 2,716,555</u>

L. 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).

M. 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.

N. 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.

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

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

As a result of these tax abatement agreements, for the year ended December 31, 2017, the City's total tax revenues were reduced by \$920,813.

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 NET POSITION

For the fiscal year ended December 31, 2017, the City implemented GASB 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The implementation of Statement No. 75 resulted in the reporting of a deferred postemployment outflow of resources, postemployment liability and deferred postemployment inflow of resources related to the City's single-employer defined benefit other postemployment plan.

Governmental Activities

Net position - beginning, as previously stated	\$ 26,480,058
Adjustment above	<u>(36,836,950)</u>
Net position - beginning of year, as restated	<u>\$(10,356,892)</u>

Business-Type Activities

	<u>Sewer</u>	<u>Water</u>
Net position - beginning, as previously stated	\$ 8,372,944	\$ 7,824,882
Adjustment above	<u>(1,961,285)</u>	<u>(3,599,463)</u>
Net position - beginning, as restated	<u>\$ 6,411,659</u>	<u>\$ 4,225,419</u>

NOTE 5 - SUBSEQUENT EVENT

On May 15, 2018 the City refunded various public improvement serial bonds in the amount of \$6,070,000 and the City authorized and issued serial bonds in the amount of \$5,275,000.

Management has evaluated subsequent events through August 1, 2018 which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles other than the refunding and issuance of debt 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 FOUR FISCAL YEARS ***

EMPLOYEES' RETIREMENT SYSTEM

	Year Ended December 31,			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Measurement date	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
City's proportion of the net pension liability	0.0200672%	0.0205785%	0.0203924%	0.0203924%
City's proportionate share of the net pension liability	\$ <u>1,885,555</u>	\$ <u>3,302,899</u>	\$ <u>688,906</u>	\$ <u>921,504</u>
City's covered-employee payroll	\$ 4,278,834	\$ 4,186,806	\$ 4,013,208	\$ 4,143,232
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	44.1%	78.9%	17.2%	23.0%
Plan fiduciary net position as a percentage of the total pension liability	94.7%	90.7%	97.9%	97.2%

POLICE AND FIRE RETIREMENT SYSTEM

	Year Ended December 31,			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Measurement date	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
City's proportion of the net pension liability	0.1393879%	0.1465621%	0.1443866%	0.1443866%
City's proportionate share of the net pension liability	\$ <u>2,889,026</u>	\$ <u>4,339,392</u>	\$ <u>397,438</u>	\$ <u>601,095</u>
City's covered-employee payroll	\$ 4,824,078	\$ 4,832,699	\$ 4,985,244	\$ 4,984,194
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	59.9%	89.8%	8.0%	12.1%
Plan fiduciary net position as a percentage of the total pension liability	93.5%	90.2%	98.5%	99.0%

*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.

**CITY OF GENEVA, NEW YORK
SCHEDULE OF THE CITY'S PENSION CONTRIBUTIONS-
LAST FOUR FISCAL YEARS***

EMPLOYEES' RETIREMENT SYSTEM

	Year Ended December 31,			
	2017	2016	2015	2014
Contractually required contribution	\$ 737,571	\$ 754,700	\$ 896,991	\$ 971,531
Contributions in relation to the contractually required contribution	737,571	754,700	896,991	971,531
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 4,606,664	\$ 4,657,875	\$ 4,634,600	\$ 4,080,472
Contributions as a percentage of covered-employee payroll	16%	16%	19%	24%

POLICE AND FIRE RETIREMENT SYSTEM

	Year Ended December 31,			
	2017	2016	2015	2014
Contractually required contribution	\$ 1,011,250	\$ 962,770	\$ 888,919	\$ 1,000,532
Contributions in relation to the contractually required contribution	1,011,250	962,770	888,919	1,000,532
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 4,502,010	\$ 4,351,743	\$ 4,048,540	\$ 4,556,579
Contributions as a percentage of covered-employee payroll	22%	22%	22%	22%

*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.

**CITY OF GENEVA, NEW YORK
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Real property taxes	\$ 7,297,133	\$ 7,297,133	\$ 7,283,486	\$ (13,647)
Real property tax items	1,307,293	1,307,293	1,339,150	31,857
Non-property tax items	3,585,000	3,585,000	3,812,030	227,030
Departmental income	731,000	563,000	545,743	(17,257)
Intergovernmental charges	307,646	307,646	237,725	(69,921)
Use of money and property	18,500	18,500	40,643	22,143
Licenses and permits	84,000	91,500	52,456	(39,044)
Fines and forfeitures	242,000	237,500	85,024	(152,476)
Sale of property and compensation for loss	1,500	1,500	152,938	151,438
Miscellaneous local sources	100,000	100,000	230,748	130,748
State sources	2,026,613	2,050,613	2,254,569	203,956
Total revenues	<u>15,700,685</u>	<u>15,559,685</u>	<u>16,034,512</u>	<u>474,827</u>
EXPENDITURES				
General government	1,939,671	1,953,133	1,805,985	147,148
Public safety	5,398,031	5,462,939	5,281,491	181,448
Transportation	1,299,355	1,396,152	1,206,000	190,152
Economic assistance and opportunity	156,750	171,050	171,877	(827)
Culture and recreation	1,050,552	1,068,208	1,061,794	6,414
Home and community services	218,275	266,706	319,691	(52,985)
Employee benefits	4,049,689	4,049,689	4,079,089	(29,400)
Debt service:				
Principal	1,946,933	1,946,933	1,821,250	125,683
Interest	244,910	244,910	377,137	(132,227)
Total expenditures	<u>16,304,166</u>	<u>16,559,720</u>	<u>16,124,314</u>	<u>435,406</u>
Excess (deficit) of revenue over expenditures	(603,481)	(1,000,035)	(89,802)	910,233
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	603,481	897,280	901,035	3,755
Interfund transfers out	-	-	(192,907)	(192,907)
Total other financing sources	<u>603,481</u>	<u>897,280</u>	<u>708,128</u>	<u>(189,152)</u>
Net change in fund balance*	-	(102,755)	618,326	721,081
Fund balance - beginning	3,219,444	3,219,444	3,219,444	-
Fund balance - ending	<u>\$ 3,219,444</u>	<u>\$ 3,116,689</u>	<u>\$ 3,837,770</u>	<u>\$ 721,081</u>

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

A. BUDGETARY INFORMATION

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.

2 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2017, expenditures exceeded appropriations in the economic assistance and opportunity, home and community services, employee benefits, and interest on debt service functions by \$827, \$52,985, \$29,400, and \$132,227, respectively. However, total expenditures did not exceed appropriations.

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