

**AUDITED
BASIC FINANCIAL STATEMENTS**

CITY OF GENEVA, NEW YORK

DECEMBER 31, 2015

CITY OF GENEVA, NEW YORK

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SECTION A
FINANCIAL SECTION



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, 2015, 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, 2015, 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 adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An amendment of GASB Statement No. 27*; Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*; and Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress for retiree health plan, budgetary comparison schedules, schedule of the City's proportionate share of net pension liability and the schedule of the City's pension contributions on pages 3-26 and A33-A36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Freed Maxick CPAs, P.C.

Batavia, New York
May 26, 2016

Management's Discussion and Analysis

City of Geneva, New York

Fiscal Year ended December 31, 2015

This section of City of Geneva, New York's (the City) annual financial report presents its discussion and analysis of the City's financial performance during the fiscal year ended December 31, 2015. Please read it in conjunction with the City's financial statements, which immediately follow this section. In this section, **ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF DOLLARS, UNLESS OTHERWISE INDICATED.**

Financial Highlights

Fiscal Year 2015 represented the development of a trend toward fiscal sustainability for City operations. After years of structural deficits, resulting in rapid depletion of unrestricted assets, the City executed a pivot in 2014 toward financial recovery. In 2015, the City restructured its budget and financial management practices to begin the march toward rebuilding the general fund, and developing an operational profile that can be sustained with conservative revenue forecasting.

Specific financial highlights for 2015 include:

- General fund assets at year-end were approximately \$51 million, a 9.1% increase over end of year balances for 2014, or nearly \$5 million in asset increases; while liabilities stand at \$21.2 million. This results in a net position of \$29.1 million at the close of 2015; a nearly 12% increase.
- The unrestricted fund balance in the General Fund stands at nearly \$1.7 million; a 36% increase in this critical measure of financial stability. This places the unrestricted fund balance within City Council's policy target for this measure. The unrestricted fund balance for the water fund stands at approximately \$1.6 million, or 44% of operating expenses. The unrestricted sewer fund balance is approximately \$1.4 million, or 34% of operational expenses. Both of these are meet or exceed levels targeted by Council.
- Total long-term liabilities for all City operations stands at \$45.3 million, a 5% decrease over the close of 2014. Total long-term debt is \$40.1 million at the close of 2015, a decrease of approximately \$175,000.

Overview of the Financial Statements

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

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

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

The Geneva City Council convenes annually to develop a plan of work for the coming year. In 2015, the City Council reaffirmed its Mission and Vision Statement, and its Strategic Imperatives—a set of core strategies designed to propel our community toward the established vision. Council's established vision statement is:

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

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

- *Economic Development:* Private investment and job creation contribute to community success through diversification of the tax base and enhancement of quality of life for our residents. City Council will continue to make investments in well thought out economic development efforts that attract high-quality commercial activity. Our efforts will be focused on those investments that enhance our posture as a regional tourism center, a haven for small, independent businesses, and promote an industrial sector that provides high-skilled, high paying jobs, while respecting our sensitive watershed environment.
- *Talent Capitalization:* Vast community resources exist in our active residents and engaged civic, business, and not-for profit partners. City Council will invest time, effort, and resources in cultivating relationships--with existing and potential partners, in an effort to leverage public resources, community effort, and expertise. Infrastructure will be developed and utilized to seek out, evaluate, cultivate, and implement innovative programs and services to increase value to residents, visitors, and businesses.
- *Asset Promotion:* Active promotion of regional and community assets are critical to the development of a sound economic and community development program. In order to maintain and advance our position as a community of choice for residents, businesses, and visitors, City Council will invest resources to elevate our visibility among target audiences through effective and efficient brand distribution strategies, leveraging the resources of economic development and other community partners.
- *Pride of Place:* Promoting our community as a destination for discerning households, visitors, and businesses begins with intrinsic pride of place. Council will invest resources in efforts that engender neighborhood and community pride through programs and services that enhance the aesthetics, functionality, and safety of public spaces, and that showcase Geneva as a model community.

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

Figure A-1

Organization of City of Geneva, New York's Annual Financial Report

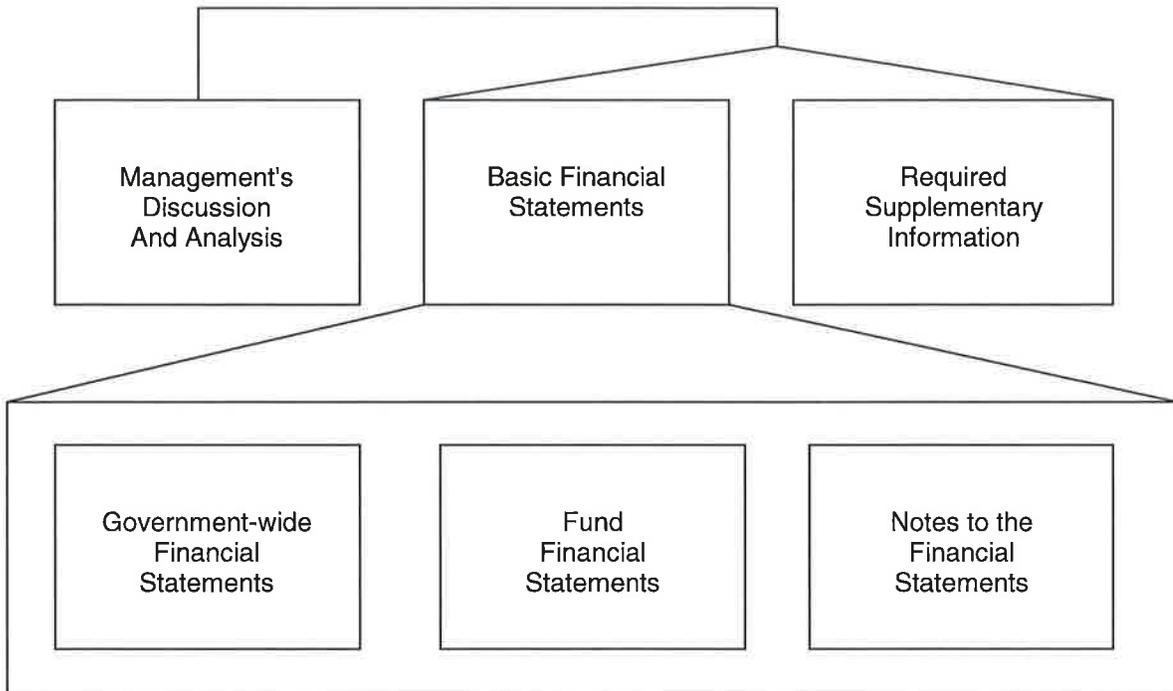


Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each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

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

Government-wide Statements

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

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

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

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

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

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

Fund Financial Statements

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

The City has three kinds of funds:

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

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

Financial Analysis of the City as a Whole

Financial Condition

As was noted in the previous section, the City is on a path toward financial sustainability. Fiscal Year 2015 represents the second consecutive year of growth in key factors, including increases in net position, total assets, liquidity, and unrestricted fund balance.

Across the board decreases in long-term indebtedness result in lower operational costs attributed to debt service as well as room within Council's comfort level and debt policies for continued investment in critical infrastructure.

On the general fund side of the ledger, modest increases in revenues, coupled with dramatic decreases in expenditures provided for a much improved operating posture moving into 2016. On the utility fund side, decreases in net position are attributed entirely to depreciation, with little impact on liquidity or cash position. While this is not an entirely positive indicator, it does retain City Council's ability to remain operationally flexible in these areas of operations, while representing an opportunity for future changes to rate structures to account for long term investment needs.

Explanation/Analysis of Financial Statements

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

Statement of Net Position

The Statement of Net Position (Page A1) is intended to provide the reader with a "50,000 foot view" of City finances as a whole. The "tale of the tape" in terms of this statement is the "net position," which deducts all of the City's liabilities from its total assets.

For 2015, the statement of financial position shows growth in the position of general government activities (those you would traditionally attribute to a municipality, including public safety, streets and roads, parks, etc.). The net position for 2015 grew by nearly 12% from the start of the year. The net position stands at \$29.1 million.

An increase in net position results in asset accumulation outpacing liabilities. For 2015, the City experienced a spike in cash and cash equivalents due to borrowings that were unspent for capital projects. Additionally, capital assets increased due to continued investments in the City's infrastructure, which also resulted in an increase in the City's debt costs; the only significant increase in general government liabilities.

The City's business-type activities (our water and sewer programs) showed an overall decrease in net position of around 14% to \$14.5 million. This decrease was attributable to a spike in debt issuance for improvements to the City's water distribution system.

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

These statements (A4, A7) are designed to show the various mechanisms by which we obtain revenues and how our revenue streams are performing. Additionally, the statements break out costs by category to give a better indication of how funds are disbursed. Finally, overviews of fund balances in various funds are provided.

For general government operations, revenues remained relatively flat between 2014 and 2015. Upswings in the areas of real property taxes and related items were offset by decreases in the areas of fines, property sales, and grants received. A dramatic decrease in expenses (over 7%) resulted in a near operational break even before fund transfers. An emphasis on cost management lead to a relatively even cut in costs across all operational areas. In addition, a freeze on filling of vacant positions resulted in a significant decrease in employment related costs.

Due to the nature of consolidated management across the three funds, it is routine for the City to transfer funds from the water and sewer accounts. This offsets costs associated with the City Manager, Human Resources, Finance, Information Technology, and other administrative costs, which are borne by the general fund. Beginning in 2014, and moving forward (inclusive of 2015), the City uses a position-by-position analysis to determine what level of effort is contributed by our employees in each fund. The transfers from various funds to the general fund totaled over \$800,000 for 2015.

Fund balances are those dollars which are not utilized for operations. They are funds in excess of operational costs. The City Council has established a policy for the general fund that requires that unrestricted fund balances total 10% to 15% of current year appropriations. Entering the 2015 operating year, the City's unrestricted general fund balance did not meet the required threshold. As such, the City's management team developed a replenishment plan, which was approved by City Council, targeting a five year replenishment target.

At the close of 2015, revenues and transfers exceeded expenses by approximately \$800,000. This resulted in a closing, unrestricted general fund balance of \$1.65 million, or 10.1% of current year (2016) appropriations. This was achieved 4 years ahead of Council's goal.

For 2015, the enterprise funds (water and sewer) yielded mixed results. While cash receipts exceeded cash allocations in both funds, when accounting for depreciation, both funds ended the year with a decreased net position.

In the water fund, revenues were up nearly 11% due to increased billings. Expenses also decreased significantly. This resulted in a moderate operating surplus of around \$40,000. However, when netting out depreciated assets, the water fund's net position decreased by nearly \$600,000.

The sewer fund experienced a nearly identical phenomenon, with a cash item surplus that was eroded by depreciated assets, ultimately resulting in the reduction of net position of \$1.1 million. City Council recognizes the capital intense nature of the utility funds, and as such has set much higher thresholds for unrestricted net position at 30% to 35% of current year appropriations (net of planned drawdowns). Both the water fund and sewer funds experienced a decrease in unrestricted net position due to planned and budgeted drawdowns. They both remain within City Council's adopted threshold, with the water net position at 44% and sewer fund at 34% of current year appropriations.

Summary

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

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

Condensed Statement of Net Position
(in thousands of dollars)

	Governmental Activities		Total Percentage Change		Business-Type Activities		Total Percentage Change	
	2015	2014 (as restated)	2015	2014 (as restated)	2015	2014 (as restated)	2015	2014 (as restated)
Current and other assets	\$ 13,951	\$ 12,587	\$ 9,137	\$ 7,770	10.84%	17.59%		
Capital assets, net	37,045	36,234	43,410	43,848	2.24%	-1.00%		
Total assets	\$ 50,996	\$ 48,821	\$ 52,547	\$ 51,618	4.46%	1.80%		
Deferred outflows of resources	1,376	1,233	295	262	11.60%	12.60%		
Long-term liabilities	\$ 13,952	\$ 14,989	\$ 30,162	\$ 31,858	-6.92%	-5.32%		
Other liabilities	7,280	5,068	8,120	3,844	43.65%	111.24%		
Total liabilities	21,232	20,057	38,282	35,702	5.86%	7.23%		
Deferred inflows of resources	300	-	21	-	100.00%	100.00%		
Unavailable revenue-revolving loans	1,681	1,808	-	-	-9.55%	0.00%		
Total deferred inflows of resources	1,981	1,808	21	-	-9.55%	0.00%		
Net investment in capital assets	27,324	25,813	10,852	12,243	5.85%	-11.36%		
Restricted for:								
Capital projects	397	396	142	141	0.25%	0.71%		
Public safety	59	49	-	-	20.41%	0.00%		
Cemetery	20	-	-	-	100.00%	0.00%		
Unrestricted	1,359	1,931	3,546	3,794	29.62%	-6.54%		
Total net position	29,159	28,189	14,540	16,178	3.44%	-10.12%		
Total liabilities, deferred inflows of resources and net position	\$ 52,372	\$ 50,054	\$ 52,843	\$ 51,880	4.63%	1.86%		

Governmental Activities

Governmental activities increased the City's net position by \$970,000.

Business-Type Activities

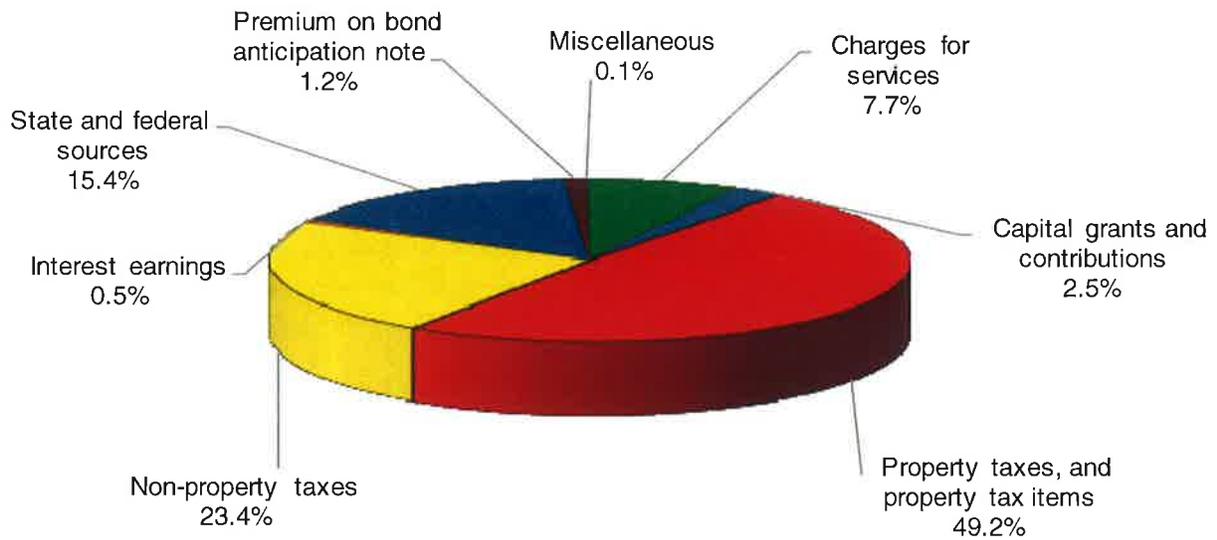
Business-type activities decreased the City's net position by \$1.6M. Key elements of this decrease are as follows:

- Water and sewer rents increased over the prior year by approximately \$360,000, and operating expenses also decreased in addition to a decrease in non-operating expenses, however the change in net position still was a decrease.
- Transfers to support the City's operating fund decreased by \$419,000 from the prior year.

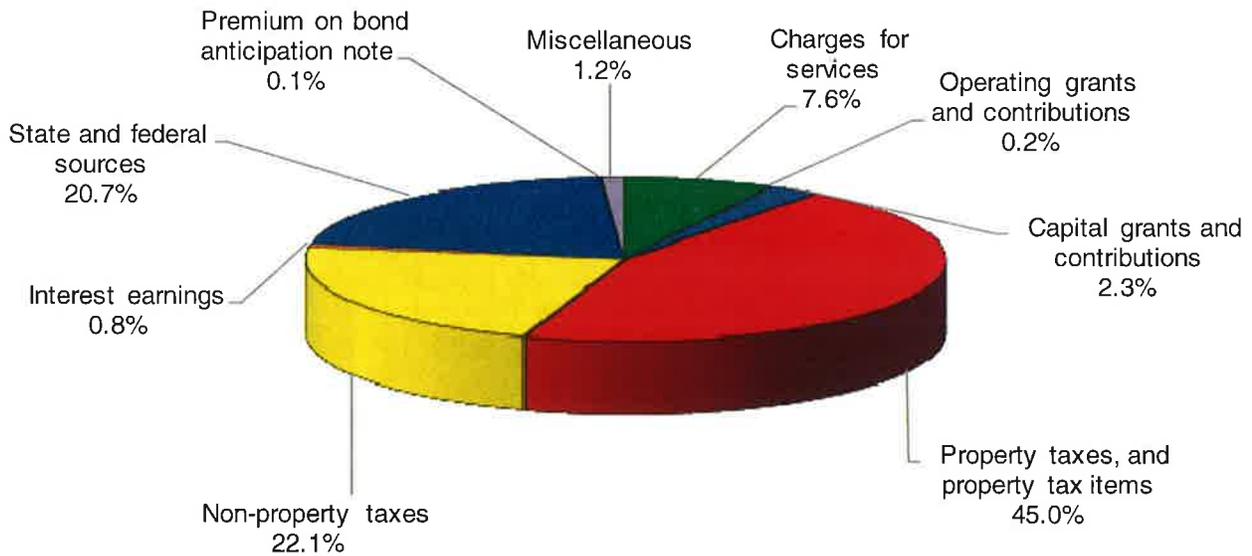
Changes in Net Position from Operating Results
(in thousands of dollars)

	Governmental Activities		Total Percentage Change		Business-Type Activities		Total Percentage Change	
	2015	2014 (as restated)	2015	2014 (as restated)	2015	2014 (as restated)	2015	2014 (as restated)
Program Revenues:								
Charges for services	\$ 1,202	\$ 1,242	\$ 7,299	\$ 7,299	\$ 6,935	\$ 6,935	5.25%	5.25%
Operating grants and contributions	-	38	-	-	-	-	0.00%	0.00%
Capital grants and contributions	387	385	-	-	-	-	0.00%	0.00%
General Revenues:								
Property taxes, and property tax items	7,716	7,407	-	-	-	-	0.00%	0.00%
Non-property taxes	3,669	3,634	-	-	-	-	0.00%	0.00%
Interest earnings	88	128	3	3	4	4	-25.00%	-25.00%
State and federal sources	2,425	3,406	-	-	-	-	0.00%	0.00%
Premium on bond anticipation note	189	18	37	37	75	75	-50.67%	-50.67%
Miscellaneous	15	192	88	88	55	55	60.00%	60.00%
Total revenues	15,691	16,450	7,427	7,427	7,069	7,069	5.06%	5.06%
Program Expenses:								
General government	2,875	1,494	-	-	-	-	0.00%	0.00%
Public safety	8,376	8,677	-	-	-	-	0.00%	0.00%
Transportation	995	1,703	-	-	-	-	0.00%	0.00%
Economic assistance	211	176	-	-	-	-	0.00%	0.00%
Culture and recreation	1,444	1,886	-	-	-	-	0.00%	0.00%
Home and community service	1,199	768	8,326	8,326	8,911	8,911	-6.56%	-6.56%
Interest on debt	360	361	-	-	-	-	0.00%	0.00%
Total expenses	15,460	15,065	8,326	8,326	8,911	8,911	-6.56%	-6.56%
Increase (decrease) in net position before transfers	231	1,383	(899)	(899)	(1,842)	(1,842)	-51.19%	-51.19%
Transfers	739	1,159	(739)	(739)	(1,159)	(1,159)	-36.24%	-36.24%
Change in net position	970	2,542	(1,638)	(1,638)	(3,001)	(3,001)	-45.42%	-45.42%
Net position-beginning	28,189	23,487	16,178	16,178	19,887	19,887	-18.65%	-18.65%
Restatement	-	2,160	-	-	(708)	(708)	-	-
Net position-ending	\$ 29,159	\$ 28,189	\$ 14,540	\$ 14,540	\$ 16,178	\$ 16,178	-10.12%	-10.12%

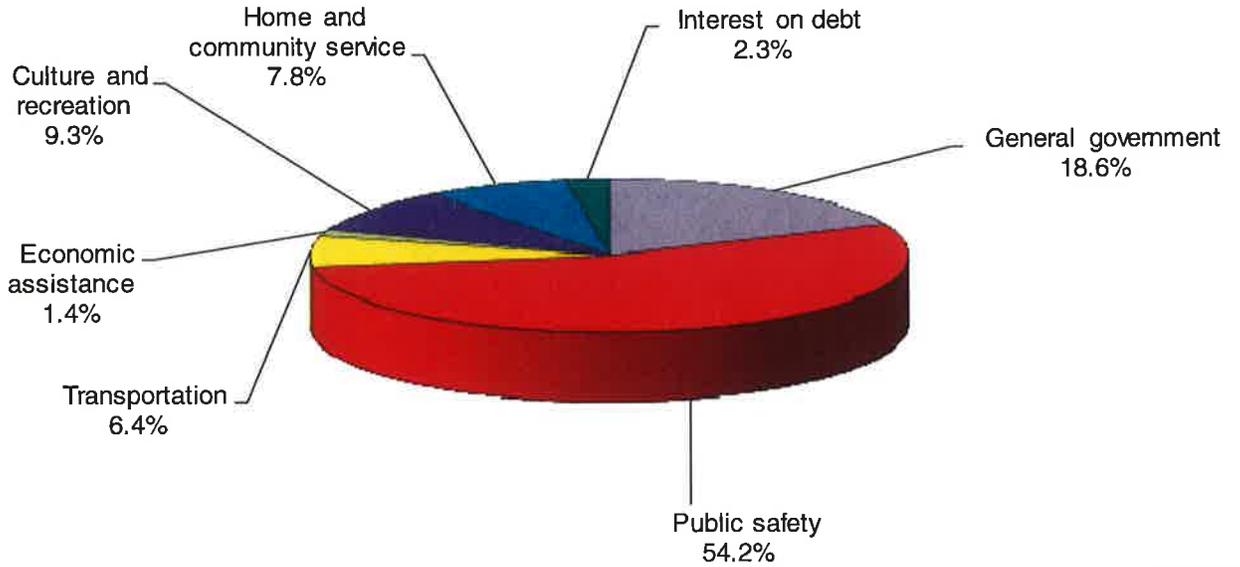
**Revenues for Governmental Activities
Fiscal Year 2015**



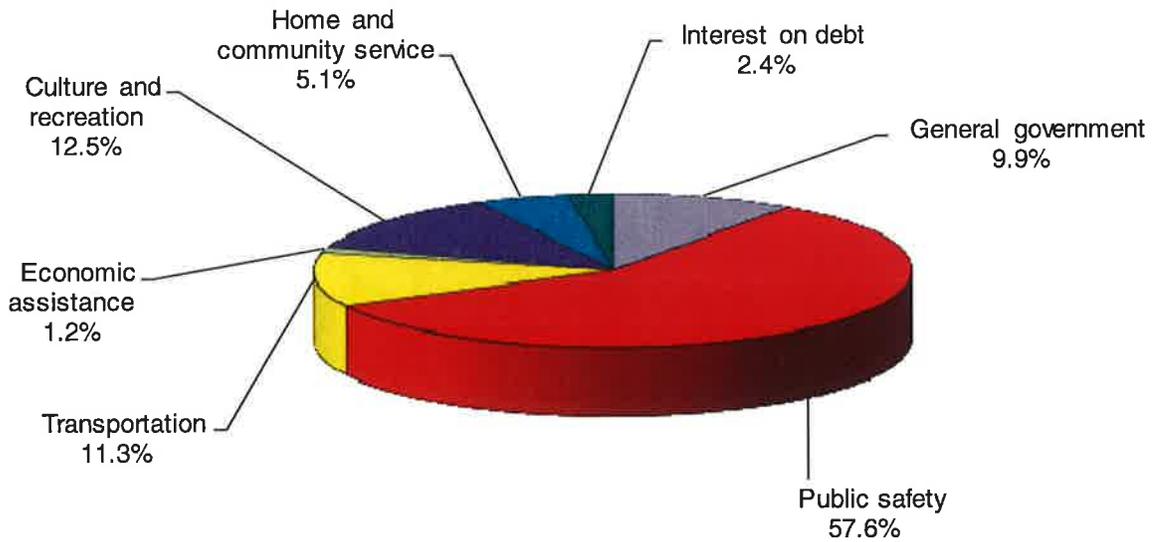
**Revenues for Governmental Activities
Fiscal Year 2014**



**Expenses for Governmental Activities
Fiscal Year 2015**



**Expenses for Governmental Activities
Fiscal Year 2014**



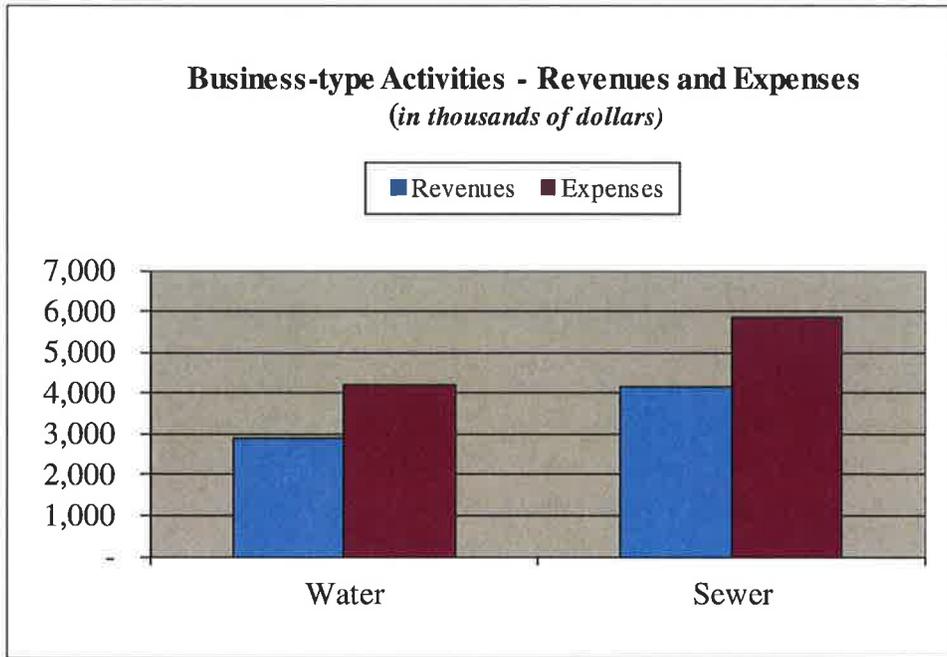
Governmental Activities

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

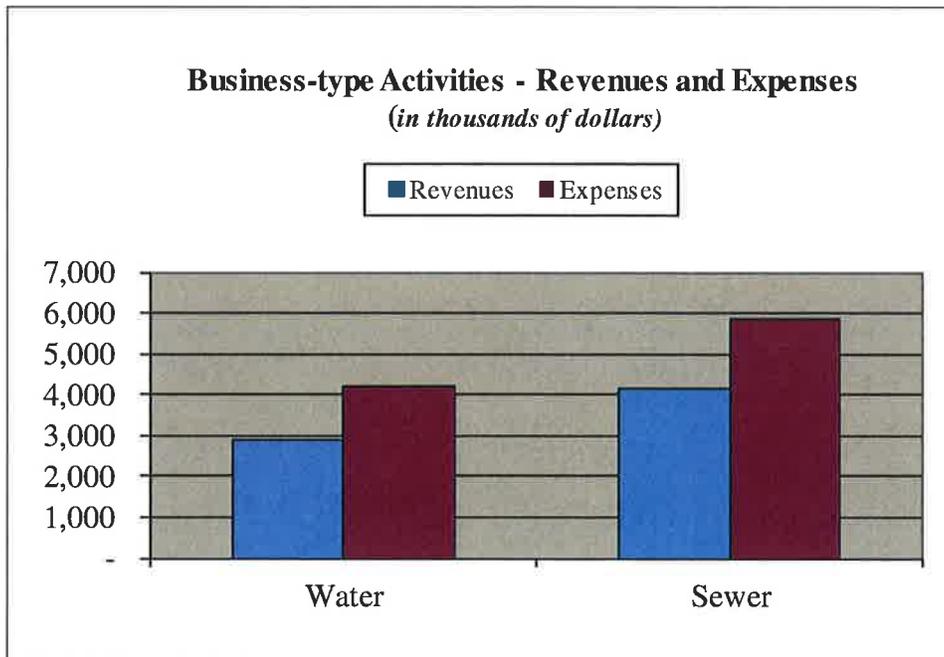
Net Cost of Governmental Activities <i>(in thousands of dollars)</i>						
	Total Cost of Services		Total Percentage Change	Net Cost of Services		Total Percentage Change
	2015	2014		2015	2014	
General government	\$ 2,875	\$ 1,494	92.44%	\$ 2,724	\$ 1,380	97.39%
Public safety	8,376	8,677	-3.47%	7,891	8,155	-3.24%
Transportation	995	1,703	-41.57%	584	1,304	-55.21%
Economic assistance	211	176	19.89%	84	(14)	-700.00%
Culture & recreation	1,444	1,886	-23.44%	1,178	1,598	-26.28%
Home & community service	1,199	768	56.12%	1,050	618	69.90%
Interest on debt	360	361	-0.28%	360	361	-0.28%
Total	<u>\$ 15,460</u>	<u>\$ 15,065</u>	<u>2.62%</u>	<u>\$ 13,871</u>	<u>\$ 13,402</u>	<u>3.50%</u>

Business-Type Activities

2015



2014



Financial Analysis of the City's Funds

The fiscal year ending December 31, 2015 concluded with positive fund balance/net positions in the City's general, water and sewer funds.

The General Fund

The general fund's assets increased in fiscal year ending December 31, 2015. This increase is shown mainly in cash which increased \$426,392 over the prior year.

Revenues for the general fund decreased compared to prior year due to the receipt of State Aid for the Lakefront capital project. Revenues without the inclusion of this State Aid remained the same from the prior year. Revenues in the current year without the inclusion of the State Aid for the Lakefront project were less than the adopted 2015 budget by approximately \$70,662.

Expenditures for the general fund decreased compared to the prior year and this decrease is related to expenditures for the Lakefront capital project in 2014. Expenditures in the current year without the inclusion of the Lakefront capital projects were short of the adopted 2015 budget by approximately \$815,073.

Water Fund

The water fund, including depreciation, had a negative change in net position of \$579,056, compared to \$1,309,774 last year. A lack of water consumption was reflected in the total amount billed out last year for water service. This continues to have an impact in net position of both the water and sewer funds.

Sewer Fund

The sewer fund, including depreciation, has experienced a negative change in net position as well, totaling \$1,059,476, compared to \$1,690,785 last year. Again, a large part of this change from year-to-year resulted from a continuation of water consumption declining which is used to calculate sewer sales.

Capital Projects Fund

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

Revenues, Expenditures/Expenses and Changes in Fund Balance/Net Position - Governmental Funds and Business-Type Activities (in thousands of dollars)			
	2015		
	<u>Revenues</u>	<u>Expenditures/ Expenses</u>	<u>Fund Balance/ Net Assets</u>
General Fund	\$ 16,018	\$ 15,210	\$ 2,492
Capital Fund	649	1,631	(634)
Community Development Fund	337	583	2,879
Water Fund	3,173	3,152	6,828
Sewer Fund	4,254	5,131	7,712
	2014		
	<u>Revenues</u>	<u>Expenditures/ Expenses</u>	<u>Fund Balance/ Net Assets</u>
General Fund	\$ 17,119	\$ 16,358	\$ 1,663
Capital Fund	4,011	1,326	348
Community Development Fund	350	1,244	3,125
Water Fund	2,889	4,199	8,166
Sewer Fund	4,179	5,870	8,720

Revenues and Expenditures include other financing sources or uses.

General Fund Budgetary Highlights

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

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

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

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

Capital Asset and Debt Administration

Capital Assets

Standard & Poor's Rating Services recently raised the City's bond rating from A+ to AA- with a Stable outlook due to very strong liquidity and a strong economy within the City. Despite an elevated debt burden, the City's debt is manageable due to low, fixed rates as well as old debt being paid off as new debt is being issued.

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

Capital Assets Net of Depreciation
(in thousands of dollars)

	Governmental Activities		Business -Type Activities	
	2015	2014	2015	2014
Land	\$ 1,090	\$ 1,090	\$ 325	\$ 325
Construction work in progress	5,648	5,748	8,208	7,208
Land improvements	10,699	8,466	164	183
Buildings	7,848	8,354	11,820	11,947
Machinery & equipment	1,977	2,232	5,965	6,472
Infrastructure	9,783	10,344	16,928	17,713
Total	<u>\$ 37,045</u>	<u>\$ 36,234</u>	<u>\$ 43,410</u>	<u>\$ 43,848</u>

Long-Term Obligations

For the year ending December 31, 2015, the City's constitutional debt limit was \$25,935,242. Outstanding bonds and bond anticipation notes totaled \$46,029,453. Of this total, \$9,756,763 is debt chargeable against the debt limit.

Outstanding Long-Term Obligations
(in thousands of dollars)

	Governmental Activities		Business-Type Activities	
	2015	2014	2015	2014
General obligation debt backed by the City	\$ 5,896	\$ 7,001	\$ 28,422	\$ 30,325
Unamortized premium	5	7	7	10
Installment purchase debt	2,876	3,089	561	417
Loan payable	126	226	-	-
Compensated absences	244	293	82	83
Other post employment benefits	3,788	3,009	756	614
Employee retirement system	178	197	86	96
Total	<u>\$ 13,113</u>	<u>\$ 13,822</u>	<u>\$ 29,914</u>	<u>\$ 31,545</u>

Factors Bearing on the City's Future

Factors Affecting Continued Fiscal Health

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

Strengths

Strengths are characterized as those factors or attributes internal to the organization that put us in a competitive advantage relative to fiscal health. Moving forward from 2015, these include:

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

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

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

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

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

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

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

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

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

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

Weaknesses

Weaknesses are characterized as those factors or attributes internal to the organization that open us up to potential risks relative to fiscal health. Moving forward from 2015, these include:

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

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

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

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

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

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

Opportunities

Opportunities are characterized as those factors external to the organization that, if leveraged, have the potential to positively affect the City's operational and fiscal health. Moving forward from 2015, these include:

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

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

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

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

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

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

- *Sales Tax Agreement Extension:* In 2015, City Council approved a one-year extension to the Countywide sales tax collection agreement, which now expires in December of 2016. This agreement, when originally implemented in 2007, resulted in an immediate 100% increase in sales tax revenues to the City. Staff has found the County to be a willing and friendly partner in the negotiation of a longer term extension under current terms. This establishes collection stability (though actual revenue activity will be dependent upon local economic conditions) for a longer period of time. This also gives the City the opportunity to develop a full analysis of the revenue potential of a locally administered collection program.

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

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

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

Threats

Threats are characterized as those factors external to the organization that, if leveraged, have the potential to negatively impact the City's operational and fiscal health. Moving forward from 2015, these include:

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

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

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

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

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

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

Conclusions

The 2016 adopted City budget cites fiscal sustainability among its key objectives. The document identifies many of the efforts outlined here as priorities for City management moving forward. The results of heightened management scrutiny, as well as the implementation of responsible, responsive policies, have put the City on a path toward achieving its financial goals.

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

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

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

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

Contacting the City's Financial Management

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

BASIC FINANCIAL STATEMENTS

**CITY OF GENEVA, NEW YORK
STATEMENT OF NET POSITION
DECEMBER 31, 2015**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 3,064,207	\$ 2,470,596	\$ 5,534,803
Cash and cash equivalents - restricted	2,936,337	4,548,474	7,484,811
Certificates of deposit	1,113,452	-	1,113,452
Receivables (net of allowance for uncollectible receivables)			
Accounts receivable	344,530	1,895,753	2,240,283
Taxes receivable	843,889	-	843,889
Loans receivable	4,367,430	-	4,367,430
State and federal receivables	467,482	-	467,482
Due from other governments	354,750	145,567	500,317
Due from fiduciary fund	94,545	-	94,545
Prepaid items	364,205	76,899	441,104
Capital assets not being depreciated	6,737,604	8,533,025	15,270,629
Capital assets, net of accumulated depreciation	30,307,151	34,877,170	65,184,321
Total assets	<u>50,995,582</u>	<u>52,547,484</u>	<u>103,543,066</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred pension outflows	272,236	50,832	323,068
Deferred pension outflows, contributions subsequent to measurement date	1,103,993	244,613	1,348,606
Deferred outflows of resources	<u>1,376,229</u>	<u>295,445</u>	<u>1,671,674</u>
LIABILITIES:			
Accounts payable	79,933	197,188	277,121
Accrued interest payable	36,161	71,646	107,807
Due to other governments	1,510,000	-	1,510,000
Unearned revenue	1,793,195	-	1,793,195
Other liabilities	43	-	43
Bond anticipation notes payable	3,860,763	7,851,000	11,711,763
Noncurrent liabilities:			
Due and payable within one year	1,483,494	1,899,342	3,382,836
Due and payable after one year	11,628,852	28,015,175	39,644,027
Net pension liability	839,224	247,121	1,086,345
Total liabilities	<u>21,231,665</u>	<u>38,281,472</u>	<u>59,513,137</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred pension inflows	300,334	21,124	321,458
Unavailable revenue - revolving loans	1,680,879	-	1,680,879
Deferred inflows of resources	<u>1,981,213</u>	<u>21,124</u>	<u>2,002,337</u>
NET POSITION:			
Net investment in capital assets	27,323,586	10,851,576	38,175,162
Restricted for capital projects	396,855	141,764	538,619
Restricted for public safety	59,005	-	59,005
Restricted for cemetery	20,249	-	20,249
Unrestricted	1,359,238	3,546,993	4,906,231
Total net position	<u>\$ 29,158,933</u>	<u>\$ 14,540,333</u>	<u>\$ 43,699,266</u>

See notes to basic financial statements.

**CITY OF GENEVA, NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 2,875,121	\$ 150,959	\$ -	\$ -	(2,724,162)	\$ -	(2,724,162)
Public safety	8,376,011	484,531	-	-	(7,891,480)	-	(7,891,480)
Transportation	995,410	24,466	-	387,297	(583,647)	-	(583,647)
Economic assistance and opportunity	210,728	127,225	-	-	(83,503)	-	(83,503)
Culture and recreation	1,443,744	266,177	-	-	(1,177,567)	-	(1,177,567)
Home and community services	1,198,586	148,416	-	-	(1,050,170)	-	(1,050,170)
Interest on debt	360,496	-	-	-	(360,496)	-	(360,496)
Total governmental activities	15,460,096	1,201,774	-	387,297	(13,871,025)	-	(13,871,025)
Business-type activities:							
Sewer	4,907,678	4,161,406	-	-	-	(746,272)	(746,272)
Water	3,418,431	3,137,408	-	-	-	(281,023)	(281,023)
Total business-type activities	8,326,109	7,298,814	-	-	-	(1,027,295)	(1,027,295)
Total governmental and business-type activities	\$ 23,786,205	\$ 8,500,588	\$ -	\$ 387,297	(13,871,025)	(1,027,295)	(14,898,320)
General revenues:							
Real property taxes and real property tax items					7,715,616	-	7,715,616
Non-property taxes					3,668,807	-	3,668,807
Interest earnings					87,504	2,952	90,456
State and federal aid not restricted for a specific purpose					2,425,412	-	2,425,412
Other miscellaneous revenues					188,607	88,460	277,067
Premium on bond anticipation notes					15,941	36,648	52,589
Transfers					739,297	(739,297)	-
Total general revenues and transfers					14,841,184	(611,237)	14,229,947
Change in net position					970,159	(1,638,532)	(668,373)
Total net position - January 1, 2015, as restated (Note 4)					28,188,774	16,178,865	44,367,639
Total net position - December 31, 2015					\$ 29,158,933	\$ 14,540,333	\$ 43,699,266

See notes to basic financial statements.
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CITY OF GENEVA, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	General	Community Development	Capital Projects	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 2,495,630	\$ 588,826	\$ 2,916,088	\$ 6,000,544
Certificates of deposit	-	1,113,452	-	1,113,452
Receivables (net of allowance for uncollectible receivables)				
Accounts receivable	344,530	-	-	344,530
Taxes receivable	843,889	-	-	843,889
Loans receivable	-	4,367,430	-	4,367,430
State and federal receivables	120,291	-	347,191	467,482
Due from other funds	94,545	-	-	94,545
Due from other governments	354,750	-	-	354,750
Prepaid expenses	364,205	-	-	364,205
Total assets	\$ 4,617,840	\$ 6,069,708	\$ 3,263,279	\$ 13,950,827
LIABILITIES:				
Accounts payable	\$ 43,144	\$ 143	\$ 36,646	\$ 79,933
Due to other governments	-	1,510,000	-	1,510,000
Unearned revenue	1,793,195	-	-	1,793,195
Other liabilities	43	-	-	43
Bond anticipation notes payable	-	-	3,860,763	3,860,763
Compensated absences	12,222	-	-	12,222
Total liabilities	1,848,604	1,510,143	3,897,409	7,256,156
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - property taxes	277,524	-	-	277,524
Unavailable revenue - revolving loans	-	1,680,879	-	1,680,879
Total deferred inflows of resources	277,524	1,680,879	-	1,958,403
FUND BALANCES:				
Nonspendable	364,205	-	-	364,205
Restricted	476,109	2,878,686	-	3,354,795
Unassigned (deficit)	1,651,398	-	(634,130)	1,017,268
Total fund balances (deficit)	2,491,712	2,878,686	(634,130)	4,736,268
Total liabilities, deferred inflows of resources and fund balances (deficit)	\$ 4,617,840	\$ 6,069,708	\$ 3,263,279	

Amounts reported for governmental activities in the statements of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	37,044,755
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.	
Accrued interest	(36,161)
Loan payable	(126,000)
Serial bonds payable	(5,900,970)
Compensated absences	(231,506)
Installment purchase debt	(2,875,524)
Post employment benefits	(3,787,812)
Employee retirement system liability	(178,312)
Other long-term assets are not available to pay for prior period expenditures and therefore are deferred in the funds.	277,524
Pension liabilities are not due and payable in the current period and therefore are not reported in the funds	(839,224)
Deferred outflows and inflows are not assets or liabilities of the current period and therefore are not reported in the funds	1,075,895
Net position	\$ 29,158,933

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, 2015

	<u>General</u>	<u>Community Development</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES:				
Real property taxes	\$ 6,983,676	\$ -	\$ -	\$ 6,983,676
Real property tax items	1,053,465	-	-	1,053,465
Sales and other taxes	3,650,507	-	-	3,650,507
Departmental income	584,458	-	-	584,458
Intergovernmental charges	230,510	127,225	-	357,735
Use of money and property	28,567	80,518	-	109,085
Licenses and permits	82,738	-	-	82,738
Fines and forfeitures	155,423	-	-	155,423
Sale of property and compensation for loss	19,002	-	-	19,002
Miscellaneous local sources	170,960	9,508	7,276	187,744
State and federal sources	2,247,712	120,150	444,847	2,812,709
Premium on bond anticipation notes	-	-	15,941	15,941
Total revenues	<u>15,207,018</u>	<u>337,401</u>	<u>468,064</u>	<u>16,012,483</u>
EXPENDITURES:				
General government	1,724,326	114	596,096	2,320,536
Public safety	5,390,170	-	-	5,390,170
Transportation	1,170,774	-	1,014,964	2,185,738
Economic assistance and opportunity	157,084	63,000	-	220,084
Culture and recreation	925,847	-	18,907	944,754
Home and community services	538,103	348,598	946	887,647
Employee benefits	3,439,373	-	-	3,439,373
Debt service:				
Principal	1,499,763	-	-	1,499,763
Interest	364,659	-	-	364,659
Total expenditures	<u>15,210,099</u>	<u>411,712</u>	<u>1,630,913</u>	<u>17,252,724</u>
Deficit of revenues over expenditures	(3,081)	(74,311)	(1,162,849)	(1,240,241)
OTHER FINANCING SOURCES (USES):				
Interfund transfers in	811,052	-	100,000	911,052
Interfund transfers out	-	(171,755)	-	(171,755)
Proceeds from installment purchase debt	-	-	81,200	81,200
Total other financing sources and (uses)	<u>811,052</u>	<u>(171,755)</u>	<u>181,200</u>	<u>820,497</u>
Net change in fund balances	807,971	(246,066)	(981,649)	(419,744)
Fund balances - beginning	<u>1,683,741</u>	<u>3,124,752</u>	<u>347,519</u>	<u>5,156,012</u>
Fund balances, (deficit) - ending	<u>\$ 2,491,712</u>	<u>\$ 2,878,686</u>	<u>\$ (634,130)</u>	<u>\$ 4,736,268</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, 2015

Net change in fund balances - total governmental funds	\$	(419,744)
Amounts reported for governmental activities in the statement of activities 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 (\$5,445,102) excluding construction work in progress placed in service (\$2,679,942) exceeded depreciation (\$1,941,758) in the current period.		823,402
Proceeds of installment purchase debt are recorded as other financing sources for governmental funds whereas on the statement of activities the proceeds of installment purchase debt are reported as liabilities in the statement of net position.		(81,200)
Repayment of bonds, installment purchase debt and loans are expenditures in the governmental funds, but these repayments reduce long-term liabilities in the statement of net position. This is the amount of debt repayments made in the current period.		1,499,763
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 net effect of these differences in the treatment of long-term debt and related items.		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.		(321,525)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when paid.		(12,059)
Decrease 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 (ERS- \$149,161, PFRS- \$203,657)		352,819
Increase in the proportionate share of the net deferred inflow and outflow reported in the Statement of Net Position of the difference 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 (ERS - \$170,206, PFRS- \$45,488)		(137,125)
Increases/decreases in accrued compensated absences reported in the statement of activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.		61,774
On the statement of activities the actual and projected long term expenditures for post employment benefits are reported whereas on the governmental funds only the actual expenditures are recorded for post employment benefits.		(804,683)
The net effect of various miscellaneous transaction involving capital assets (i.e. sales, trades) is to decrease net position.		(12,139)
On the statement of activities the actual long term expenditures for the Employee Retirement System Original Contribution Stabilization Program are reported whereas on the governmental funds only the actual expenditures are recorded for the employee retirement system.		18,888
Change in net position of governmental activities	\$	<u>970,159</u>

See notes to basic financial statements.

CITY OF GENEVA, NEW YORK
STATEMENT OF NET POSITION - ENTERPRISE FUNDS
DECEMBER 31, 2015

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 1,231,757	\$ 1,238,839	\$ 2,470,596
Cash and cash equivalents - restricted	1,298,496	3,249,978	4,548,474
Accounts receivable	965,622	930,131	1,895,753
Due from other governments	145,567	-	145,567
Prepaid items	45,807	31,092	76,899
Capital assets not being depreciated	8,421,873	111,152	8,533,025
Capital assets, net of accumulated depreciation	<u>22,718,775</u>	<u>12,158,395</u>	<u>34,877,170</u>
Total assets	<u><u>34,827,897</u></u>	<u><u>17,719,587</u></u>	<u><u>52,547,484</u></u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred pension outflows	30,279	20,553	50,832
Deferred pension outflows, contributions subsequent to measurement date	<u>145,709</u>	<u>98,904</u>	<u>244,613</u>
Deferred outflows of resources	<u><u>175,988</u></u>	<u><u>119,457</u></u>	<u><u>295,445</u></u>
LIABILITIES:			
Accounts payable	158,618	38,570	197,188
Due to other funds	-	-	-
Accrued interest payable	32,140	39,506	71,646
Bond anticipation notes payable	4,644,250	3,206,750	7,851,000
Noncurrent liabilities:			
Due and payable within one year	1,175,738	723,604	1,899,342
Due and payable after one year	21,121,065	6,894,110	28,015,175
Net pension liability	<u>147,203</u>	<u>99,918</u>	<u>247,121</u>
Total liabilities	<u><u>27,279,014</u></u>	<u><u>11,002,458</u></u>	<u><u>38,281,472</u></u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred pension inflows	<u>12,584</u>	<u>8,540</u>	<u>21,124</u>
Deferred inflows of resources	<u><u>12,584</u></u>	<u><u>8,540</u></u>	<u><u>21,124</u></u>
NET POSITION:			
Net investment in capital assets	5,699,165	5,152,411	10,851,576
Restricted for capital projects	49,239	92,525	141,764
Unrestricted	<u>1,963,883</u>	<u>1,583,110</u>	<u>3,546,993</u>
Total net position	<u><u>\$ 7,712,287</u></u>	<u><u>\$ 6,828,046</u></u>	<u><u>\$ 14,540,333</u></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, 2015**

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
OPERATING REVENUES:			
Charges for services	\$ 4,161,406	\$ 3,137,408	\$ 7,298,814
Other operating revenues	60,488	27,972	88,460
Total operating revenues	<u>4,221,894</u>	<u>3,165,380</u>	<u>7,387,274</u>
OPERATING EXPENSES:			
Salaries, wages and employee benefits	1,665,178	1,230,532	2,895,710
Contractual expense	1,762,384	1,297,024	3,059,408
Depreciation	1,117,247	597,641	1,714,888
Total operating expenses	<u>4,544,809</u>	<u>3,125,197</u>	<u>7,670,006</u>
Operating income (loss)	<u>(322,915)</u>	<u>40,183</u>	<u>(282,732)</u>
NON-OPERATING REVENUES (EXPENSES):			
Investment income	1,521	1,431	2,952
Interest expense	(362,869)	(293,234)	(656,103)
Premium on bond anticipation notes	30,478	6,170	36,648
Transfers to other funds	(405,691)	(333,606)	(739,297)
Total non-operating expenses	<u>(736,561)</u>	<u>(619,239)</u>	<u>(1,355,800)</u>
Change in net position	(1,059,476)	(579,056)	(1,638,532)
Total net position - January 1, 2015, as restated (Note 4)	<u>8,771,763</u>	<u>7,407,102</u>	<u>16,178,865</u>
Total net position - December 31, 2015	<u>\$ 7,712,287</u>	<u>\$ 6,828,046</u>	<u>\$ 14,540,333</u>

See notes to basic financial statements.

CITY OF GENEVA, NEW YORK
STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Sewer	Water	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Cash received from customers	\$ 4,116,483	\$ 3,084,632	\$ 7,201,115
Cash payments for contractual expenses	(1,830,730)	(1,305,836)	(3,136,566)
Cash payments to employees for services	(1,642,131)	(1,104,505)	(2,746,636)
Other operating revenues	60,488	27,972	88,460
Net cash provided by operating activities	704,110	702,263	1,406,373
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>			
Transfers to other funds	(405,691)	(333,606)	(739,297)
Net cash used by noncapital financing activities	(405,691)	(333,606)	(739,297)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
Acquisition and construction of capital assets	(959,917)	(196,474)	(1,156,391)
Principal payments on debt	(1,261,902)	(713,633)	(1,975,535)
Proceeds on BAN issuance	1,588,000	2,588,000	4,176,000
Interest paid on debt	(370,916)	(285,436)	(656,352)
Premium on bond anticipation notes	30,478	6,170	36,648
Net cash used by capital and related financing activities	(974,257)	1,398,627	424,370
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Interest on cash and investments	1,521	1,431	2,952
Net cash provided by investing activities	1,521	1,431	2,952
Net increase (decrease) in cash and cash equivalents	(674,317)	1,768,715	1,094,398
Cash and cash equivalents - beginning	3,204,570	2,720,102	5,924,672
Cash and cash equivalents - ending	\$ 2,530,253	\$ 4,488,817	\$ 7,019,070
Reconciliation of cash and cash equivalents to statement of financial position:			
Cash and cash equivalents	1,231,757	1,238,839	2,470,596
Cash and cash equivalents - restricted	1,298,496	3,249,978	4,548,474
Total cash and cash equivalents	\$ 2,530,253	\$ 4,488,817	\$ 7,019,070
Reconciliation of income (loss) from operations to net cash provided by operating activities:			
Income (loss) from operations	\$ (322,915)	\$ 40,183	\$ (282,732)
Adjustments to reconcile income (loss) from operations to net cash provided by operating activities:			
Depreciation	1,117,247	597,641	1,714,888
Change in assets and liabilities:			
Decrease (increase) in:			
Accounts receivable	(44,923)	(52,776)	(97,699)
Due from other governments	(107,856)	-	(107,856)
Due from other funds	2,093	5,773	7,866
Prepaid items	(42,966)	(28,251)	(71,217)
Increase (decrease) in:			
Accounts payable	83,659	13,666	97,325
Due to other funds	(3,276)	-	(3,276)
Retirement system liability	28,343	129,893	158,236
Post employment benefits	(5,296)	(3,866)	(9,162)
Net cash provided by operating activities	\$ 704,110	\$ 702,263	\$ 1,406,373

See notes to basic financial statements.

**CITY OF GENEVA, NEW YORK
STATEMENT OF NET POSITION- FIDUCIARY FUNDS
DECEMBER 31, 2015**

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ 322,076
Total assets	\$ 322,076
LIABILITIES:	
Agency liabilities	\$ 227,531
Due to other funds	94,545
Total liabilities	\$ 322,076

See notes to basic financial statements.

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

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 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.

In March 2010, the City of Geneva incorporated the City of Geneva Local Development Corporation (the Corporation), 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.

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

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2. 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 types:

The Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governments. Agency Funds are custodial in nature (assets equal liabilities) and do 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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

The 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. BUDGETARY INFORMATION

1. BUDGETARY BASIS OF ACCOUNTING

The City Manager prepares a budget for approval by City Council. City Council holds at least one public hearing on the proposed budget. The City Council adopts a final budget based upon the proposed budget plus any modifications. Appropriations established by the budget constitute a limitation on expenditures (and encumbrances) which may be incurred.

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenditures may not exceed appropriations, which lapse at the end of the fiscal year. Subsequent transfers or adjustment in the approved budget may be made only by the City Council or, in certain limited circumstances by the City Manager.

Budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2015, expenditures exceeded appropriations in the general government, economic assistance and opportunity, culture and recreation, home and community services, and interest debt service functions by \$11,884, \$40,084, \$6,410, \$87,110, \$104,165. Total expenditures did not exceed appropriations.

F. 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.

3. ACCOUNTS RECEIVABLE

Receivables are shown net for financial statement presentation purposes. 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.

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 have 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 only has two items that qualified for reporting in this category. They are related to pensions reported in the government-wide Statement of Net Position.

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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category. Deferred tax revenue is reported only on the governmental fund balance sheet. Unavailable revenue related to the revolving loan program is reported as a deferred inflow of resources on both the statement of net position and the governmental fund balance sheet. Pensions reported in the government-wide Statement of Net Position. (See note 2, F.)

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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, 2015, unearned revenue in the General Fund consisted of unearned state aid of \$1,793,195.

9. COMPENSATED ABSENCES

Compensated absences are accrued as earned by employees. Upon retirement, employees will be paid for the number of days accumulated at the rate designated in the employees' employment contracts. The amount of compensated absences to be paid with current financial resources under the modified accrual basis are recorded in the governmental funds. The remaining vested compensated absences are recorded in the government-wide financial statements for Governmental Activities and Enterprise Funds.

10. LONG-TERM LIABILITIES

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

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

11. POST EMPLOYMENT BENEFITS

In addition to providing pension benefits, the City provides health insurance coverage for retired employees as described at Note 3, G.

12. INTERFUND TRANSFERS

The operations of the City give rise to certain transactions between funds, including transfers of expenditures and revenues to provide services and construct assets.

13. 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.

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council (council) has by resolution authorized the City 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.

G. 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 62.64% of its constitutional tax limit.

3. 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.

H. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. FUTURE ACCOUNTING PRONOUNCEMENTS

During the fiscal year ended December 31, 2015, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An amendment of GASB Statement No. 27*; Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*; and Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The primary objective of Statement No. 68 and No. 71 is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. These Statements result from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

The GASB has issued the following new statements:

- Statement No. 72, *Fair Value Measurement and Application*, Statement No. 77, *Tax Abatement Disclosures*, Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*; and Statement No. 79, *Certain External Investment Pools and Pool Participants*, which will be effective for the year ending December 31, 2016;
- Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*; Statement No. 81, *Irrevocable Split-Interest Agreements*; and Statement No. 82, *Pension Issues; an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for the year ending December 31, 2017; and
- Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits Other than Pensions*, which will be effective for the year ending December 31, 2018.

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

J. SUBSEQUENT EVENTS

These financial statements have not been updated for subsequent events occurring after May 26, 2016 which is the date these financial statements were available to be issued.

K. RECLASSIFICATIONS

Certain reclassifications have been made to the 2014 capital asset classifications to conform with the current year presentation.

NOTE 2 - STEWARDHIP, COMPLIANCE AND ACCOUNTABILITY

A. VIOLATIONS OF LEGAL OR CONTRACTUAL PROVISIONS

Note 1.E.2, on the Excess of Expenditures over Appropriations, describes a budgetary violation that occurred for the year ended December 31, 2015.

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

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, 2015.

Investment and Deposit Policy

The City implemented Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*.

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.

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

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, 2015 under both programs amounted to \$5,135,814, against which an allowance of \$768,384 for uncollectible loans has been recorded.

A deferred inflow of resources of \$1,680,879 has been recorded in the Community Development Fund in connection with an Urban Development Action Grant (UDAG) grant/loan program. The City has met the grant requirements and awaits repayments of the notes for the funds to be available as revenue. Once funds are received, they are to be used for other projects eligible under the program.

C. RECEIVABLES

Significant revenues accrued by the City at December 31, 2015 include the following:

<u>General Fund:</u>	
School Resource Officer	\$ 56,828
Franchise fees	78,532
Miscellaneous receivables	209,170
Total accounts receivable	<u>\$ 344,530</u>
Taxes receivable current	\$ 283,000
Taxes receivable overdue	213,822
City School taxes receivable	308,338
Property acquired for taxes	189,818
Allowance for uncollectible taxes	<u>(151,089)</u>
Total taxes receivable	<u>\$ 843,889</u>
Due from other governments - sales tax	<u>\$ 354,750</u>
NYS receivable	\$ 53,110
Miscellaneous receivables	67,181
State and federal receivables	<u>\$ 120,291</u>
<u>Community Development Fund:</u>	
Loans receivable	\$ 5,135,814
Allowance for receivables	<u>(768,384)</u>
Total loans receivables	<u>\$ 4,367,430</u>
<u>Capital Projects:</u>	
NYS receivable	<u>\$ 347,191</u>
<u>Water:</u>	
Water rents receivable	\$ 85,137
Unbilled receivables	842,384
Miscellaneous receivables	2,610
Total accounts receivable	<u>\$ 930,131</u>
<u>Sewer:</u>	
Sewer rents receivable	\$ 79,390
Unbilled receivables	886,232
Total accounts receivable	<u>\$ 965,622</u>
Due from other governments - Town of Waterloo	<u>\$ 145,567</u>

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

D. INTERFUND ACTIVITY

Interfund activities at December 31, 2015 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 94,545	\$ -	\$ 811,052	\$ -
Capital Fund	-	-	100,000	-
Water Fund	-	-	-	333,606
Sewer Fund	-	-	-	405,691
Community Development Fund	-	-	-	171,755
Agency Fund	-	94,545	-	-
Total	<u>\$ 94,545</u>	<u>\$ 94,545</u>	<u>\$ 911,052</u>	<u>\$ 911,052</u>

Transfers among funds are provided for as part of the annual budget process and related to chargeback's for administrative services.

E. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015, was as follows:

Governmental Activities:

	<u>Balance 01/01/15</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/15</u>
<u>Capital assets, not being depreciated:</u>				
Land	\$ 1,089,823	\$ -	\$ -	\$ 1,089,823
Construction work in progress	5,747,543	2,580,180	2,679,942	5,647,781
Total capital assets not being depreciated	<u>6,837,366</u>	<u>2,580,180</u>	<u>2,679,942</u>	<u>6,737,604</u>
<u>Capital assets, being depreciated:</u>				
Buildings	10,990,772	-	-	10,990,772
Site improvements	760,430	-	-	760,430
Improvements	13,482,368	2,587,544	-	16,069,912
Vehicles & equipment	7,423,929	119,785	157,015	7,386,699
Infrastructure	20,821,727	157,593	-	20,979,320
Total capital assets, being depreciated	<u>53,479,226</u>	<u>2,864,922</u>	<u>157,015</u>	<u>56,187,133</u>
<u>Less accumulated depreciation:</u>				
Buildings	2,637,360	505,235	-	3,142,595
Site improvements	718,432	4,537	-	722,969
Improvements	5,058,004	350,238	-	5,408,242
Vehicles & equipment	5,191,833	363,342	144,876	5,410,299
Infrastructure	10,477,471	718,406	-	11,195,877
Total accumulated depreciation	<u>24,083,100</u>	<u>1,941,758</u>	<u>144,876</u>	<u>25,879,982</u>
Total capital assets being depreciated, net	<u>29,396,126</u>	<u>923,164</u>	<u>12,139</u>	<u>30,307,151</u>
Governmental activities capital assets, net	<u>\$ 36,233,492</u>	<u>\$ 3,503,344</u>	<u>\$ 2,692,081</u>	<u>\$ 37,044,755</u>

Business-Type Activities:

	<u>Balance 01/01/15</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/15</u>
<u>Capital assets, not being depreciated:</u>				
Land	\$ 325,400	\$ -	\$ -	\$ 325,400
Construction work in progress	7,207,556	1,212,466	212,397	8,207,625
Total capital assets not being depreciated	<u>7,532,956</u>	<u>1,212,466</u>	<u>212,397</u>	<u>8,533,025</u>

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

	Balance 01/01/15	Increases	Decreases	Balance 12/31/15
<u>Capital assets, being depreciated:</u>				
Land improvements	50,027	-	-	50,027
Site improvements	356,347	-	-	356,347
Buildings and improvements	15,544,278	191,595	-	15,735,873
Vehicles & equipment	14,609,182	293,657	489,869	14,412,970
Infrastructure	<u>28,152,461</u>	<u>20,802</u>	<u>-</u>	<u>28,173,263</u>
Total capital assets, being depreciated	<u>58,712,295</u>	<u>506,054</u>	<u>489,869</u>	<u>58,728,480</u>
<u>Less accumulated depreciation:</u>				
Land improvements	6,183	1,373	-	7,556
Site improvements	216,966	17,408	-	234,374
Buildings and improvements	3,597,351	319,173	-	3,916,524
Vehicles & equipment	8,137,626	571,154	261,068	8,447,712
Infrastructure	<u>10,439,364</u>	<u>805,780</u>	<u>-</u>	<u>11,245,144</u>
Total accumulated depreciation	<u>22,397,490</u>	<u>1,714,888</u>	<u>261,068</u>	<u>23,851,310</u>
Total capital assets being depreciated, net	<u>36,314,805</u>	<u>(1,208,834)</u>	<u>228,801</u>	<u>34,877,170</u>
Business activities capital assets, net	<u>\$ 43,847,761</u>	<u>\$ 3,632</u>	<u>\$ 441,198</u>	<u>\$ 43,410,195</u>

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

<u>Governmental activities:</u>	
General government	\$ 52,371
Public safety	169,530
Transportation	152
Economic assistance and opportunity	1,271,265
Culture and recreation	<u>448,440</u>
Total depreciation expense - governmental activities	<u>1,941,758</u>
<u>Business-type activities:</u>	
Home and community services	<u>1,714,888</u>
Total depreciation expense	<u>\$ 3,656,646</u>

F. 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 Systems)

PLAN DESCRIPTION

The City participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and 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.

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

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.

CONTRIBUTIONS

The System is noncontributory except for employees who joined the System after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS) who generally contribute 3 percent of their salary for their entire length of service. For Tier 6 members, the contribution rate varies from 3 percent to 6 percent depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

	<u>ERS</u>	<u>PFRS</u>
2015	\$896,291	\$888,919
2014	962,964	991,528
2013	873,124	1,228,631

The City chose to prepay the required contributions by December 15 and received an overall discount of \$7,963 and \$8,072 for ERS and PFRS, respectively.

ERS, effective with Chapter 57, Laws of 2010, initiated an employer contribution stabilization program, referred to as the Original Contribution Stabilization Program, which provides for the option of amortizing a portion of the pension cost over 10 years with repayment based on an interest rate established by the NYS Comptroller using current market rates. Chapter 57, Laws of 2013, established an Alternate Contribution Stabilization Program which allows for the option of amortizing over 12 years at a similar interest rate.

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At December 31, 2015, the City reported a liability of \$1,086,345 (ERS \$688,906 and PFRS \$397,439) for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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.

At March 31, 2015, the City's proportion of the net pension liability was .0203924 percent for ERS and .1443866 percent for PFRS.

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

For the year ended December 31, 2015, the City recognized pension expense of \$310,905. At December 31, 2015 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>
Differences between expected and actual experience	\$ 69,981	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	253,087	-
Changes in proportion and differences between the City's contributions and proportionate share of contributions	<u>-</u>	<u>321,458</u>
Total	<u>\$ 323,068</u>	<u>\$ 321,458</u>
City's contributions subsequent to the measurement date	<u>\$ 1,348,606</u>	<u>\$ -</u>

The amount of \$1,309,811 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended:	
2016	\$ 11,135
2017	11,135
2018	11,135
2019	11,135
2020	(42,930)
Thereafter	-

ACTUARIAL ASSUMPTIONS

The total pension liability as of the March 31, 2015 was determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2015. The actuarial valuation used the following actuarial assumptions:

	<u>ERS</u>	<u>PFRS</u>
Inflation	2.7%	2.7%
Salary increases	4.9	6.0
Investment rate of return (net of investment expense, including inflation)	7.5	7.5

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Annuitant mortality rates are based on April 1, 2005 – March 31, 2010 System's experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 – March 31, 2010.

The long term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015 are summarized below:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic equity	7.30%
International equity	8.55
Private equity	11.00
Real estate	8.25
Absolute return strategies	6.75
Opportunistic portfolio	8.60
Real assets	8.65
Bonds and mortgages	4.00
Cash	2.25
Inflation-indexed bonds	4.00

DISCOUNT RATE

The discount rate used to calculate the total pension liability was 7.5%. 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 7.5%, 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 (6.5%) or 1-percentage point higher (8.5%) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Assumption (7.5%)</u>	<u>1% Increase (8.5%)</u>
<u>ERS</u>			
City's proportionate share of the net pension liability (asset)	\$4,591,854	\$ 688,906	(\$2,606,150)
<u>PFRS</u>			
City's proportionate share of the net pension liability (asset)	\$5,291,677	\$ 397,439	(\$3,704,230)

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

PENSION PLAN FIDUCIARY NET POSITION

The components of the current-year net pension liability of the employers as of March 31, 2015 were as follows:

	ERS	PFRS (Dollars in Thousands)	Total
Employers' total pension liability	\$ 164,591,504	\$ 28,474,417	\$ 193,065,921
Plan net position	<u>161,213,259</u>	<u>28,199,157</u>	<u>189,412,416</u>
Employers' net pension liability	<u>\$ 3,378,245</u>	<u>\$ 275,260</u>	<u>\$ 3,653,505</u>
Ratio of Plan net position to the Employers' total pension liability	97.9%	99.0%	98.1%

G. OTHER POST EMPLOYMENT 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 Post Employment 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.

ACCOUNTING POLICY

The accrual basis of accounting is used. The fair market value of assets, if any, is determined by the market value of assets, if any, paid by a willing buyer to a willing seller.

ANNUAL OPEB COST AND NET OPEB OBLIGATION

The City's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has engaged an actuary to calculate the ARC and related information per the provisions of GASB Statement No. 45 for employers in plans with more than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the City's net OPEB obligation to the Retiree Health Plan at December 31, 2015:

Annual required contribution (ARC)	1,946,122
Interest on OPEB obligation	143,884
Adjustment to ARC	<u>(152,696)</u>
OPEB expense	1,937,310
Contributions made	<u>(990,518)</u>
Increase net OPEB obligation	946,792
Net OPEB obligation - beginning of year	<u>3,597,107</u>
Net OPEB obligation - end of year	<u>\$ 4,543,899</u>
Percentage of expense contributed	83.12%

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

The City's annual OPEB cost, contribution, percentage of OPEB cost contributed, and net postemployment benefit obligation for the plan for the current fiscal year ended December 31, 2015 and the two preceding years are as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$1,937,310	\$ 990,518	51.13%	\$4,543,899
2014	1,259,195	978,415	77.70%	3,597,107
2013	1,259,781	817,346	64.88%	3,316,327

FUNDED STATUS AND FUNDING PROGRESS

As of December 31, 2015, the actuarial accrued liability for benefits was \$30,395,737, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$5,529,847, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 549.67%. The total post employment health insurance cost to the City for 107 retirees was \$990,518 for the year ended December 31, 2015.

Actuarial valuations for OPEB involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress presented immediately following the financial statements as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

METHODS AND ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial calculations of the OPEB plan reflect a long-term perspective. Consistent with this perspective, actuarial valuations, will use actuarial methods and assumptions that include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The following assumptions were made:

The December 31, 2015 actuarial valuation, with a valuation date of January 1, 2016, utilized the entry age actuarial cost method. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses), which is the expected short-term investment rate of the City's own assets, and an ultimate healthcare cost trend of 3.8 percent. Both rates included a 2.2 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period is twenty-six years.

H. RISK MANAGEMENT

Worker's 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

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

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, 2015, 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, 2015:

	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Balance 1/1/15</u>	<u>Issued</u>	<u>Balance 12/31/15</u>
Governmental Activities:					
Lakefront Improvement Phase I	9/30/2014	1.00%	\$ 297,763	\$	\$ 297,763
Acquisition/ Demo City Owned Structures	9/30/2014	1.00%	100,000		100,000
B & G roof replacement and auxiliary bldg.	9/30/2014	1.00%	125,000		125,000
Lakefront Improvement Phase II	9/30/2014	1.00%	800,000		800,000
Lakefront Improvement Phase III	5/12/2015	1.25%	-	800,000	800,000
N. Genesee St. Reconstruction and repaving	5/12/2015	1.25%	-	600,000	600,000
N. Wadsworth St. Reconstruction and repaving	5/12/2015	1.25%	-	450,000	450,000
Pultney St. Reconstruction and repaving	5/12/2015	1.25%	-	650,000	650,000
Acquisition and installation of generator at City Hall	5/12/2015	1.25%	-	38,000	38,000
Acquisition/Demo City Owned Structures	9/30/2014	1.00%	100,000		
B&G roof replacement and auxiliary bldg.	9/30/2014	1.00%	125,000		
Total Bond Anticipation Notes			<u>\$ 1,322,763</u>	<u>\$2,538,000</u>	<u>\$ 3,860,763</u>

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Balance 1/1/15</u>	<u>Issued</u>	<u>Balance 12/31/15</u>
Business-Type Activities:					
<u>Water</u>					
N. Genesee St. Reconstruction and repaving	5/12/2015	1.25%	\$ -	\$ 300,000	\$ 300,000
N. Wadsworth St. Reconstruction and repaving	5/12/2015	1.25%	-	250,000	250,000
Pultney St. Reconstruction and repaving	5/12/2015	1.25%	-	2,000,000	2,000,000
Acquisition and installation of generator at City Hall	5/12/2015	1.25%	-	38,000	38,000
N. Genesee St water lines	9/30/2014	1.00%	618,750	-	618,750
<u>Sewer</u>					
N. Genesee St. Reconstruction and repaving.	5/12/2015	1.25%	-	400,000	400,000
N. Wadsworth St. Reconstruction and repaving t.	5/12/2015	1.25%	-	300,000	300,000
Pultney St. Reconstruction and repaving	2/12/2015	1.25%	-	850,000	850,000
Acquisition and installation of generator at City Hall	5/12/2015	1.25%	-	38,000	38,000
N. Genesee St. sewer lines	9/30/2014	1.00%	756,250	-	756,250
South Treatment and Marsh Creek Plants	9/30/2014	1.00%	<u>2,300,000</u>	-	<u>2,300,000</u>
Total Bond Anticipation Notes			<u>\$ 3,675,000</u>	<u>\$ 4,176,000</u>	<u>\$ 7,851,000</u>

J. LEASE OBLIGATIONS

The City of Geneva entered into a fifteen year operating lease agreement as of August 6, 1998 to lease a firehouse. The lease requires annual payments ranging from \$192,850 to \$197,675. Rental expense under this lease amounted to \$195,758 for the year ended December 31, 2015. Negotiations are ongoing to extend the lease past December 31, 2015.

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, 2015 are as follows:

<u>Issue Description</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Year of Issue/ Maturity</u>	<u>Outstanding Balance 12/31/15</u>
Governmental Activities				
<u>General Obligation Bonds:</u>				
S. Main St	\$ 602,500	2.00-3.00%	2011/2018	\$ 53,500
General Improvements	2,973,034	3.86-4.25%	2005/2024	558,000
General Improvements	945,000	3.75-4.00%	2005/2017	40,000
General Improvements	2,041,421	3.25-4.00%	2007/2038	742,500
Various Projects	2,238,000	3.75-4.25%	2010/2028	2,437,000
Various Projects	3,911,000	2.50-3.50%	2014/2023	<u>2,065,000</u>
				<u>\$ 5,896,000</u>

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Business-Type Activities

Water Obligation Bonds:

S. Main St.	\$ 243,000	2.00%-3.00%	2011/2018	\$ 102,000
Water tank- EFC	1,657,422	4.26%-5.74%	2000/2020	465,000
Water lines	769,000	4.20%-4.75%	2004/2030	404,500
Water Improvements	601,315	3.75%-4.00%	2005/2024	301,000
Water Improvements	516,551	3.75%-4.00%	2007/2021	247,500
Various Projects	1,746,000	3.25%-4.00%	2010/2028	1,294,000
Various Projects	4,745,000	2.50%-3.50%	2014/2040	<u>4,050,000</u>
				<u>\$ 6,864,000</u>

Sewer Obligation Bonds:

S. Main St.	\$ 614,000	2.00%-3.00%	2011/2018	259,500
Sewer Lines	449,500	4.20%-4.75%	2004/2030	240,500
Sewer Improvements	744,899	3.86%-4.25%	2005/2024	396,000
Sewer Improvements	680,370	3.75%-4.00%	2007/2021	320,000
Sewer Improvements- EFC	13,666,554	0.00%	2008/2038	10,477,690
Various Projects	3,538,000	3.25%-4.00%	2010/2028	2,664,000
Sewer Lines	1,190,000	3.75%-4.25%	2011/2025	850,000
Various Projects	6,345,000	2.50%-3.50%	2014/2041	<u>6,350,000</u>
				<u>\$ 21,557,690</u>

Total serial bonds

\$ 34,317,690

Installment purchase debt	\$ 3,625,435	4.474%	2011/2026	2,878,026
Installment purchase debt	52,006	2.655%	2013/2018	32,018
Installment purchase debt	146,659	2.06%	2011/2016	71,758
Installment purchase debt	54,410	4.50%	2014/2019	39,353
Installment purchase debt	26,453	3.31%	2014/2019	21,172
Installment purchase debt	148,935	2.24%	2014/2019	120,510
Installment purchase debt	35,706	2.91%	2014/2018	21,411
Installment Purchase debt	170,904		2015/2019	170,904
Installment Purchase debt	81,200		2015/2018	81,200
HUD 108 loan payable	1,026,000	Various	2006/2017	<u>126,000</u>

Total Installment Purchase debt

\$ 3,562,352

Total

\$ 41,058,004

CHANGES IN LONG-TERM LIABILITIES

Changes in the City's long-term liabilities for the year ended December 31, 2015 are as follows:

	<u>Balance</u> <u>01/01/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/15</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
General obligation debt:					
Serial bonds	\$ 7,001,250	\$ -	\$1,105,250	\$5,896,000	\$ 1,071,250
Plus unamortized premium	6,959	-	1,988	4,971	1,988
Other liabilities:					
Compensated absences	293,280	24,776	74,328	243,728	24,373
Loan payable	226,000	-	100,000	126,000	26,000
Employee retirement system	197,200	-	18,888	178,312	19,580
Net other post-employment benefit obligation	2,983,129	1,646,342	841,659	3,787,812	-
Installment purchase debt	<u>3,088,837</u>	<u>81,200</u>	<u>294,513</u>	<u>2,875,524</u>	<u>340,303</u>
Total government activities	<u>\$ 13,796,655</u>	<u>\$1,752,318</u>	<u>\$2,436,626</u>	<u>\$13,112,347</u>	<u>\$ 1,483,494</u>

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

	Balance 01/01/15	Additions	Reductions	Balance 12/31/15	Due Within One Year
Business-type Activities					
General obligation debt:					
Serial bonds	\$ 30,324,992	\$ -	\$ 1,903,302	\$ 28,421,690	\$ 1,809,302
Plus unamortized premium	9,905	-	2,830	7,075	2,830
Other liabilities:					
Compensated absences	66,220	23,137	7,010	82,347	8,235
Net other post-employment benefit obligation	613,978	290,968	148,859	756,087	-
Employee retirement system	95,652	-	9,162	86,490	9,498
Installment purchase debt	416,925	216,136	72,233	560,828	69,477
Business-type activities	<u>31,527,672</u>	<u>530,241</u>	<u>2,143,394</u>	<u>29,914,517</u>	<u>1,899,342</u>
Total long-term liabilities	<u>\$ 45,324,327</u>	<u>\$ 2,282,560</u>	<u>\$ 4,580,021</u>	<u>\$ 43,026,864</u>	<u>\$ 3,382,836</u>

LEGAL DEBT LIMIT

There is a statutory limit applicable to Cities within New York State. The City is in compliance with this debt limit.

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

Fiscal Year	Serial Bonds			Interest	Loans Payable		Installment Purchase Debt	
	Principal	Premium	Net		Principal	Interest	Principal	Interest
2016	\$ 2,010,552	\$ 4,818	\$ 2,015,370	\$ 394,484	\$ 100,000	\$ 6,488	\$ 409,779	\$ 142,008
2017	1,855,552	4,818	1,860,370	343,405	26,000	1,378	350,738	128,547
2018	1,810,552	2,410	1,812,962	294,515	-	-	363,838	115,321
2019-2023	7,277,760	-	7,277,760	838,496	-	-	1,385,195	388,723
2024-2028	4,287,760	-	4,287,760	196,356	-	-	926,801	84,145
2029-2033	2,332,759	-	2,332,759	2,491	-	-	-	-
2034-2038	2,277,755	-	2,277,755	-	-	-	-	-
Total	<u>\$ 21,852,690</u>	<u>\$ 12,046</u>	<u>\$ 21,864,736</u>	<u>\$ 2,069,747</u>	<u>\$ 126,000</u>	<u>\$ 7,866</u>	<u>\$ 3,436,351</u>	<u>\$ 858,744</u>

L. FUND BALANCE

FUND BALANCE POLICY

As of December 31, 2015, the City had not adopted a formal spending policy, therefore, the use of fund balance will be spent in the following order as required under the provisions of GASB Statement No. 54: restricted, committed, assigned and then unassigned.

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

DETAIL OF FUND BALANCES

As of December 31, 2015, fund balances were classified as follows:

	<u>General</u>	<u>Capital Projects</u>	<u>Community Development</u>	<u>Total</u>
<u>Nonspendable:</u>				
Prepays	\$ 364,205	\$ -	\$ -	\$ 364,205
<u>Restricted:</u>				
Capital projects	396,855	-	-	396,855
Public safety	59,005	-	-	59,005
Cemetery	20,249	-	-	20,249
Community development	-	-	2,878,686	2,878,686
<u>Unassigned:</u>				
General fund	1,651,398	-	-	1,651,398
Capital Projects	-	(634,130)	-	(634,130)
Total	<u>\$ 2,491,712</u>	<u>\$ (634,130)</u>	<u>\$ 2,878,686</u>	<u>\$ 4,736,268</u>

NOTE 4 - PRIOR PERIOD ADJUSTMENT

In the current year, the City recorded a prior period adjustment that increased the beginning net position by \$1,478,277 to correct certain capital asset costs and related accumulated depreciation recorded in the government-wide statements in the prior year.

Net Position

For the fiscal year ended December 31, 2015, the City made a prior period adjustment to properly state certain asset costs and related accumulated depreciation recorded in the governmental and business type activities.

Governmental Activities

Net position beginning of year, as previously stated	\$26,029,411
Adjustment to properly state capital assets	<u>2,118,139</u>
Net position beginning of year, as restated	<u>\$28,147,550</u>

Sewer Fund

Net position beginning of year, as previously stated	\$ 8,720,414
Adjustment to properly state capital assets	<u>91,858</u>
Net position beginning of year, as restated	<u>\$ 8,812,272</u>

Water Fund

Net position beginning of year, as previously stated	\$ 8,166,319
Adjustment to properly state capital assets	<u>(731,720)</u>
Net position beginning of year, as restated	<u>\$ 7,434,599</u>

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5 - RESTATEMENT OF FUND BALANCE/NET POSITION

Net Position

For the fiscal year ended December 31, 2015, the City implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of Statements No. 68 and No. 71 resulted in the reporting of deferred outflow of resources, a pension liability and deferred inflow of resources related to the City's participation in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS). The net position was also restated related to capital assets as disclosed previously in Note 4. The City's net position has been restated as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net position beginning of year, as previously stated	\$ 26,029,411	\$ 16,886,733
GASB Statement No. 68 and No. 71 implementation:		
Beginning System liability	(1,192,042)	(330,556)
Beginning deferred outflows of resources for contributions subsequent to the measurement date	1,233,266	262,550
Adjustment to record capital assets	<u>2,118,139</u>	<u>(639,862)</u>
Net position beginning of year, as restated	<u>\$ 28,188,774</u>	<u>\$ 16,178,865</u>

NOTE 6 – SUBSEQUENT EVENT

On February 3, 2016, the City authorized and issued bond anticipation notes in the amount of \$5,910,000 for various improvements related to various public improvements.

On February 3, 2016 the City authorized lease purchases agreement for the E911 system upgrades in the amount of \$775,000.

NOTE 7 – 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.

CITY OF GENEVA, NEW YORK
SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTH PLAN
FOR THE YEAR ENDED DECEMBER 31, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/1/2015	\$ -	\$30,395,737	\$30,395,737	0.00%	\$5,529,847	549.67%
04/1/2014	\$ -	\$20,548,319	\$20,548,319	0.00%	\$7,471,985	275.00%
04/1/2012	\$ -	\$18,791,100	\$18,791,100	0.00%	\$5,508,607	314.12%

Schedule of Employer Contributions

Fiscal Year	Annual Required Contribution	Actual Contributions	Percentage Contributed
December 31, 2013	\$ 1,263,916	\$ 817,346	64.67%
December 31, 2014	1,263,916	978,415	77.41%
December 31, 2015	1,946,122	990,518	51.13%

CITY OF GENEVA, NEW YORK
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
NYSERS AND NYSPFRS PENSION PLAN
DECEMBER 31, 2015

	<u>ERS</u>	<u>PFRS</u>
City's proportion of the net pension liability	0.0203924%	0.1443866%
City's proportionate share of the net pension liability	\$ 688,906	\$ 397,438
City's covered-employee payroll	907,329	1,033,349
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	76%	38%
Plan fiduciary net position as a percentage of the total pension asset (liability)	97.9%	99.0%

**CITY OF GENEVA, NEW YORK
SCHEDULE OF THE CITY'S CONTRIBUTIONS
DECEMBER 31, 2015**

EMPLOYERS' RETIREMENT SYSTEM

	2015
Contractually required contribution	\$ 904,254
Contributions in relation to the contractually required contribution	<u>\$ 904,254</u>
Contribution deficiency (excess)	<u>-</u>
City's covered-employee payroll	907,329
Contributions as a percentage of covered-employee payroll	100%

POLICE AND FIRE RETIREMENT SYSTEM

	2015
Contractually required contribution	\$ 896,991
Contributions in relation to the contractually required contribution	<u>\$ 896,991</u>
Contribution deficiency (excess)	<u>-</u>
City's covered-employee payroll	1,033,349
Contributions as a percentage of covered-employee payroll	87%

CITY OF GENEVA, NEW YORK
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Real property taxes	\$ 6,875,123	\$ 6,875,123	\$ 6,983,676	\$ 108,553
Real property tax items	1,115,563	1,115,563	1,053,465	(62,098)
Non-property tax items	3,650,000	3,650,000	3,650,507	507
Departmental income	659,500	659,500	584,458	(75,042)
Intergovernmental charges	335,000	335,000	230,510	(104,490)
Use of money and property	25,000	25,000	28,567	3,567
Licenses and permits	105,000	105,000	82,738	(22,262)
Fines and forfeitures	296,500	296,500	155,423	(141,077)
Sale of property and compensation for loss	-	-	19,002	19,002
Miscellaneous local sources	200,000	200,000	170,960	(29,040)
State sources	2,259,480	2,259,480	2,247,712	(11,768)
Total revenues	<u>15,521,166</u>	<u>15,521,166</u>	<u>15,207,018</u>	<u>(314,148)</u>
EXPENDITURES:				
General government	2,318,236	1,712,442	1,724,326	(11,884)
Public safety	5,332,482	5,457,773	5,390,170	67,603
Transportation	1,257,782	1,257,782	1,170,774	87,008
Economic assistance and opportunity	147,750	117,000	157,084	(40,084)
Culture and recreation	914,951	919,437	925,847	(6,410)
Home and community services	279,172	450,993	538,103	(87,110)
Employee benefits	3,927,701	3,927,701	3,439,373	488,328
Debt service:				
Principal	223,514	1,627,365	1,499,763	127,602
Interest	36,969	260,494	364,659	(104,165)
Total expenditures	<u>14,438,557</u>	<u>15,730,987</u>	<u>15,210,099</u>	<u>520,888</u>
Excess (deficit) of revenue over expenditures	1,082,609	(209,821)	(3,081)	206,740
OTHER FINANCING SOURCES:				
Interfund transfers in	639,297	639,297	811,052	171,755
Appropriated fund balance	(1,721,906)	(429,476)	-	429,476
Total other financing sources	<u>(1,082,609)</u>	<u>209,821</u>	<u>811,052</u>	<u>601,231</u>
Net change in fund balance	-	-	807,971	807,971
Fund balance - beginning	-	-	1,683,741	1,683,741
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,491,712</u>	<u>\$ 2,491,712</u>