

**CITY OF CANADAIGUA**  
**Ontario County, New York**

**BASIC FINANCIAL STATEMENTS**

**For Year Ended December 31, 2014**

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**Certified Public Accountants**

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Members of  
American Institute of  
Certified Public Accountants  
and  
New York State Society of  
Certified Public Accountants

**Independent Auditors' Report**

To the Honorable Mayor and Council Members  
The City of Canandaigua  
Ontario County, New York

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Canandaigua, Ontario County, New York, as of and for the year ended December 31, 2014, 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 entity'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, the business-type activities, , each major fund, and the aggregate remaining fund information of the City of Canandaigua, Ontario County, New York, as of December 31, 2014, 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.

## *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 of postemployment benefit plan, and budgetary comparison information on pages 3–15 and 51–52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Canandaigua, Ontario County, New York's basic financial statements. The combining nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

*Raymond F. Wager, CPA, AC*

April 10, 2015

# CITY OF CANANDAIGUA, NEW YORK

## Management's Discussion and Analysis

December 31, 2014

### INTRODUCTION

The following is a discussion and analysis of the City of Canandaigua, New York's (the City) financial performance for the year ended December 31, 2014. This section of the report should be read in conjunction with the basic financial statements, which immediately follow this section, in order to provide an enhanced understanding of the City's financial performance.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The City's basic financial statements are comprised of three components: **(1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements.** This report also contains individual fund financial statements and schedules in addition to these basic financial statements.

#### **Government-Wide Financial Statements**

These statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. These consist of:

- The statement of net position which presents information on all of the City's assets and liabilities, and deferred inflows/outflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- The statement of activities which presents information showing how the City's net position changed during the most recent year. The primary governmental activities of the City as used in this statement include general government support, public safety, transportation, economic assistance, culture and recreation, home and community services, and interest on long-term debt. The business-type activities include the water and sewer fund. This statement calculates the cost of each functional activity as well as all resources available for that purpose.

The government-wide financial statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The accrual basis of accounting, which is similar to the methods used by most businesses, takes into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid.

#### **Fund Financial Statements**

In the governmental area, financial statements are organized around "funds." A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Funds are established to control and manage the money and budgets of certain governmental activities. Some funds are required to be set up by law, and others to meet state and federal government requirements. All the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

- **Governmental Funds:** Governmental funds focus on a government's near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. The City maintains nine individual government funds that are included in the governmental balance sheet and statement of revenues, expenditures, and changes in fund balances. Major funds consist of the general fund, capital project fund and the community development fund. Nonmajor funds, combined on the financial statements, consist of the, debt service fund, watershed program, parks and open spaces, technology fund and the cemetery fund. Data for each of these nonmajor funds can be found in the supplemental information.
- **Proprietary Funds:** Proprietary funds are used to account for governmental activities that are like commercial activities. Generally, they account for the production of goods or services sold to the public. A type of proprietary fund is an enterprise fund which a government establishes to account for activities that consist of rendering services or providing goods to the public for which a fee or charge is collected. The City has established two enterprise funds, a water fund and sewer fund.
- **Fiduciary Funds:** Fiduciary funds are used to account for assets held in a trustee or custodial capacity. The City maintains one agency fund. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

#### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are located following the basic financial statements section of this report.

#### **Other Supplementary Information**

Other supplementary information includes combining financial statements for nonmajor governmental funds, each of which are added together and presented in single columns in the financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the City's financial position. As of December 31, 2014 the total assets of the City exceeded liabilities by \$55,742,560.

**CONDENSED STATEMENTS OF NET ASSETS  
FOR GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES**

	December 31, 2014			December 31, 2013		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Government</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Government</u>
<u>Assets</u>						
Current and other assets	\$ 8,267,415	\$ 6,137,774	\$ 14,405,189	\$ 8,144,336	\$ 6,120,301	\$ 14,264,637
Capital assets	38,162,617	23,430,751	61,593,368	39,751,875	24,320,199	64,072,074
<b>Total assets</b>	<b>\$ 46,430,032</b>	<b>\$ 29,568,525</b>	<b>\$ 75,998,557</b>	<b>\$ 47,896,211</b>	<b>\$ 30,440,500</b>	<b>\$ 78,336,711</b>
<u>Liabilities</u>						
Other liabilities	\$ 580,124	\$ 519,038	\$ 1,099,162	\$ 756,834	\$ 532,443	\$ 1,289,277
Long-term liabilities	6,582,548	12,574,287	19,156,835	7,898,516	13,338,304	21,236,820
<b>Total liabilities</b>	<b>\$ 7,162,672</b>	<b>\$ 13,093,325</b>	<b>\$ 20,255,997</b>	<b>\$ 8,655,350</b>	<b>\$ 13,870,747</b>	<b>\$ 22,526,097</b>
<u>Net Position</u>						
Invested in capital Assets						
net of related debt	\$ 33,219,612	\$ 11,029,493	\$ 44,249,105	\$ 33,865,196	\$ 11,179,804	\$ 45,045,000
Restricted	2,359,466	2,970,414	5,329,880	1,847,493	3,008,341	4,855,834
Unrestricted	3,688,282	2,475,293	6,163,575	3,528,172	2,381,608	5,909,780
<b>Total net position</b>	<b>\$ 39,267,360</b>	<b>\$ 16,475,200</b>	<b>\$ 55,742,560</b>	<b>\$ 39,240,861</b>	<b>\$ 16,569,753</b>	<b>\$ 55,810,614</b>

The largest component of the City's net position, \$44,249,105 or approximately 79.4%, reflects its investment in capital assets (land, buildings and facilities, machinery and equipment, rolling stock and infrastructure), less accumulated depreciation and any related outstanding debt used to acquire or construct the assets. The City uses these capital assets to provide a variety of services to its citizens and as a result these assets are not available for future spending.

Although the City's investment in a capital asset is reported net of related debt, the resources used to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position is restricted, representing resources that are subject to external restriction on how they may be used. Approximately \$5,329,880 or 9.6% of total net position is restricted and is not available to finance the day-to-day operations of the City. The funding levels of capital reserves exceeded capital expenditures which resulted in an increase of \$474,046 in the restricted portion of net position from fiscal 2013 to fiscal 2014.

The remaining \$6,163,575 or 11% balance of unrestricted net position can be used to finance future operations.

### CHANGES IN NET ASSETS FOR GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

	December 31, 2014			December 31, 2013		
	Governmental Activities	Business-Type Activities	Total Government	Governmental Activities	Business-Type Activities	Total Government
<b>Program revenue</b>	\$ 2,265,003	\$ 5,786,084	\$ 8,051,087	\$ 1,655,373	\$ 5,517,102	\$ 7,172,475
Charges for service	239,403	-	239,403	252,251	-	252,251
Operating grants and contributions	234,467	-	234,467	1,233,962	-	1,233,962
Capital grants and contributions						
<b>General revenue</b>						
Real property taxes	4,775,657	-	4,775,657	4,710,277	-	4,710,277
Non-property taxes	4,542,304	-	4,542,304	4,470,216	-	4,470,216
Governmental aid	1,286,887	-	1,286,887	1,311,056	-	1,311,056
Other	299,772	40,714	340,486	298,677	60,231	358,908
Transfers	290,000	(290,000)	-	326,986	(290,000)	36,986
<b>Total revenue</b>	<b>\$ 13,933,493</b>	<b>\$ 5,536,798</b>	<b>\$ 19,470,291</b>	<b>\$ 14,258,798</b>	<b>\$ 5,287,333</b>	<b>\$ 19,546,131</b>
<b>Program expenses</b>						
General government	\$ 2,910,446	\$ -	\$ 2,910,446	\$ 2,657,910	\$ -	\$ 2,657,910
Public safety	5,443,349	-	5,443,349	4,969,952	-	4,969,952
Transportation	2,923,340	-	2,923,340	2,724,105	-	2,724,105
Economic Assistance and Opportunity	307,668	-	307,668	574,179	-	574,179
Cultural and recreation	1,213,279	-	1,213,279	1,271,925	-	1,271,925
Home and community services	900,642	-	900,642	988,616	-	988,616
Interest on long-term debt	208,270	-	208,270	247,547	-	247,547
Water	-	2,794,612	2,794,612	-	2,844,973	2,844,973
Sewer	-	2,836,739	2,836,739	-	2,604,746	2,604,746
<b>Total expenses</b>	<b>\$ 13,906,994</b>	<b>\$ 5,631,351</b>	<b>\$ 19,538,345</b>	<b>\$ 13,434,234</b>	<b>\$ 5,449,719</b>	<b>\$ 18,883,953</b>
Change in net position	\$ 26,499	\$ (94,553)	\$ (68,054)	\$ 824,564	\$ (162,386)	\$ 662,178
Net position at beginning of year	39,240,861	16,569,753	55,810,614	38,416,297	16,732,139	55,148,436
<b>Net position at end of year</b>	<b>\$ 39,267,360</b>	<b>\$ 16,475,200</b>	<b>\$ 55,742,560</b>	<b>\$ 39,240,861</b>	<b>\$ 16,569,753</b>	<b>\$ 55,810,614</b>

The revenue and expense information was derived from the government-wide statement of activities and reflects how the City's net position changed during the fiscal year. The City's total net position decreased \$68,054 during 2014. Total government expenses of \$19.54 million were offset by revenues of \$19.47 million.

Governmental Activities: Governmental activities net position increased \$26,499 in 2014.

Total revenues from governmental activities decreased \$325,305 over 2013 totaling \$13,933,493 in 2014.

Program revenues represented 19.6% of total governmental revenues.

- Charges for service increased 36.8%. General Government charges for services increased primarily due to a one time reimbursement from a developer for a court settlement and professional fees. Public Safety charges for services increased due to an increase in traffic enforcement activities and an increase in collection efforts for outstanding parking ticket. The City negotiated a three year contract with the Town of Canandaigua for fire services which increased revenue from the prior year.
- Operating grants and contributions decreased 5% due to the expiration of a SAFER grant for the fire department.
- Capital grants and contributions decreased by \$999,495 over the prior year. The City received a grant for the reconstruction of Main Street and a pass through grant to Thompson Apartments which were both completed in 2013.

General revenues (taxes, intergovernmental, investment earnings and other revenue) represented 80.3% of total governmental revenues.

- Non-property taxes showed a modest increase of 1.6% over the prior year.
- Governmental aid decreased by 1.8% due to a decrease in mortgage tax.

Program expenses increased \$472,760 or 3.5% over year 2013.

- City employees received a wage increase of 3% for Non Union, Fire Department Union and Gold Badge Union, while Police Officers Union received 2.5% and Department of Public Works Union received 1.5% in 2014.
- Employee benefits increased by 4.1% over the prior year primarily driven by an increase in insurance rates between 8% to 10% and retirement expenses which increased by 2.7% due to rising pension contribution rates and wage increases.
- General government expenditures increased by 9.5% over 2013 due to a one-time payment of a judgement which was subsequently reimbursed by the developer.
- Public safety expenditures increased by 9.5% over 2013 primarily due to the hiring of an additional police officer and an increase in firefighter overtime and vehicle repairs.
- Transportation expenditures increased by 7.3% primarily due to an increase in the oil and stone program and increase in salt purchases for snow fighting efforts.
- Economic assistance and opportunity decreased by 46.4% due to a pass through grant to Thompson Apartments in 2013.
- Interest on long-term debt decreased by 15.8% due to the payoff of bonds.

Business-Type Activities: The net position of business-type activities (Water Fund and Sewer Fund) decreased by \$94,553 in fiscal year 2014.

Revenues for business-type activities totaled approximately \$5.54 million, an increase of 4.7% from the prior year, while expenses totaled \$5.63 million, an increase of 3.3% from the prior year. Significant variances are as follows:

- Revenue in both Water and Sewer fund increased due to an increase in consumption and due to an increase in sewer rates of 8.5%
- The increases in expenditures were primarily driven by an increase in depreciation in the Sewer Fund due to a full year of depreciation of significant improvements in that fund.

## FINANCIAL ANALYSIS OF CITY FUNDS

### Governmental Funds

At the end of the current year, the City reported a combined fund balance of \$6.24 million, an increase of \$365,344 from the prior year. A summary of the change in fund balance for all funds is as follows:

### CHANGES IN FUND BALANCE FOR GOVERNMENTAL FUNDS FOR THE PERIOD ENDING DECEMBER 31,

	<u>2014</u>	<u>2013</u>
Nonspendable for inventory	\$ 10,995	\$ -
Nonspendable for prepaid expenses	362,267	330,471
Restricted for insurance	182,623	188,055
Restricted for capital	1,237,394	820,369
Restricted for general reserve	2,199	2,199
Assigned for encumbrances	18,249	33,574
Assigned for Kershaw Park	46,795	37,548
Assigned - designated for subsequent year's expenditures	174,510	4,761
Unassigned	3,184,547	3,429,523
<b>Total Fund Balance - General Fund</b>	<u>\$ 5,219,579</u>	<u>\$ 4,846,500</u>
 <b><u>Capital Projects Fund -</u></b>		
Restricted for capital expenditures	\$ -	\$ 166,285
Unassigned budget deficit	(39,933)	(166,285)
<b>Total Fund Balance - Capital Projects Fund</b>	<u>\$ (39,933)</u>	<u>\$ -</u>
 <b><u>Community Development Fund -</u></b>		
Restricted for community block grant Funds	\$ 424,387	\$ 404,138
<b>Total Fund Balance - Community Development Fund</b>	<u>\$ 424,387</u>	<u>\$ 404,138</u>
 <b><u>Nonmajor Governmental Funds -</u></b>		
Nonspendable for prepaid expenses	\$ 3,025	\$ 2,861
Restricted for debt service	177,952	177,952
Restricted for the watershed program	32,756	51,276
Restricted for parks and open spaces	32,620	24,576
Restricted for cemetery fund	36,472	37,017
Assigned for technology	352,110	329,304
<b>Total Fund Balance - Nonmajor Governmental Funds</b>	<u>\$ 634,935</u>	<u>\$ 622,986</u>
<b>Total Fund Balance - All</b>	<u><u>\$ 6,238,968</u></u>	<u><u>\$ 5,873,624</u></u>

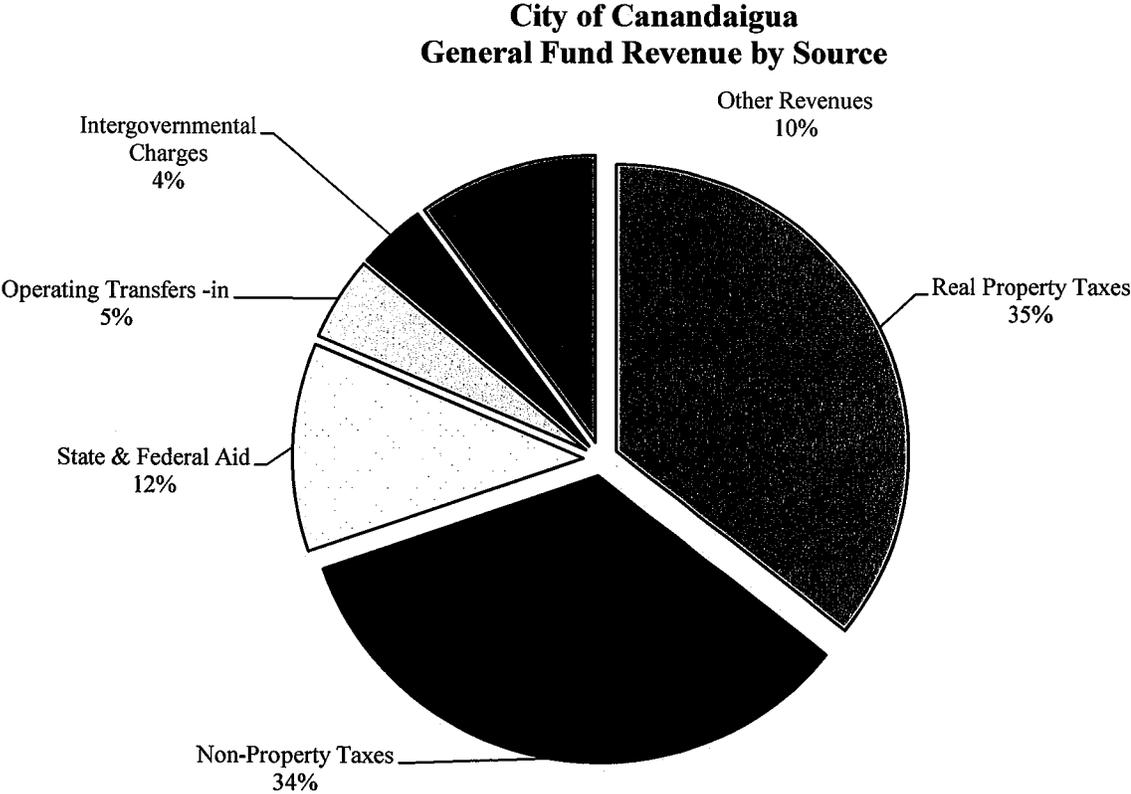
**General Fund**

The City’s general fund is the largest “fund” of the City comprising 62% of the adopted 2014 City budget. Some of the services provided by the general fund are:

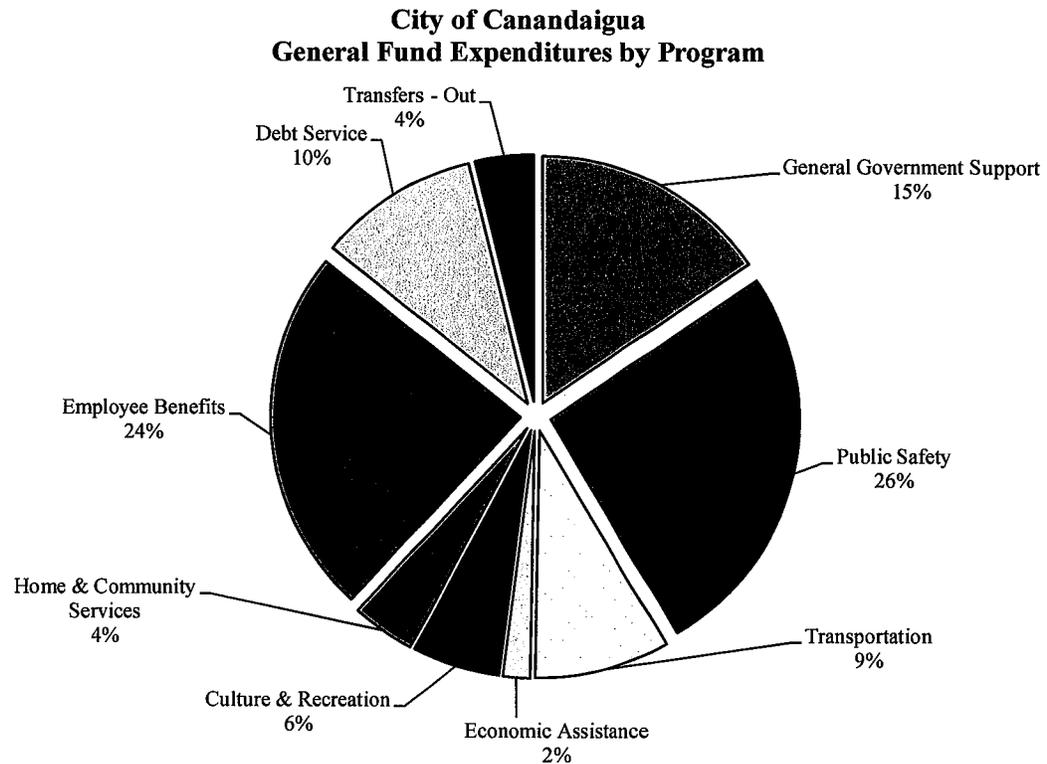
- Issuing and maintaining vital records (birth, death, and marriage certificates) and issuing various state and local licenses and permits;
- Providing public safety services, including police and fire protection and code enforcement;
- Building and maintaining roads and bridges, including snow and ice removal, street lighting and sidewalks;
- Operating and maintaining public parks and offering recreation programs;
- Providing sanitation services including curb-side collection of solid waste and recyclable materials, street sweeping and the maintenance of storm sewers;
- Planting and maintaining an “urban forest” of trees along city streets and on other public property.

In addition to the above programs, the general fund provides support such as administration, accounting and financial management, payroll and personnel, assessment, planning and zoning, legal, etc.

The City relies upon a number of important revenue sources to fund its operating expenses. Property taxes, sales taxes and State aid are the most significant sources of general fund revenue.



Public safety (police and fire services), public works operations, debt service, and employee benefits and other undistributed expenses are the most significant sources of general fund expense.

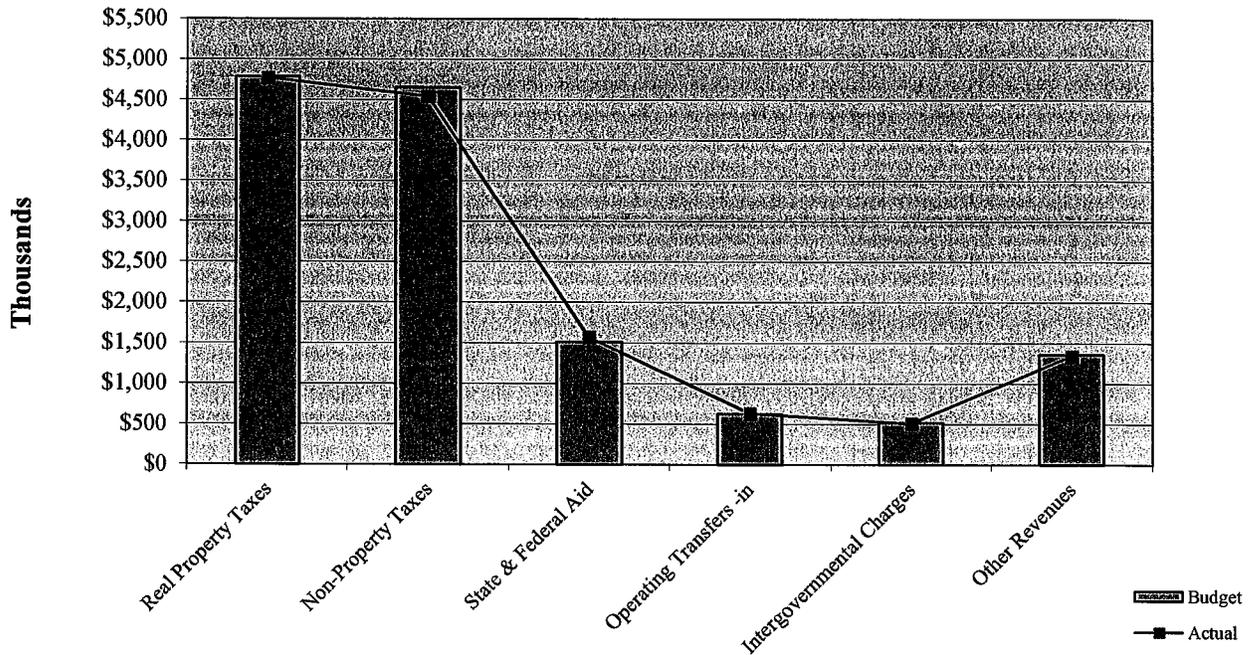


The amended general fund budget in the amount of \$13.9 million anticipated the use of \$486,603 of fund balance and reserves. However, actual results of operations showed an overall increase to fund balance of \$373,079, which resulted in a net increase to fund balance (net of encumbrances) of \$841,433, comparing the actual results to the budget.

General fund revenue overall had a negative variance of \$64,757 as compared to budget. The largest variances were:

- Non-property taxes were \$108,859 below budget due to less than expected sales tax, utilities tax and franchise tax for 2014. All of these items are consumer driven.
- Departmental Income was 14.60% below budget primarily due to the deferment of certain revenues for reimbursement of fees from developers and code enforcement demolition fees on a certain property. There were also less than anticipated fire inspection fees which were offset by less than anticipated expenditures.
- Use of Money and Property were 35.29% below budget due to a continuing decline in anticipated interest rates and the loss of rental income on the transfer station lease contract.
- Licenses and permits were 26.63% below budget due to less than anticipated number of building permits issues for 2014.
- Fines and Forfeitures were 34.99% above budget as a result of an aggressive effort to collect unpaid parking tickets and an increase in court fines due to an increase in traffic enforcement activities.
- The Sale of Property and Compensation for Loss was \$83,072 above budget due to the sale of surplus equipment and worker's compensation reimbursement.
- Federal Aid were 152.96% over budget due to unanticipated reimbursement of funding for the SAFER grant which was extended to 2014 and FEMA funds as a result of storm damage.

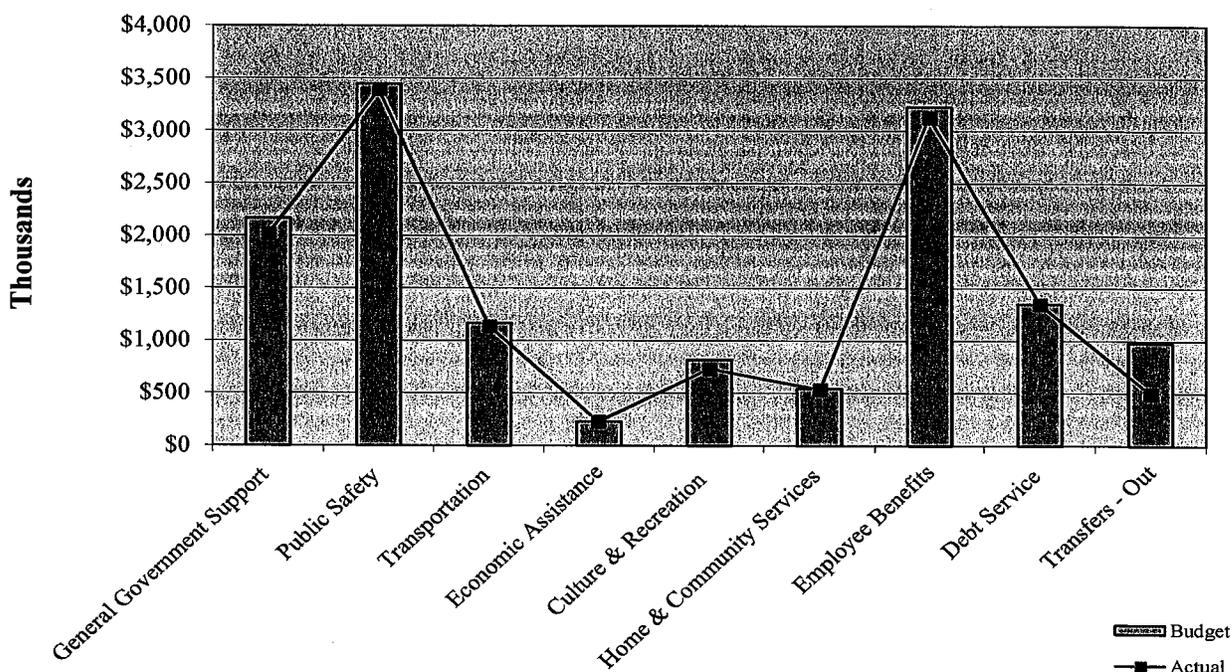
**City of Canandaigua  
Comparison of Budget to Actuals  
General Fund - Revenue by Source**



General fund expenditures reflected an overall positive variance of \$918,815 (net of encumbrances) as compared to the budget. The largest variances were:

- Positive operational variances in all departments totaled \$238,735 of the general fund budget. These were primarily due to contractual expenditures lower than expected.
- One time positive variances represented \$183,894 of the general fund budget. This was primarily due to a vacant position in the parks department as well as employee turnover in other departments.
- The primary factor that resulted in a positive variance to the general fund budget was due to unexpended funds for capital expenditures in the amount of \$485,878.

**City of Canandaigua  
Comparison of Budget to Actuals  
Expenditure Categories**



**Proprietary Funds**

The other two major “funds” of the City are the water fund and the sewer fund, which comprised 15% and 17% of the 2014 adopted City budget, respectively. The services provided by these enterprise funds are:

- Providing drinking water to city residents and selling drinking water to several town water districts; and
- Collecting, treating and discharging wastewater through a sanitary sewer system serving City residents, and providing wastewater treatment services to the county sewer district.

Each of these activities is run like a separate business with its own record of revenue, expenses and cash balances. The City’s proprietary funds provide the same type of information found in the government-wide statements but in more detail.

At the end of the current fiscal year, the City reported total net position for its enterprise funds of \$16.48 million, a decrease of \$94,553 in comparison with the prior year. Of the total net position, \$11.03 million is recorded as an investment in capital assets net of related debt, \$2.82 million is restricted for capital reserves and debt service and the remaining \$2.48 million is unrestricted.

Water Fund - This fund finished the current fiscal year with a decrease in net position of \$33,731. The unrestricted fund balance is \$1.22 million, with an amount reserved for capital expenditures and debt service of \$965,735.

Sewer Fund - This fund finished the current fiscal year with a decrease in net position of \$60,822. The unrestricted fund balance is \$1.26 million, with an amount reserved for capital expenditures and debt service of \$2.00 million.

## GOVERNMENT-WIDE CAPITAL ASSET AND DEBT ADMINISTRATION

At December 31, 2014, the City has \$ 61.59 million (after depreciation is deducted) in a broad range of capital assets including land, buildings, and machinery and equipment and construction in progress. The change in the City's net assets between 2013 and 2014 is reflected below:

### Capital Assets, Net of Depreciation

	December 31, 2014			December 31, 2013		
	Governmental activities	Business-type activities	Total government	Governmental activities	Business-type activities	Total government
Land and land improvements	\$ 10,810,776	\$ 166,464	\$ 10,977,240	\$ 11,114,975	\$ 169,333	\$ 11,284,308
Buildings and improvements	3,508,866	17,276,577	20,785,443	3,737,141	18,356,743	22,093,884
Machinery and equipment	2,894,460	1,867,786	4,762,246	2,986,409	1,274,830	4,261,239
Infrastructure	20,736,725	4,068,351	24,805,076	21,791,994	4,510,981	26,302,975
Construction in progress	211,790	51,573	263,363	121,356	8,313	129,669
<b>Total Capital Assets</b>	<b>\$ 38,162,617</b>	<b>\$ 23,430,751</b>	<b>\$ 61,593,368</b>	<b>\$ 39,751,875</b>	<b>\$ 24,320,200</b>	<b>\$ 64,072,075</b>

Government-Wide Capital Assets - The net decrease in capital assets during the current year amounted to \$1,589,258 and included the following:

- The work in progress for uncompleted projects increased \$152,936 while \$62,503 was capitalized.
- The reconstruction of streets, sidewalks, and parking lots – \$157,067
- The purchase of vehicles and equipment - \$428,996
- Depreciation expense of \$2,247,755 was charged against the assets.

Business-Type Activities Capital Assets - The net decrease in capital assets during the current year amounted to \$889,449 and included the following:

- The work in progress for uncompleted projects increased \$51,573 while \$8,313 was capitalized.
- The purchase of vehicles and equipment - \$796,205
- Depreciation expense of \$1,728,914 was charged against the assets

### LONG-TERM DEBT

At December 31, 2014, the City had \$19.16 million in general obligation and other long-term debt outstanding as follows:

	December 31, 2014			December 31, 2013		
	Governmental activities	Business-type activities	Total government	Governmental activities	Business-type activities	Total government
Serial bonds	\$ 4,905,300	\$ 12,374,700	\$ 17,280,000	\$ 6,054,605	\$ 13,140,395	\$ 19,195,000
Compensated absences	627,383	153,553	780,936	599,345	157,735	757,080
HUD 108 - Serial bond	930,000	-	930,000	1,075,000	-	1,075,000
Other postemployment benefits	119,865	46,034	165,899	169,566	40,174	209,740
<b>Total Long Term Debt</b>	<b>\$ 6,582,548</b>	<b>\$ 12,574,287</b>	<b>\$ 19,156,835</b>	<b>\$ 7,898,516</b>	<b>\$ 13,338,304</b>	<b>\$ 21,236,820</b>

The City in 2014 authorized the issuance of up to \$2,500,000 in serial bonds for street improvements. No debt has been issued against this authorization in 2014. Principal payments on serial bonds totaled \$2,060,000 for the year ending December 31, 2014.

The City is subject to a constitutional debt limit pursuant to Article VIII of the State Constitution and Title 9 Article 2 of the Local Finance Law. This debt limit is equal to 7% of the latest five-year average of the full valuation of all taxable real property within the City. The water fund debt is constitutionally excluded from the debt limit, and the sewer fund debt prior to 2014 is excluded from the debt limit pursuant to Section 124.10 of the Local Finance Law. At December 31, 2014, the City exhausted 15.64% of its constitutional debt capacity and had the authority to issue up to an additional \$38.54 million of general obligation long-term debt.

### **CREDIT RATING**

The City was issued an Aa3 credit rating by Moody's in 2012.

### **FUTURE FINANCIAL IMPLICATIONS**

The 2015 budget for the City of Canandaigua for general, capital, tech, water and sewer funds totaled \$22.91 million.

#### **General Fund:**

The general fund increase for 2015 was 1.72% over the 2014 budget. Employee wages and benefits, which represent 67% of the budget, increased 4.2% over the prior year, while the remaining expenditures decreased 2.9%. Increases in wages and benefits are a result of negotiated wage increases of 3%, health care cost increases of 10-12%, and increases in retiree health insurance. We continue to manage these costs by negotiating higher contributions from our employees and by our continued participation in the FLHMT Health care consortium. Retirement costs have begun to level off as the stock market improves and new hires are covered by the new retirement Tiers V and VI, however retirement expenditures are still at extraordinary high levels with average contributions just over 19% for the ERS and 26% for the Police and Fire System. The City continues with the on-going challenge of funding the costs for retiree benefits. We have budgeted for an increase in this area due to the number of employees eligible to retire.

Our biggest challenge has been to provide the same level of service to our residents while experiencing significant pressures on our revenue streams. The choice to stay within the 2% tax cap put into effect by New York State has limited our ability to raise revenue. Property tax rates increased to \$6.86 per thousand which represents a .43% increase in the tax rate. We also experienced stagnant or reduced non-property tax revenue in 2014 and as a result decreased the 2015 budget in this area.

The City has made it a practice to maintain healthy fund balances, and has made a commitment to develop dedicated reserves for our capital needs. In 2015 the City will fund the debt service fund with a set amount each year to payoff current and future serial bonds. Contributions to the capital reserve and the debt service fund will enable the general fund to maintain a level expenditure output.

Although these practices have enabled us to maintain our financial health despite adverse changes in the economic climate, the 2015 budget projects an appropriation from fund balance of \$547,771. City staff will be reviewing all of our service levels with City Council to determine what changes we can make to maintain a balanced budget. We have an agreement with the City of Geneva to share an assessor and are reviewing a proposal for solar energy to reduce our energy costs.

**Business-type Activities:**

Water and sewer rates are based on the estimated costs and the estimated consumption. Consumption levels can fluctuate drastically due to weather conditions.

The water rate for residents did not increase in 2015 and \$25,001 was appropriated from fund balance. The town water rate increased 2.17%, which is based on the prior year actual expenditures and water consumption. The sewer rate for residents increased 8.4% in 2015 and \$134,663 was appropriated from fund balance. Expenditures have exceeded income due to increased payments to the reserve account to pay for major upgrades to the sewer plant. We anticipate that this level of increase will level off for the 2016 budget.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances. If you would like additional information, please contact:

DAVID R. FORREST  
CITY MANAGER  
TWO NORTH MAIN STREET  
CANANDAIGUA, NEW YORK 14424  
585-396-5000

**CITY OF CANANDAIGUA, ONTARIO COUNTY, NEW YORK**

**Statement of Net Position**

**December 31, 2014**

<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Cash and cash equivalents	\$ 5,215,100	\$ 4,568,056	\$ 9,783,156
Accounts receivable, net	2,676,028	1,493,023	4,169,051
Prepaid items	376,287	76,695	452,982
<b>Capital assets:</b>			
Land and work in progress	4,418,359	215,645	4,634,004
Other capital assets, net of depreciation	33,744,258	23,215,106	56,959,364
<b>TOTAL ASSETS</b>	<b>\$ 46,430,032</b>	<b>\$ 29,568,525</b>	<b>\$ 75,998,557</b>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	\$ 265,000	\$ 424,901	\$ 689,901
Accrued liabilities	315,124	94,137	409,261
<b>Noncurrent liabilities:</b>			
Due in one year	1,287,646	777,589	2,065,235
Due in more than one year	5,294,902	11,796,698	17,091,600
<b>TOTAL LIABILITIES</b>	<b>\$ 7,162,672</b>	<b>\$ 13,093,325</b>	<b>\$ 20,255,997</b>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 33,219,612	\$ 11,029,493	\$ 44,249,105
<b>Restricted for:</b>			
Capital reserves	1,237,394	2,822,481	4,059,875
Reserve for debt	177,952	147,933	325,885
Restricted other purposes	944,120	-	944,120
Unrestricted	3,688,282	2,475,293	6,163,575
<b>TOTAL NET POSITION</b>	<b>\$ 39,267,360</b>	<b>\$ 16,475,200</b>	<b>\$ 55,742,560</b>

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

CITY OF CANANDAIGUA, ONTARIO COUNTY, NEW YORK

Statement of Activities

For the Year Ended December 31, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions		Primary Government			
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
<b>Primary Government:</b>								
<b>Governmental Activities:</b>								
General government support	\$ 2,910,446	\$ 859,372	\$ 16,552	\$ -	\$ (2,034,522)	\$ -	\$ -	\$ (2,034,522)
Public safety	5,443,349	942,046	57,615	-	(4,443,688)	-	-	(4,443,688)
Transportation	2,923,340	-	128,319	174,069	(2,620,952)	-	-	(2,620,952)
Economic assistance and development	307,668	-	-	49,548	(258,120)	-	-	(258,120)
Culture and recreation	1,213,279	240,990	36,733	10,850	(924,706)	-	-	(924,706)
Home and community services	900,642	222,595	184	-	(677,863)	-	-	(677,863)
Interest on long-term debt	208,270	-	-	-	(208,270)	-	-	(208,270)
<b>Total Governmental Activities</b>	<b>\$ 13,906,994</b>	<b>\$ 2,265,003</b>	<b>\$ 239,403</b>	<b>\$ 234,467</b>	<b>\$ (11,168,121)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (11,168,121)</b>
<b>Business-Type Activities:</b>								
Water fund	\$ 2,794,612	\$ 3,028,640	\$ -	\$ -	\$ -	\$ 234,028	\$ -	\$ 234,028
Sewer fund	2,836,739	2,757,444	-	-	-	(79,295)	-	(79,295)
<b>Total Business-Type Activities</b>	<b>\$ 5,631,351</b>	<b>\$ 5,786,084</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 154,733</b>	<b>\$ -</b>	<b>\$ 154,733</b>
<b>Total Primary Government</b>	<b>\$ 19,538,345</b>	<b>\$ 8,051,087</b>	<b>\$ 239,403</b>	<b>\$ 234,467</b>	<b>\$ (11,168,121)</b>	<b>\$ 154,733</b>	<b>\$ 154,733</b>	<b>\$ (11,013,388)</b>
<b>General Revenues:</b>								
<b>Taxes:</b>								
Property taxes					\$ 4,775,657	\$ -	\$ -	\$ 4,775,657
Non-property taxes					4,542,304	-	-	4,542,304
Mortgage tax					167,583	-	-	167,583
Unallocated state and federal aid					1,119,304	-	-	1,119,304
Compensation for loss					88,372	-	-	88,372
Investment earnings					192,644	7,322	-	199,966
Miscellaneous					18,756	33,392	-	52,148
<b>Total General Revenues</b>					<b>\$ 10,904,620</b>	<b>\$ 40,714</b>	<b>\$ -</b>	<b>\$ 10,945,334</b>
<b>Special Items and Transfers:</b>								
Transfers					\$ 290,000	\$ (290,000)	\$ -	\$ -
<b>Total General Revenues and Special Items</b>					<b>\$ 11,194,620</b>	<b>\$ (249,286)</b>	<b>\$ -</b>	<b>\$ 10,945,334</b>
Change in Net Position					\$ 26,499	\$ (94,553)	\$ -	\$ (68,054)
<b>Net Position - Beginning</b>					<b>39,240,861</b>	<b>16,569,753</b>	<b>55,810,614</b>	<b>55,810,614</b>
<b>Net Position - Ending</b>					<b>\$ 39,267,360</b>	<b>\$ 16,475,200</b>	<b>\$ 55,742,560</b>	<b>\$ 55,742,560</b>

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

**CITY OF CANANDAIGUA, ONTARIO COUNTY, NEW YORK**

**Balance Sheet  
Governmental Funds  
December 31, 2014**

	<u>General Fund</u>	<u>Major Capital Projects Fund</u>	<u>Community Development Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 4,099,751	\$ -	\$ 499,240	\$ 616,109	\$ 5,215,100
Receivables, net	555,395	-	230,206	24,566	810,167
Due from Other funds	186,333	-	-	-	186,333
Due from other governments, net	651,017	-	-	-	651,017
State and federal aid receivable	136,216	148,628	-	-	284,844
Prepaid items	373,262	-	-	3,025	376,287
<b>Total Assets</b>	<u>\$ 6,001,974</u>	<u>\$ 148,628</u>	<u>\$ 729,446</u>	<u>\$ 643,700</u>	<u>\$ 7,523,748</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable and other current liabilities	\$ 140,047	\$ 2,228	\$ 2,874	\$ 6,906	\$ 152,055
Accrued liabilities	292,536	-	1,338	1,859	295,733
Due to other funds	-	186,333	-	-	186,333
Due to other governments	42,304	-	-	-	42,304
Overpayments and collections in advance	-	-	70,641	-	70,641
<b>Total Liabilities</b>	<u>\$ 474,887</u>	<u>\$ 188,561</u>	<u>\$ 74,853</u>	<u>\$ 8,765</u>	<u>\$ 747,066</u>
<b>Deferred Inflows:</b>					
Deferred inflows of resources	\$ 307,508	\$ -	\$ 230,206	\$ -	\$ 537,714
<b>Fund Balances:</b>					
Nonspendable	\$ 373,262	\$ -	\$ -	\$ 3,025	\$ 376,287
Restricted	1,422,216	-	424,387	279,800	2,126,403
Assigned	239,554	-	-	352,110	591,664
Unassigned	3,184,547	(39,933)	-	-	3,144,614
<b>Total Fund Balances</b>	<u>\$ 5,219,579</u>	<u>\$ (39,933)</u>	<u>\$ 424,387</u>	<u>\$ 634,935</u>	<u>\$ 6,238,968</u>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<u>\$ 6,001,974</u>	<u>\$ 148,628</u>	<u>\$ 729,446</u>	<u>\$ 643,700</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	38,162,617
Interest is accrued on outstanding bonds in the statement of net assets but not in the funds.	(19,391)
Long-term receivable for HUD 108 program	930,000
Accounts receivable HUD loans	230,206
Accounts receivable Taxes	43,390
Accounts receivable - other	264,118
The following long-term obligations are not due and payable in the current period, therefore are not reported in the governmental funds:	
Serial Bonds Payable	(4,905,300)
HUD 108 Loan Payable	(930,000)
OPEB Liability	(119,865)
Compensated absences are not reported in the funds under fund accounting but are expensed as the liability is incurred in the statement of net position.	(627,383)
<b>Net Position of Governmental Activities</b>	<u>\$ 39,267,360</u>

**CITY OF CANANDAIGUA, ONTARIO COUNTY, NEW YORK**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2014**

	Major			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Capital Projects Fund	Community Development Fund		
<b>Revenues:</b>					
Real property and tax items	\$ 4,771,686	\$ -	\$ -	\$ -	\$ 4,771,686
Non-property taxes	4,542,304	-	-	-	4,542,304
Departmental income	827,014	-	-	8,000	835,014
Intergovernmental charges	508,069	-	-	92,000	600,069
Use of money and property	26,711	-	47	168,328	195,086
Licenses and permits	82,389	-	-	-	82,389
Fines and forfeitures	293,235	-	-	-	293,235
Sale of property and compensation for loss	88,372	-	-	-	88,372
Miscellaneous	22,592	-	160,400	872	183,864
Interfund revenues	341,800	-	-	-	341,800
State and county aid	1,478,230	129,394	49,548	184	1,657,356
Federal aid	91,552	-	37,416	-	128,968
<b>Total Revenues</b>	<b>\$ 13,073,954</b>	<b>\$ 129,394</b>	<b>\$ 247,411</b>	<b>\$ 269,384</b>	<b>\$ 13,720,143</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government support	\$ 2,009,600	\$ 8,321	\$ -	\$ 145,520	\$ 2,163,441
Public safety	3,392,425	89,279	-	-	3,481,704
Transportation	1,125,155	380,388	-	-	1,505,543
Economic assistance and development	229,141	-	49,548	-	278,689
Culture and recreation	731,191	184,661	-	-	915,852
Home and community services	534,968	-	17,214	83,923	636,105
Employee benefits	3,126,803	-	-	27,992	3,154,795
<b>Debt Service:</b>					
Debt service - principal	1,149,305	-	145,000	-	1,294,305
Debt service - interest and other charges	198,965	-	15,400	-	214,365
<b>Total Expenditures</b>	<b>\$ 12,497,553</b>	<b>\$ 662,649</b>	<b>\$ 227,162</b>	<b>\$ 257,435</b>	<b>\$ 13,644,799</b>
Excess (deficiency) of revenue over expenditures	\$ 576,401	\$ (533,255)	\$ 20,249	\$ 11,949	\$ 75,344
<b>Other Financing Sources and Uses:</b>					
Transfers - in	\$ 290,000	\$ 493,322	\$ -	\$ -	\$ 783,322
Transfers - out	(493,322)	-	-	-	(493,322)
<b>Total Other Financing Sources and Uses</b>	<b>\$ (203,322)</b>	<b>\$ 493,322</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 290,000</b>
Net change in fund balances	\$ 373,079	\$ (39,933)	\$ 20,249	\$ 11,949	\$ 365,344
<b>Fund Balance - Beginning</b>	<b>4,846,500</b>	<b>-</b>	<b>404,138</b>	<b>622,986</b>	<b>5,873,624</b>
<b>Fund Balance - Ending</b>	<b>\$ 5,219,579</b>	<b>\$ (39,933)</b>	<b>\$ 424,387</b>	<b>\$ 634,935</b>	<b>\$ 6,238,968</b>

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

**CITY OF CANANDAIGUA, ONTARIO COUNTY, 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, 2014**

**Net Change in Fund Balances - Total Governmental Funds** \$ 365,344

**Amounts reported for governmental activities in the statement of activities are different because:**

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

Capital outlay	\$ 152,936	
Addition of assets, net of disposals	505,560	
Depreciation	<u>(2,247,754)</u>	(1,589,258)

Bond and installment purchase debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term obligations in the statement of net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the statement of net position. The following details these items as they effect the governmental activities:

Debt repayment	\$ 1,294,305	
Receipts for Section 108 HUD bond	<u>(145,000)</u>	1,149,305

Amounts received from borrowers on the City's HUD loan program are recorded as revenues in the governmental funds, but are recorded against the loan receivable balance in the statement of net position. (34,617)

Revenues in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the funds. 107,967

Compensated absences represents the value of the earned and unused portion of the liability for vacation and compensatory time. They are reported in the statement of activities but do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the net change of compensated absences. (28,038)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 6,095

Other postemployment benefits represent the value of the unfunded portion of the cost of benefits for current employees upon retirement. They are reported in the statement of activities but do not require the use of current financial resources and therefore, is not reported as an expenditure in the governmental funds. 49,701

**Change in Net Position of Governmental Activities** \$ 26,499

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

**CITY OF CANANDAIGUA, ONTARIO COUNTY, NEW YORK**

**Statement of Net Position**

**Proprietary Funds**

**December 31, 2014**

	<u>Business-Type Activities</u>		<u>Total</u>
	<u>Water</u>	<u>Sewer</u>	<u>Business-Type</u>
<b>ASSETS</b>	<b>Fund</b>	<b>Fund</b>	<b>Activities</b>
Cash and cash equivalents	\$ 1,735,767	\$ 2,832,289	\$ 4,568,056
Accounts receivable, net	828,156	410,070	1,238,226
Due from other governments	-	254,797	254,797
Prepaid items	41,740	34,955	76,695
<b>Capital assets:</b>			
Land and work in progress	79,030	136,615	215,645
Other capital assets, net of depreciation	8,914,471	14,300,635	23,215,106
<b>TOTAL ASSETS</b>	<u>\$ 11,599,164</u>	<u>\$ 17,969,361</u>	<u>\$ 29,568,525</u>
 <b>LIABILITIES</b>			
Accounts payable and other current liabilities	\$ 240,673	\$ 184,228	\$ 424,901
Accrued liabilities	70,228	23,909	94,137
<b>Noncurrent liabilities:</b>			
Due in one year	310,069	467,520	777,589
Due in more than one year	4,932,639	6,864,059	11,796,698
<b>TOTAL LIABILITIES</b>	<u>\$ 5,553,609</u>	<u>\$ 7,539,716</u>	<u>\$ 13,093,325</u>
 <b>NET POSITION</b>			
Net investment in capital assets	\$ 3,867,822	\$ 7,161,671	11,029,493
<b>Restricted for:</b>			
Capital Reserves	893,117	1,929,364	2,822,481
Debt service	72,618	75,315	147,933
Unrestricted	1,211,998	1,263,295	2,475,293
<b>TOTAL NET POSITION</b>	<u>\$ 6,045,555</u>	<u>\$ 10,429,645</u>	<u>\$ 16,475,200</u>

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

**CITY OF CANANDAIGUA, ONTARIO COUNTY, NEW YORK**  
**Statement of Revenues, Expenditures and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2014**

	<u>Business-Type Activities</u>		<u>Total Business-Type Activities</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	
<b><u>Operating Revenues:</u></b>			
Charges for services	\$ 3,028,640.00	\$ 2,757,444.00	\$ 5,786,084.00
Rental of real property	5,240	-	5,240
Other operating revenue	-	770	770
<b>TOTAL OPERATING REVENUE</b>	<b>\$ 3,033,880</b>	<b>\$ 2,758,214</b>	<b>\$ 5,792,094</b>
<b><u>Operating Expenses:</u></b>			
Salaries	\$ 669,293	\$ 478,493	\$ 1,147,786
Benefits	400,704	307,969	708,673
Purchased services	909,057	730,380	1,639,437
Depreciation	585,203	1,143,710	1,728,913
Other expenses	17,348	9,186	26,534
<b>TOTAL OPERATING EXPENSE</b>	<b>\$ 2,581,605</b>	<b>\$ 2,669,738</b>	<b>\$ 5,251,343</b>
<b>OPERATING INCOME OR (LOSS)</b>	<b>\$ 452,275</b>	<b>\$ 88,476</b>	<b>\$ 540,751</b>
<b><u>Nonoperating Revenue (Expense):</u></b>			
Interest	\$ 2,873	\$ 4,449	\$ 7,322
Gain (loss) on disposal of assets	1,419	4,995	6,414
Miscellaneous	12,709	8,259	20,968
Debt service interest	(213,007)	(167,001)	(380,008)
<b>TOTAL NONOPERATING REVENUE (EXPENSE)</b>	<b>\$ (196,006)</b>	<b>\$ (149,298)</b>	<b>\$ (345,304)</b>
<b>Income (Loss) Before Operating Transfers</b>	<b>\$ 256,269</b>	<b>\$ (60,822)</b>	<b>\$ 195,447</b>
Transfers out (to governmental funds)	(290,000)	-	(290,000)
<b>CHANGE IN NET POSITION</b>	<b>\$ (33,731)</b>	<b>\$ (60,822)</b>	<b>\$ (94,553)</b>
<b>TOTAL NET POSITION, BEGINNING</b>	<b>6,079,286</b>	<b>10,490,467</b>	<b>16,569,753</b>
<b>TOTAL NET POSITION, ENDING</b>	<b>\$ 6,045,555</b>	<b>\$ 10,429,645</b>	<b>\$ 16,475,200</b>

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

**CITY OF CANANDAIGUA, ONTARIO COUNTY, NEW YORK**

**Statement of Cash Flows**

**Proprietary Funds**

**December 31, 2014**

	<u>Business-Type Activities</u>		<u>Total Business-Type Activities</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>			
Cash received for services provided	\$ 2,971,387	\$ 2,692,107	\$ 5,663,494
Cash payments to suppliers for goods and services	(911,463)	(781,891)	(1,693,354)
Cash payments to employees and benefits	(1,068,256)	(714,429)	(1,782,685)
Miscellaneous cash received.	5,240	770	6,010
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 996,908</b>	<b>\$ 1,196,557</b>	<b>\$ 2,193,465</b>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>			
Principal payments of Debt (Capital)	\$ (287,000)	\$ (478,695)	\$ (765,695)
Interest expense (Capital)	(213,429)	(167,383)	(380,812)
Interfund transfers	(290,000)	-	(290,000)
Purchases of capital assets	(169,661)	(726,688)	(896,349)
Other receipts	14,128	13,254	27,382
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>\$ (945,962)</b>	<b>\$ (1,359,512)</b>	<b>\$ (2,305,474)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>			
Interest income	\$ 2,874	\$ 4,449	\$ 7,323
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>\$ 2,874</b>	<b>\$ 4,449</b>	<b>\$ 7,323</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>\$ 53,820</b>	<b>\$ (158,506)</b>	<b>\$ (104,686)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<b>1,681,947</b>	<b>2,990,795</b>	<b>4,672,742</b>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<b>\$ 1,735,767</b>	<b>\$ 2,832,289</b>	<b>\$ 4,568,056</b>
<b>OPERATING INCOME (LOSS)</b>	<b>\$ 452,275</b>	<b>\$ 88,476</b>	<b>\$ 540,751</b>
<b><u>ADJUSTMENT TO RECONCILE INCOME TO NET CASH BY OPERATING ACTIVITIES -</u></b>			
Depreciation	\$ 585,203	\$ 1,143,710	\$ 1,728,913
(Increase) decrease in accounts receivable	(57,313)	(66,137)	(123,450)
(Increase) decrease in prepaid items	2,660	(1,369)	1,291
Increase (decrease) in accounts payable and accrued liab	16,337	27,945	44,282
Increase (decrease) in compensated absences	(8,114)	3,932	(4,182)
Increase (decrease) in other postemployment benefits	5,860	-	5,860
<b>TOTAL ADJUSTMENTS</b>	<b>\$ 544,633</b>	<b>\$ 1,108,081</b>	<b>\$ 1,652,714</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 996,908</b>	<b>\$ 1,196,557</b>	<b>\$ 2,193,465</b>

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

**CITY OF CANANDAIGUA, ONTARIO COUNTY, NEW YORK**

**Statement of Fiduciary Net Position**

**Fiduciary Funds**

**December 31, 2014**

	<b>Agency Funds</b>
	<u>          </u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 40,875
Accounts receivable	<u>233</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 41,108</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 3,573
Tax sale surplus	7,782
Other liabilities	<u>29,753</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 41,108</u></u>

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

# CITY OF CANANDAIGUA, ONTARIO COUNTY, NEW YORK

## Notes To The Basic Financial Statements

December 31, 2014

### I. Summary of Significant Accounting Policies:

The financial statements of the City of Canandaigua, Ontario County, New York (the City) have been prepared in conformity with generally accepted accounting principles (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. Financial Reporting Entity

The City is governed by its charter of the City of Canandaigua, the General City Law, other general laws of the State of New York and various local laws and ordinances. The City Council, which is the legislative body responsible for the overall operation of the City, consists of the Mayor and eight Councilpersons. The City manager serves as Chief Administrative Officer and Chief Fiscal Officer of the City.

The City provides the following basic services to all residents of the City: police protection and law enforcement, firefighting and prevention, a water treatment plant and distribution system, a sewage treatment plant and collection system, a traffic control system, street lighting, a street maintenance force (including construction, repair and snow/ice removal), recreation facilities and programs, refuse and garbage removal, community development and a staff to provide the necessary support for these services.

All governmental activities and functions performed by the City are its direct responsibility, no other governmental organizations have been included or excluded from the reporting entity.

The City defines its reporting entity in accordance with GASB Statement No. 14 as amended by GASB Statement No. 39 of the Governmental Accounting Standards Board (GASB), *Financial Reporting Entity*. The statements define the primary government, and redefine and establish the criteria for which potential component units are included in the reporting entity. They also define financial accountability of the primary government as being determined on the basis of fiscal dependency, appointment of a voting majority of a governing 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. Based on the criteria under this Statement, there are no component units required to be included in the reporting entity.

#### B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

##### 1. Government-Wide Statements

The Statement of Net Position and the Statement of Activities display information about the City as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds.

(I.) (Continued)

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the Proprietary Fund Financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which governmental function is self-financing or draws from the general operating fund.

**2. Fund Financial Statements**

Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Nonmajor funds are aggregated and presented in a single column. Business-type activities are aggregated and presented in a single column on the face of the Proprietary Fund Statements. Fiduciary Funds are reported by fund type.

The Governmental Funds are accounted for on the "flow of current financial resources" measurement focus. This measurement focus is based on the concept of accountability, which includes measuring interperiod equity whether current year revenues were sufficient to pay for current year services. The Proprietary Fund is accounted for on an "economic resources" measurement focus. Accordingly, the Statement of Revenues, Expenses and Changes in Fund Net Position for the Proprietary Fund Reports increases and decreases in total economic net worth. The private purpose trust fund is reported using the economic resources measurement focus.

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

**1. Major Governmental Funds**

**General Fund** - the principal operating fund that includes all operations not required to be recorded in other funds.

**Capital Projects Fund** - used to account for financial resources to be used for the acquisition, construction or renovation of capital facilities; or the acquisition of equipment.

( I. ) (Continued)

**Community Development Fund** – used to account for taxes, user fees or other revenues which are raised or received to provide special services to areas that may or may not encompass the whole City.

2. **Non-Major Governmental Funds**

The other funds which do not meet the major fund criteria are aggregated and reported as non-major other governmental funds. The following are reported as non-major other governmental funds.

**Debt Service Fund** - used to account for financial resources accumulated in a reserve for payment of future principal and interest on long-term indebtedness.

**Special Revenue Funds** - used to account for taxes, user fees, or other revenues which are raised or received to provide special services to areas that may or may not encompass the whole City. The following are non-major special revenue funds utilized by the City:

Watershed Program	Technology
Parks & Open Spaces	Cemetery

b. **Proprietary Funds**

Proprietary funds are used to account for ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. 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 Funds's principal ongoing operations. Operating expenses include salaries, benefits, administrative expenses, claims paid. All items not meeting this definition are reported as nonoperating revenues and expenses.

**Enterprise Funds** – are used to account for those operations that provide a service and are financed primarily by a user charge for that service. The City's Enterprise Fund includes the Water and Sewer Funds.

c. **Fiduciary Funds**

Fiduciary funds are used to account for assets held by the local government in a trustee or custodial capacity.

**Agency Fund** - is custodial in nature and does not present results of operations or have measurement focus. The Agency Fund is accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity.

3. **Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and Fiduciary Funds also use the accrual basis of accounting.

a. **Modified Accrual**

Under the modified accrual basis, revenues are recognized in the accounting period in which they become susceptible to accrual, i.e., both available and measurable. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include ad valorem taxes, reimbursable-type grants, City clerk fees and snow and ice reimbursements. The City considers all revenues as available if collected within one year from the balance sheet date. Property taxes are recognized when taxes are received. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due and compensated absences which are recorded when due/paid.

In applying the susceptible to accrual concept to revenues from Federal and State sources, the legal contractual requirements of the numerous individual programs are used as guidance. Revenue from grants and entitlements is recognized when all eligibility requirements have been satisfied. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before the City will receive any amounts; therefore, revenues are recognized based upon the occurrence of expenditures. In the other type, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed legal and contractual requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. In all cases, monies received before the revenue recognition criteria have been met are reported as deferred revenue.

b. **Accrual**

Proprietary and Fiduciary Funds are accounted for using the accrual basis of accounting. Under this basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred regardless of the timing of cash inflows and outflows. Capital assets, the related debt and other long-term liabilities related to activities of the Proprietary and Fiduciary fund types are recorded within these funds.

Operating revenues and expenses generally result from the proprietary funds' principal operations, providing services and producing and delivering goods. Non-operating revenues and expenses are reported as capital and related financing activities, noncapital financing activities, or investing activities which normally would not be reported as components of operating income.

( I. ) (Continued)

C. Assets, Liabilities, and Equity

1. Cash and Investments

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

State statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions.

Investments are stated at cost, which approximates market value.

2. Receivables

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include taxes, sales tax, and state aid.

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital Assets

Capital assets represent the cumulative amount of capital assets owned by the City. Purchased assets are recorded as expenditures in the fund financial statements and are capitalized at cost on the government-wide statement of net position. In the case of gifts or contributions, such assets are recorded at fair market value at the time received.

Prior to January 1, 2004, governmental funds' infrastructure assets were not capitalized. These assets (back to January 1, 1974) have been valued at estimated historical cost.

A capitalization threshold of \$10,000 is used to report capital assets. Other costs incurred for repairs and maintenance are expensed as incurred. All reported capital assets except land and construction in progress are depreciated. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Class</u>	<u>Life in Years</u>
Buildings	40 Years
Water and Sewer System/ Infrastructure	50 Years
Equipment	4-20 Years

**5. Unearned Revenue/Overpayments**

The City reports unearned revenues in its basic financial statements. Unearned revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the City has legal claim to resources, the liability for unearned revenue is removed and revenue is recognized.

**6. Accrued Liabilities and Long-Term Obligations**

Payables, accrued liabilities and long-term obligations are reported in the City-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, other post-employment benefits payable and compensated absences that will be paid from governmental funds are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the City's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Position.

**a. Compensatory Absences**

City employees are granted vacation and sick leave and earn compensatory absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and sick leave and unused compensatory absences at various rates subject to certain maximum limitations.

Compensated absences for governmental fund type employees are reported as a liability and expenditure in the government-wide financial statements are dependent on many factors; therefore, the timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payment of compensated absences when such payments become due.

Compensated absences are accrued when incurred in the proprietary funds and are recognized when paid in the governmental funds.

**b. Postemployment Benefits**

In addition to providing pension benefits, the City provides certain health care benefits to retired employees. Retired employees with at least 15 years of service are allowed to participate in the City's group medical insurance plan until they reach the age of 65. Retired employees reaching age 65 may continue participation in the plan but must reimburse the City for the premium. The City recognizes the cost of providing these benefits by expensing the annual insurance premiums which totaled \$438,342 for 34 retirees and/or their surviving spouses for the year ended December 31, 2014.

( I. ) (Continued)

7. **Deferred Inflows**

The City reports deferred inflows in its basic financial statements. Deferred inflows arises when revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred inflows also arises when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the City has legal claim to resources, the deferred inflows are removed and revenue is recognized.

8. **Encumbrances**

For financial reporting purposes encumbrances have been reclassified to assigned fund balance on the governmental funds for general fund and assigned or restricted fund balance in the capital fund. Encumbrance accounting, under which purchase orders, contracts or other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in the general, City-wide capital improvement project and nonmajor funds.

9. **Equity Classifications**

a. **Government-Wide and Proprietary Fund Statements**

Equity is classified as net position and displayed in three components:

1. **Net investment in capital assets** - consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Additionally, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should be included in this component of net position.
2. **Restricted net position** - consists of restricted assets (i.e. restrictions imposed by (1). external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enable legislation) reduced by liabilities and deferred inflows related to those assets.
3. **Unrestricted net position** - consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investments in capital assets or the restricted component of net position.

( I. ) (Continued)

b. **Financial Statements –Fund Balance**

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used.

2. **Nonspendable fund balance** – Amounts that are not in a spendable form (i.e. inventory or prepaids) or are legally or contractually required to be maintained intact.
3. **Restricted fund balance** – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
4. **Assigned fund balance** – Amounts a government intends to use for a specific purpose; intent can be expressed by the Board or by an official or body to which the Board delegates the authority.
5. **Unassigned fund balance** – Amounts that are available for City purposes pursuant to any Municipal Law restrictions. Any positive amounts are reported only in the general fund.

c. The Board has passed the following policies that relate to GASB No. 54:

1. **Assigned fund balance** – The purchasing agent is responsible for all of the purchasing activities of the City and therefore, is designated as having the authority to assign amounts intended to be used for a specific purpose. (Encumbrances at year-end will now be considered assigned funds.)

The City Council has the authority to assign fund balance for the purpose of tax reduction on an annual basis. (Appropriation of fund balance for ensuing year's budget)

2. **Spending policy** – Resources will generally be spent from Budgetary Appropriations first. Utilization of reserve funds will be determined based on the legal appropriation of such funds which require either the City Board and/or City voter approval. Furthermore, assigned amounts will be considered expended when the transaction for which the assignment was made does occur.
3. **Order of fund balance** – The City's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year.

For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Special revenue fund balances are classified as assigned, and any remaining fund balance amounts other than the General Fund are classified as restricted.

(I.) (Continued)

In the General Fund, assigned fund balance is determined before the remaining amounts which are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

It is possible for the funds to have negative unassigned fund balance when nonspendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance.

**D. Revenues, Expenditures/Expenses**

**1. Revenues**

*Real property taxes* are levied annually no later than December 15 and become a lien on May 1. Taxes are collected during the period May 1 to December 17. Taxes which remain unpaid after the collection period are enforced pursuant to the tax sale provisions in the City charter.

In addition to the liens for taxes levied for City purposes, the City assumes full enforcement responsibility for taxes levied by the County of Ontario and the Canandaigua City School District on properties within the City. The City pays to the County the full amount of the taxes to be collected on their behalf. Unpaid County and School District liens are added to liens for City taxes at the time of tax sales.

The City is permitted by the Constitution of New York State to levy taxes up to 2% of the five-year average full assessed valuations for general governmental services other than the payment of debt service and capital expenditures. The City utilizes a full value system, assessing all properties at 100% of full market value. For the year ended December 31, 2014, the City had a legal margin of approximately \$11,812,355.

No allowance for uncollectible taxes is recorded since such amounts, if any, are considered to be immaterial in nature. Taxes not collected within 60 days of year-end are recorded as unearned revenues. These amounts will be recognized as revenue when they are received.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and, 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

**2. Expenditures/Expenses**

In the government-wide financial statements, expenses are classified by function for governmental activities.

In the fund financial statements, expenditures are classified as follows:



(I.) (Continued)

**G. Impact of Recently Issued Accounting Principles**

**1. Changes in Accounting Standards**

At December 31, 2014, the City implemented the following new standards issued by GASB:

The GASB has issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, which will be effective for the year ending December 31, 2014.

The GASB has issued Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees*, which will be effective for the year ending December 31, 2014.

**2. Recently Issued Accounting Pronouncements**

The GASB has issued Statement No. 68, *Accounting and Reporting for Pension Plans – an Amendment of GASB Statement No. 27*, which will be effective for the year ending December 31, 2015.

The GASB has issued Statement No. 71, *Accounting and Reporting for Pension Plans – an Amendment of GASB Statement No. 68*, which will be effective for the year ending December 31, 2015.

The GASB has issued Statement No. 72, *Fair Value Measurement and Application*, which will be effective for the year ending December 31, 2016.

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

**II. Stewardship, Compliance and Accountability:**

By its nature as a local government unit, the City is subject to various federal, state and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

**A. Budgetary Data**

Annual budgets are adopted for the general, tech, capital, and enterprise funds only. Formal annual budgets are not prepared for the City's remaining special revenue, debt service and capital projects funds.

**1. Budget Policies - The budget policies are as follows:**

a. No later than November 1, the budget officer submits a tentative budget to the City Council the following year commencing the following January 1. The tentative budget includes appropriations and the proposed means of financing them. The general fund's budget is prepared on a departmental basis in which expenditures may not legally exceed appropriations on a departmental level.

( II. ) (Continued)

- b. After public hearings are conducted to obtain taxpayer comments, no later than December 15, the City Council adopts the budget.
- c. All modifications of the budget must be approved by the City Council.
- d. Budgetary controls are established for the capital projects fund through resolutions authorizing individual projects which remain in effect for the life of the project.

2. **Budget Basis of Accounting**

Budget(s) are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year. Budgetary comparison schedules are presented in the financial statements.

3. **Revenue Restrictions**

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources are those revenues raised for the special district special revenue funds.

**B. Deposit and Investment Laws and Regulations**

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

New York State Law governs the City's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and Districts.

**C. Deficit Fund Balance – Capital Projects Fund**

The capital projects fund had deficit fund balances totaling \$39,933 at December 31, 2014, which is the result of the timing of the funding of the projects.

**III. Detail Notes on All Funds and Account Groups:**

**A. Cash and Cash Equivalents**

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. While the City does not have a specific policy for custodial credit risk, New York State statutes govern the City's investment policies, as discussed previously in these notes.

( II. ) ( Continued )

The City's aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year end, collateralized as follows:

Uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution	1,121,162
Collateralized within Trust department or agent	7,987,395
<b>Total</b>	<b>\$ 9,108,557</b>

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year end included \$2,478,513 within the governmental funds, \$2,970,414 in the proprietary funds, and \$40,875 in the fiduciary funds.

**B. Receivables**

Receivables at December 31, 2014 for individual major and non-major funds consisted of the following, which are stated at net realizable value. City management has deemed the amounts to be fully collectible:

Description	Governmental Funds			Business Type Activities			
	General Fund	Capital Fund	Community Development	Technology Fund	Sewer Fund	Water Fund	Total
<b><u>Governmental Activities:</u></b>							
<b><u>Receivables -</u></b>							
Taxes Receivable	\$ 131,702	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rents Receivable	-	-	-	-	362,949	828,124	1,191,073
Accounts Receivable	439,164	-	-	24,566	76,192	32	76,224
Allowance for Uncollectables	(15,471)	-	-	-	(29,237)	-	(29,237)
<b>Total Receivables, Net</b>	<b>\$ 555,395</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 24,566</b>	<b>\$ 409,904</b>	<b>\$ 828,156</b>	<b>\$ 1,238,060</b>
<b><u>State and Federal -</u></b>							
Rehabilitation Loans	\$ -	\$ -	\$ 230,206	\$ -	\$ -	\$ -	\$ -
Due from State and Federal	136,216	148,628	-	-	165	-	165
<b>Total State and Federal</b>	<b>\$ 136,216</b>	<b>\$ 148,628</b>	<b>\$ 230,206</b>	<b>\$ -</b>	<b>\$ 165</b>	<b>\$ -</b>	<b>\$ 165</b>
<b><u>Other Governments -</u></b>							
Due from Other Governments	\$ 651,017	\$ -	\$ -	\$ -	\$ 254,797	\$ -	\$ 254,797
<b><u>Long Term Receivables:</u></b>							
HUD 108 Loan Receivable	\$ -	\$ -	\$ 930,000	\$ -	\$ -	\$ -	\$ -
<b>Total Receivables</b>	<b>\$ 1,342,628</b>	<b>\$ 148,628</b>	<b>\$ 1,160,206</b>	<b>\$ 24,566</b>	<b>\$ 664,866</b>	<b>\$ 828,156</b>	<b>\$ 1,493,022</b>

( III. ) (Continued)

**C. Interfund Receivables, Payables, Revenues and Expenditures**

Interfund receivables, payables, revenues and expenditures at December 31, 2014 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 186,333	\$ -	\$ 290,000	\$ 493,322
Capital Fund	-	186,333	493,322	-
Business Type - Water Fund	-	-	-	290,000
<b>Total</b>	<b>\$ 186,333</b>	<b>\$ 186,333</b>	<b>\$ 783,322</b>	<b>\$ 783,322</b>

Interfund receivables and payables between governmental activities are eliminated on the Statement of Net Position.

The City typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

All interfund payables are expected to be repaid within one year. Transfers were made to the capital fund for capital purchases and from the water fund to the general fund for overhead reimbursement.

**D. Changes In Capital Assets**

**1. Governmental Activities**

A summary of governmental changes in capital assets follows:

<u>Type</u>	<u>Balance 01/01/14</u>	<u>Additions / Reclassifications</u>	<u>Deletions / Reclassifications</u>	<u>Balance 12/31/14</u>
<b><u>Capital assets not being depreciated:</u></b>				
Land	\$ 4,224,569	\$ -	\$ (18,000)	\$ 4,206,569
Work in progress	121,356	152,937	(62,503)	211,790
<i>Total capital assets not being depreciated</i>	<u>\$ 4,345,925</u>	<u>\$ 152,937</u>	<u>\$ (80,503)</u>	<u>\$ 4,418,359</u>
<b><u>Other capital assets:</u></b>				
Land Improvements	\$ 10,264,594	\$ 33,770	\$ (52,925)	\$ 10,245,439
Infrastructure	55,897,127	123,297	52,925	56,073,349
Buildings and improvements	9,065,631	-	-	9,065,631
Machinery and equipment	6,514,431	428,996	(186,219)	6,757,208
<i>Total other capital assets at historical cost</i>	<u>\$ 81,741,783</u>	<u>\$ 586,063</u>	<u>\$ (186,219)</u>	<u>\$ 82,141,627</u>
<b><u>Less accumulated depreciation for:</u></b>				
Land Improvements	\$ 3,374,188	\$ 294,830	\$ (27,786)	\$ 3,641,232
Infrastructure	34,105,133	1,203,705	27,786	35,336,624
Buildings and improvements	5,328,490	228,275	-	5,556,765
Machinery and equipment	3,528,022	520,945	(186,219)	3,862,748
<i>Total accumulated depreciation</i>	<u>\$ 46,335,833</u>	<u>\$ 2,247,755</u>	<u>\$ (186,219)</u>	<u>\$ 48,397,369</u>
<i>Other capital assets, net</i>	<u>\$ 35,405,950</u>	<u>\$ (1,661,692)</u>	<u>\$ -</u>	<u>\$ 33,744,258</u>
<b><i>Governmental activities capital assets, net</i></b>	<b><u>\$ 39,751,875</u></b>	<b><u>\$ (1,508,755)</u></b>	<b><u>\$ (80,503)</u></b>	<b><u>\$ 38,162,617</u></b>

( III. ) (Continued)

Depreciation expense for the period was charged to functions/programs as follows:

<u>Governmental Activities</u>	<u>Amount</u>
General Government	\$ 158,685
Public Safety	318,218
Transportation	1,456,390
Economic Opportunity	10,979
Culture and Recreation	225,708
Home and Community Services	77,775
<b>Total</b>	<b>\$ 2,247,755</b>

2. Business-Type Activities

A summary of business-type activity changes in capital assets follows:

<u>Type</u>	<u>Balance 01/01/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/14</u>
<b><u>Capital assets not being depreciated:</u></b>				
Land	\$ 164,072	\$ -	\$ -	\$ 164,072
Work in progress	8,313	51,573	(8,313)	51,573
<i>Total capital assets not being depreciated</i>	<u>\$ 172,385</u>	<u>\$ 51,573</u>	<u>\$ (8,313)</u>	<u>\$ 215,645</u>
<b><u>Other capital assets:</u></b>				
Land Improvements	\$ 28,694	\$ -	\$ -	\$ 28,694
Infrastructure	20,025,670	-	27,904	20,053,574
Buildings and improvements	35,987,673	-	(32,403)	35,955,270
Machinery and equipment	4,051,286	796,205	(594,290)	4,253,201
<i>Total other capital assets at historical cost</i>	<u>\$ 60,093,323</u>	<u>\$ 796,205</u>	<u>\$ (598,789)</u>	<u>\$ 60,290,739</u>
<b><u>Less accumulated depreciation for:</u></b>				
Land Improvements	\$ 23,433	\$ 2,869	\$ -	\$ 26,302
Infrastructure	15,514,689	457,978	12,556	15,985,223
Buildings and improvements	17,630,930	1,064,818	(17,055)	18,678,693
Machinery and equipment	2,776,456	203,249	(594,290)	2,385,415
<i>Total accumulated depreciation</i>	<u>\$ 35,945,508</u>	<u>\$ 1,728,914</u>	<u>\$ (598,789)</u>	<u>\$ 37,075,633</u>
<i>Other capital assets, net</i>	<u>\$ 24,147,815</u>	<u>\$ (932,709)</u>	<u>\$ -</u>	<u>\$ 23,215,106</u>
<b><i>Governmental activities capital assets, net</i></b>	<b><u>\$ 24,320,200</u></b>	<b><u>\$ (881,136)</u></b>	<b><u>\$ (8,313)</u></b>	<b><u>\$ 23,430,751</u></b>

Depreciation expense totaling \$1,728,914 was charged to home and community services.

( III. ) (Continued)

**E. Long-Term Debt**

At December 31, 2014 the total outstanding obligations of the City aggregated \$19,156,835 as follows:

**1. Serial Bonds**

The City, borrows money in order to acquire land, high cost equipment, to construct buildings and improvements, and for infrastructure development and maintenance. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are supported by the full faith and credit debt of the City. The provision to be made in future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

**2. Interest Reconciliation**

A summary of the long-term interest expense as of December 31, 2014 is as follows:

<b>Governmental Activities:</b>	
Interest paid	\$ 214,365
Prior year accrued interest	(25,486)
Current year accrued interest	19,391
<b>Interest expense - Governmental Activities</b>	<b><u>\$ 208,270</u></b>
<b>Business-Type Activities:</b>	
Interest paid	\$ 380,008
<b>Interest expense - Business-Type Activities</b>	<b><u>\$ 380,008</u></b>

**3. Other Long-Term Obligations**

In addition to long-term bonded debt the City had the following other obligations:

Compensated Absences - represents the value of earned and unused vacation leave and compensatory time.

OPEB Liability- represents health insurance benefits provided to employees upon retirement.

( III. ) ( Continued )

4. Summary of Debt

The following is a summary of obligations outstanding at December 31, 2014:

	<u>Balance</u> <u>01/01/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/13</u>	<u>Classified As</u>	
					<u>Current</u>	<u>Non-Current</u>
<b>Governmental Activities:</b>						
Serial Bonds	\$ 6,054,605	\$ -	\$ 1,149,305	\$ 4,905,300	\$ 975,800	\$ 3,929,500
HUD 108 - Serial Bonds	1,075,000	-	145,000	930,000	155,000	775,000
Compensated Absences	599,345	28,038	-	627,383	156,846	470,537
OPEB	169,566	-	49,701	119,865	-	119,865
<b>Business-Type Activities:</b>						
Serial Bonds	13,140,395	-	765,695	12,374,700	739,200	11,635,500
Compensated Absences	157,735	3,932	8,114	153,553	38,389	115,164
OPEB	40,174	5,860	-	46,034	-	46,034
<b>Total Obligations</b>	<b>\$ 21,236,820</b>	<b>\$ 37,830</b>	<b>\$ 2,117,815</b>	<b>\$ 19,156,835</b>	<b>\$ 2,065,235</b>	<b>\$ 17,091,600</b>

Additions and deletions to compensated absences are shown net since it is impractical to determine these amounts separately.

( III. ) (Continued)

5. Debt Maturity Schedule

The following is a statement of bonds with corresponding maturity schedules:

<u>Purpose</u>	<u>Date</u>	<u>Interest</u>	<u>Amount Outstanding 12/31/14</u>	<u>Year of Final Maturity</u>
<b>Governmental Activities:</b>				
<b><u>General -</u></b>				
Serial Bonds	2/03	2.00% - 4.125%	\$ 322,000	3/16
Serial Bonds	7/03	2.50% - 4.00%	710,000	12/21
Serial Bonds	12/06	4.00% - 4.10%	725,000	12/26
Serial Bonds	11/07	4.00% - 4.125%	1,646,100	12/27
Serial Bonds	11/08	3.50% - 4.30%	127,200	12/18
Serial Bonds	8/10	2.00% - 3.40%	160,000	12/19
Serial Bonds	12/12	1.25% - 2.125%	1,215,000	12/26
<b><u>Community Development -</u></b>				
HUD 108 - Serial Bonds	8/01	1.32% - 2.05%	930,000	8/19
<b>Business-Type Activities:</b>				
<b><u>Water -</u></b>				
Serial Bonds	7/03	2.50% - 4.00%	63,000	12/21
Serial Bonds	11/07	4.00% - 4.625%	2,479,400	12/46
Serial Bonds	4/09	3.50% - 4.50%	2,075,000	12/28
Serial Bonds	8/10	2.00% - 3.40%	190,000	12/19
Serial Bonds	12/12	1.25% - 2.50%	305,000	12/31
<b><u>Sewer -</u></b>				
NYS EFC Bonds	7/03	0.721% - 4.50%	900,000	1/23
Serial Bonds	12/06	4.00% - 4.125%	335,000	12/26
Serial Bonds	11/07	4.00% - 4.125%	324,500	12/27
Serial Bonds	11/08	3.50% - 4.30%	2,800	12/19
Serial Bonds	12/12	1.25% - 2.50%	5,700,000	2/18
<b>Total</b>			<b><u>\$ 18,210,000</u></b>	

6. The following table summarizes the City's future debt service requirements as of December 31, 2014:

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Bonds</u>	<u>Interest</u>	<u>Bonds</u>	<u>Interest</u>
2015	\$ 1,130,800	\$ 174,922	\$ 739,200	\$ 365,093
2016	1,171,800	139,189	743,200	346,608
2017	649,800	109,332	755,200	327,878
2018	676,300	91,788	758,700	308,772
2019	694,600	72,276	770,400	287,792
2020-24	1,238,000	146,580	3,542,000	1,124,179
2025-29	274,000	17,274	3,001,000	640,196
2030-46	-	-	2,065,000	549,487
<b>Total</b>	<b><u>\$ 5,835,300</u></b>	<b><u>\$ 751,361</u></b>	<b><u>\$ 12,374,700</u></b>	<b><u>\$ 3,950,005</u></b>

( III. ) (Continued)

7. In prior years, the City defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. \$705,000 of bonds outstanding are considered defeased.

G. Fund Balances/Net Position

1. Fund Balances

a. Nonspendable

The City has the following nonspendable funds:

Nonspendable Prepaid Items - The City has prepaid various items and the cash is no longer available therefore those funds are nonspendable.

b. Restricted

Currently, New York State laws still use the terminology reserves. The City currently utilizes the following reserves which are classified as restricted funds:

1. Governmental Funds

a. Insurance Reserve – Established to provide for deductibles and uninsured claims. The balance at December 31, 2014 is \$182,623.

b. Debt Service Fund – Reserve For Debt - In accordance with General Municipal Law, Section 6-1, the City has established a reserve to provide funding for the outstanding balance due on serial bonds and bond anticipation notes which were issued for various building and reconstruction projects. This reserve is recorded in the Debt Service Fund and may be reduced each year until the serial bonds and bond anticipation notes are paid in full. The balance at December 31, 2014 is \$177,952.

d. Special Districts - City special districts fund balance is considered restricted as the revenues are raised by a specific taxing jurisdiction and can only be expended for that purpose. The City has the community development fund, the technology fund, the parks & open spaces fund, and the watershed program fund as special districts.

2. Enterprise Funds

a. Reserve for Water Distribution System - Established for maintenance and future construction of the water distribution system.

( III. ) (Continued)

b. **Reserve for Water Treatment Plant** – Established for maintenance and future improvements to the water treatment plant that provides drinking water to the City of Canandaigua and the surrounding water districts.

c. **Reserve for Waste Water Treatment Plant** – Established for the operation and maintenance of the sewage treatment plant that serves the City of Canandaigua and Ontario County/Canandaigua Lake Sewer District.

d. **Reserve for Sewer Collection** – Established for the operation and maintenance of all sanitary sewer lines.

c. **Assigned**

The City has the following assigned funds:

- |                    |                           |
|--------------------|---------------------------|
| General Fund –     | 1. Appropriated for Taxes |
|                    | 2. Encumbrances           |
|                    | 3. Kershaw Park Reserve   |
| Capital Projects - | 1. Year End Equity        |

Encumbrances represent purchase commitments made by the City's purchasing agent through their authorization of a purchase order prior to year end. The City assignment is based on the functional level of expenditures.

Management has determined that amounts in excess of \$20,000 are considered significant and are summarized below:

- Kershaw Park Reserve for \$46,795
- City Hall improvement capital project for \$102,500
- Hurley Building improvement capital project for \$30,300
- Transportation rolling stock capital project for \$219,547
- Bonded capital projects for \$98,067

The remaining funds do not have encumbrances that are considered significant.

d. **Unassigned**

Unassigned funds include the residual classification for the City's general fund and all spendable amounts not contained in other classifications.

( III. ) (Continued)

The following table summarizes the City's fund balance according to the descriptions above:

<b>FUND BALANCE:</b>	<b>General Fund</b>	<b>Capital Projects</b>	<b>Debt Service Fund</b>	<b>Special Revenue Funds</b>	<b>Total</b>
<b><u>Nonspendable -</u></b>					
Inventory	\$ 10,995	\$ -	\$ -	\$ -	\$ 10,995
Prepaid items	362,267	-	-	3,025	365,292
<b>Total Nonspendable</b>	<b>\$ 373,262</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,025</b>	<b>\$ 376,287</b>
<b><u>Restricted -</u></b>					
Capital reserves	\$ 1,237,394	\$ -	\$ -	\$ -	\$ 1,237,394
Insurance reserve	182,623	-	-	-	182,623
Debt reserve	-	-	177,952	-	177,952
Special districts -					
Community Development Fund	-	-	-	424,387	424,387
Cemetery Fund	-	-	-	36,472	36,472
Parks and Open Spaces Fund	-	-	-	32,620	32,620
Canandaigua Lake Watershed Council	-	-	-	32,756	32,756
General reserve	2,199	-	-	-	2,199
<b>Total Restricted</b>	<b>\$ 1,422,216</b>	<b>\$ -</b>	<b>\$ 177,952</b>	<b>\$ 526,235</b>	<b>\$ 2,126,403</b>
<b><u>Assigned -</u></b>					
Appropriated for taxes	\$ 174,510	\$ -	\$ -	\$ -	\$ 174,510
Kershaw Park Reserve	46,795	-	-	-	46,795
General government support	5,150	-	-	-	5,150
Public safety	300	-	-	-	300
Transportation	12,799	-	-	-	12,799
Technology Fund	-	-	-	352,110	352,110
<b>Total Assigned</b>	<b>\$ 239,554</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 352,110</b>	<b>\$ 591,664</b>
<b><u>Unassigned</u></b>	<b>\$ 3,184,547</b>	<b>\$ (39,933)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,144,614</b>
<b>TOTAL FUND BALANCE</b>	<b>\$ 5,219,579</b>	<b>\$ (39,933)</b>	<b>\$ 177,952</b>	<b>\$ 881,370</b>	<b>\$ 6,238,968</b>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which assigned or unassigned fund balances are available, the City considers amounts to have been spent first out of assigned funds and then unassigned funds, as needed, unless the City has provided otherwise in its commitment actions.

The City appropriates for taxes in general fund is calculated as follows:

Total appropriated fund balance	\$ 547,772
Nonspendable fund balance	(373,262)
<b>Appropriated for Taxes</b>	<b>\$ 174,510</b>

( III. ) (Continued)

2. **Net Position - Restricted for Other Purposes**

Represents those amounts which have been restricted by enabling legislation or Board Resolutions.

	<u>Total</u>
Watershed	\$ 35,613
Parks & Open Spaces	32,620
Community Development	654,593
Cemetery	36,472
Insurance Reserve	182,623
Other	<u>2,199</u>
<b>Total Net Position - Restricted for Other Purposes</b>	<b><u>\$ 944,120</u></b>

IV. **Other Notes:**

A. **Employee Pension and Other Benefit Plans**

1. **Pension Plans**

*Plan Description*

The City participates in the New York State and Local Employees' Retirement System (ERS). This is a cost sharing multiple employer retirement system. The System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of its funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

*Funding Policy*

The Systems are noncontributory for the employee who joined prior to July 27, 1976. For employees who joined the Systems after July 27, 1976, and prior to January 1, 2010, employees contribute 3% to 3.5% of their salary. With the exception of ERS tier V and VI employees, employees in the system more than ten years are no longer required to contribute. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For NYSERS and NYSPFRS, the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund.

	<u>ERS</u>	<u>PFRS</u>
2014	\$ 694,075	\$ 625,459
2013	\$ 665,155	\$ 665,320
2012	\$ 619,503	\$ 571,067

The City's contributions made to the System were equal to 100 percent of the contributions required for each year.

(IV.) (Continued)

**2. Other Postemployment Benefits**

In addition to providing pension benefits, the City provides certain health insurance benefits to retired employees and their families. Substantially all the City's employees may become eligible for these benefits if they reach normal retirement age while working for the City and have at least 15 years of service with the City. The City's policy has been to account for and fund these benefits on a pay-as-you-go basis.

The Government Accounting Standard Board has issued Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions" which requires the accrual of these liabilities. The City has implemented this statement as of January 1, 2009. The cost to the City of providing health insurance benefits to retirees amounted to \$438,342 during the year ended December 31, 2014.

*Plan Description.* The City administers the medical insurance plans (the Plan) as a single-employer defined benefit Other Postemployment Benefit (OPEB) plan. The Plan provides for continuation of medical and dental insurance benefits for certain retirees and their spouses and can be amended by action of the City subject to the applicable collective bargaining employment agreements. The City pays the cost of postemployment healthcare benefits for retirees, their spouses, and their dependents until Medicare eligible or age 65, whichever is sooner, after which the retiree is required to contribute the entire cost of the insurance. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purposes of paying benefits under the plan.

*Funding Policy.* The obligation 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 varies 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.

*Actuarial Methods and Assumptions.* The valuation of postretirement healthcare benefits involves estimates and assumptions about the probability of events occurring far into the future. Examples are assumptions about future employment, mortality, and the health care cost trend. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of the valuation and on the historical pattern of cost sharing between the City and plan members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective and calculations.

*Annual OPEB Cost and Net OPEB Obligation.* The City's annual other postemployment (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), and amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and 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 changes in the City's net OPEB obligation by governmental activities:

(IV.) (Continued)

a. Annual OPEB Cost at December 31, 2014

	<u>City-Wide</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Normal cost with interest	\$ 125,983	\$ 112,953	\$ 13,030
Amortization of unamortized actuarial liability (UAL) with interest	246,620	215,353	31,267
Annual required contribution (ARC)	\$ 372,603	\$ 328,306	\$ 44,297
Interest on OPEB obligation	4,812	5,278	(466)
Adjustment to ARC	(1,490)	(2,223)	19,309
<b>OPEB Expense</b>	<b>\$ 375,925</b>	<b>\$ 331,361</b>	<b>\$ 63,140</b>

b. Reconciliation of Net OPEB Obligation at December 31, 2014

	<u>City-Wide</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net OPEB obligation at beginning of year	\$ 209,740	\$ 169,566	\$ 40,174
OPEB expense	375,925	331,361	63,140
Net OPEB contributions made during the year	(438,342)	(381,062)	(57,280)
<b>Net OPEB Obligation at the End of the Year</b>	<b>\$ 147,323</b>	<b>\$ 119,865</b>	<b>\$ 46,034</b>
Percentage of expense contributed	101.4%	101.2%	102.7%

c. Number of Participants as of December 2014

	<u>City-Wide</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Active employees	93	73	20
Retired employees	27	22	5
<b>Total Employees</b>	<b>120</b>	<b>95</b>	<b>25</b>

*Funded Status and Funding Progress.* As of December 31, 2014, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$5,661,234, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$5,661,234. The covered payroll (annual payroll of active employees covered by the plan) was \$6,560,614, and the ratio of the UAAL to the covered payroll was 115.54%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress is presented as required supplemental information following the notes to the financial statements.

(IV.) (Continued)

In the December 31, 2014, actuarial valuation, the entry age normal method was used. The valuation is based on a discount rate of 4.0%, salary scale of 2.5% and long-term inflation rate assumption of 2.5%. The discount rate, salary scale and inflation rate assumed for the 2009 year valuation were 5.0%, 4.0%, and 3.0%, respectively. The valuation incorporates the plan change to require retiree contributions as outlined in the summary of plan provisions. The retiree contributions apply to employees covered under the current labor agreements and range from 5% to 15% of plan medical premium costs. The plan change decreased the Actuarial Accrued Liability by approximately \$182,000 and decreased the ARC and AOC by approximately \$15,000.

**3. Deferred Compensation Plan**

The City maintains a deferred compensation plan in accordance with Section 457 of the Internal Revenue Code for which City employees have the option to participate.

**B. Risk Management**

**1. General Information**

The City is exposed to various risks of loss related to injuries to employees, theft, damages, natural disasters, etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

**2. Insurance Reserve**

The City is exposed to various risks of loss related to torts; theft or damage to, or destruction of assets; and natural disasters. Under the City's self insurance plan, self-insurance coverage is provided for deductibles and for uninsured claims. The City purchases commercial insurance for claims in excess of the self-insurance coverage and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past four years.

There were no estimated accrued claims for the years ended December 31, 2014 and 2013 as defined by GASB Statement #10, which requires that a liability for claims be reported if information prior to the issuance of financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. However, as referred to in Note III (2b.), the City has established and maintains an insurance reserve having a balance of \$182,623 at December 31, 2014.

**3. Workers' Compensation**

The City of Canandaigua, Ontario County, New York is a member of the Ontario County Workers' Compensation Self-Insurance Plan (the Plan). Current membership of the Plan includes various municipal entities. The Plan is administered by Ontario County and utilizes a third party administrator who is responsible for processing claims, estimating liabilities and providing actuarial services.

The Plan states that participants are charged an annual assessment on the basis of their five year experience (60%), exposure (20%), and assessed value (20%). The County does not have excess insurance coverage above the funding provided by this self-insurance program.

( IV. ) (Continued)

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the period in which they are made. During the year ended December 31, 2014, the City of Canandaigua, Ontario County, New York incurred premiums or contribution expenditures totaling \$172,691 which were collected through the County's tax levy.

C. **Commitments and Contingencies**

1. **Grants**

The City participates in a number of Federal and New York State grant and assistance programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

2. **Litigation**

The City has several claims and notice of claims filed against it as of the date of this report which management believes will be covered under the City's insurance policy. In addition, there are pending tax certiorari claims requesting reduction of assessments in which the financial impact cannot be determined at this time.

**Required Supplemental Information**  
**CITY OF CANANDAIGUA, ONTARIO COUNTY, NEW YORK**  
**Schedule of Funding Progress**  
**of Post Employment Benefit Plan**  
**(Unaudited)**  
**For Year Ended December 31, 2014**

		(2)	(3)	(4)	(5)	(6)
	(1)	Actuarial	Funded	Unfunded	Active	UAAL
Actuarial	Actuarial	Accrued	Ratio	Accrued	Members	As a
Valuation	Value of	Liability	Ratio	Liability	Covered	Percentage
Date	Assets	(AAL)	(1)/(2)	(UAAL)	Payroll	of Covered
December 31,				(2) - (1)		Payroll
						(4) / (5)
2011	\$ -	\$ 6,440,875	0.00%	\$ 6,440,875	\$ 5,470,667	117.73%
2012	\$ -	\$ 5,692,006	0.00%	\$ 5,692,006	\$ 5,050,414	112.70%
2013	\$ -	\$ 5,692,006	0.00%	\$ 5,692,006	\$ 5,050,414	112.70%
2014	\$ -	\$ 5,677,864	0.00%	\$ 5,677,864	\$ 6,560,614	86.54%

**Required Supplemental Information**  
**CITY OF CANANDAIGUA, ONTARIO COUNTY, NEW YORK**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget (Non GAAP Basis) and Actual - General and Major Special Revenue Fund Types**  
**(Unaudited)**

**For the Year Ended December 31, 2014**

	<b>GENERAL FUND</b>				
	<b>Original Budget (Incl. Carryover Encumbrances)</b>	<b>Budget (Amended)</b>	<b>Actual</b>	<b>Encumbrances</b>	<b>Variance</b>
<b>Revenues:</b>					
Real property and tax items	\$ 4,783,096	\$ 4,783,096	\$ 4,771,686	\$ -	\$ (11,410)
Non-property taxes	4,651,163	4,651,163	4,542,304	-	(108,859)
Departmental income	466,945	968,452	827,014	-	(141,438)
Intergovernmental charges	468,375	516,074	508,069	-	(8,005)
Use of money and property	41,280	41,280	26,711	-	(14,569)
Licenses and permits	112,300	112,300	82,389	-	(29,911)
Fines and forfeitures	211,425	217,225	293,235	-	76,010
Sale of property and compensation for loss	5,300	5,300	88,372	-	83,072
Miscellaneous	6,150	10,150	22,592	-	12,442
Interfund revenues	336,800	336,800	341,800	-	5,000
State and county aid	1,473,304	1,473,304	1,478,230	-	4,926
Federal aid	15,000	36,192	91,552	-	55,360
<b>Total Revenues</b>	<b>\$ 12,571,138</b>	<b>\$ 13,151,336</b>	<b>\$ 13,073,954</b>	<b>\$ -</b>	<b>\$ (77,382)</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government support	\$ 1,738,321	\$ 2,168,888	\$ 2,009,600	\$ 5,150	\$ 154,138
Public safety	3,354,171	3,446,462	3,392,425	300	53,737
Transportation	1,172,715	1,166,619	1,125,155	12,799	28,665
Economic assistance and development	229,141	229,141	229,141	-	-
Culture and recreation	807,938	815,954	731,191	-	84,763
Home and community services	504,466	544,635	534,968	-	9,667
Employee benefits	3,219,099	3,228,343	3,126,803	-	101,540
<b>Debt Service:</b>					
Debt service - principal	1,149,305	1,149,305	1,149,305	-	-
Debt service - interest and other charges	199,392	199,392	198,965	-	427
<b>Total Expenditures</b>	<b>\$ 12,374,548</b>	<b>\$ 12,948,739</b>	<b>\$ 12,497,553</b>	<b>\$ 18,249</b>	<b>\$ 432,937</b>
Excess (deficiency) of revenue over expenditures	\$ 196,590	\$ 202,597	\$ 576,401	\$ (18,249)	\$ 355,555
<b>Other Financing Sources and Uses:</b>					
Transfers - in	\$ 290,000	\$ 290,000	\$ 290,000	\$ -	\$ -
Transfers - out	(979,200)	(979,200)	(493,322)	-	485,878
<b>Total Other Financing Sources and Uses</b>	<b>\$ (689,200)</b>	<b>\$ (689,200)</b>	<b>\$ (203,322)</b>	<b>\$ -</b>	<b>\$ 485,878</b>
Net change in fund balances	\$ (492,610)	\$ (486,603)	\$ 373,079	\$ (18,249)	\$ 841,433
<b>Fund Balance - Beginning</b>	<b>4,846,500</b>	<b>4,846,500</b>	<b>4,846,500</b>	<b>-</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 4,353,890</b>	<b>\$ 4,359,897</b>	<b>\$ 5,219,579</b>	<b>\$ (18,249)</b>	<b>\$ 841,433</b>

**Notes to Required Supplemental Information:**

A reconciliation is not necessary since encumbrances are presented in a separate column on this schedule.

**CITY OF CANANDAIGUA, ONTARIO COUNTY, NEW YORK**

**Combining Balance Sheet**

**Nonmajor Governmental Funds**

**December 31, 2014**

	<b>Debt Service Fund</b>	<b>Watershed Program Fund</b>	<b>Park &amp; Open Spaces Fund</b>	<b>Technology Fund</b>	<b>Cemetery Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets</b>						
Cash and cash equivalents	\$ 177,952	\$ 35,145	\$ 32,620	\$ 333,920	\$ 36,472	\$ 616,109
Receivables, net	-	-	-	24,566	-	24,566
Prepaid items	-	2,857	-	168	-	3,025
<b>Total Assets</b>	<u>\$ 177,952</u>	<u>\$ 38,002</u>	<u>\$ 32,620</u>	<u>\$ 358,654</u>	<u>\$ 36,472</u>	<u>\$ 643,700</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable and other current liabilities	\$ -	\$ 530	\$ -	\$ 6,376	\$ -	\$ 6,906
Accrued liabilities	-	1,859	-	-	-	1,859
<b>Total Liabilities</b>	<u>\$ -</u>	<u>\$ 2,389</u>	<u>\$ -</u>	<u>\$ 6,376</u>	<u>\$ -</u>	<u>\$ 8,765</u>
<b>Fund Balances:</b>						
Nonspendable	\$ -	\$ 2,857	\$ -	\$ 168	\$ -	\$ 3,025
Restricted	177,952	32,756	32,620	-	36,472	279,800
Committed	-	-	-	-	-	-
Assigned	-	-	-	352,110	-	352,110
Unassigned	-	-	-	-	-	-
<b>Total Fund Balances</b>	<u>\$ 177,952</u>	<u>\$ 35,613</u>	<u>\$ 32,620</u>	<u>\$ 352,278</u>	<u>\$ 36,472</u>	<u>\$ 634,935</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 177,952</u>	<u>\$ 38,002</u>	<u>\$ 32,620</u>	<u>\$ 358,654</u>	<u>\$ 36,472</u>	<u>\$ 643,700</u>

**CITY OF CANANDAIGUA, ONTARIO COUNTY, NEW YORK**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2014**

	<b>Debt Service Fund</b>	<b>Watershed Program Fund</b>	<b>Park &amp; Open Spaces Fund</b>	<b>Technology Fund</b>	<b>Cemetery Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues:</b>						
Departmental income	\$ -	\$ -	\$ 8,000	\$ -	\$ -	\$ 8,000
Intergovernmental charges	-	92,000	-	-	-	92,000
Use of money and property	-	118	44	168,148	18	168,328
Miscellaneous	-	-	-	872	-	872
State and county aid	-	184	-	-	-	184
<b>Total Revenues</b>	<b>\$ -</b>	<b>\$ 92,302</b>	<b>\$ 8,044</b>	<b>\$ 169,020</b>	<b>\$ 18</b>	<b>\$ 269,384</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General government support	\$ -	\$ -	\$ -	\$ 145,520	\$ -	\$ 145,520
Home and community services	-	83,389	-	-	534	83,923
Employee benefits	-	27,302	-	661	29	27,992
<b>Total Expenditures</b>	<b>\$ -</b>	<b>\$ 110,691</b>	<b>\$ -</b>	<b>\$ 146,181</b>	<b>\$ 563</b>	<b>\$ 257,435</b>
Excess (deficiency) of revenue over expenditures	\$ -	\$ (18,389)	\$ 8,044	\$ 22,839	\$ (545)	\$ 11,949
<b>Fund Balance - Beginning</b>	<b>177,952</b>	<b>54,002</b>	<b>24,576</b>	<b>329,439</b>	<b>37,017</b>	<b>622,986</b>
<b>Fund Balance - Ending</b>	<b>\$ 177,952</b>	<b>\$ 35,613</b>	<b>\$ 32,620</b>	<b>\$ 352,278</b>	<b>\$ 36,472</b>	<b>\$ 634,935</b>