

CITY OF CANANDAIGUA
Ontario County, New York

BASIC FINANCIAL STATEMENTS

For Year Ended December 31, 2021



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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Independent Auditors' Report

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

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Canandaigua, Ontario County, New York, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Canandaigua, Ontario County, New York, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Canandaigua, Ontario County, New York and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress of postemployment benefit plan, schedule of the City's proportionate share of the net position liability, schedule of City contributions, and budgetary comparison information on pages 4–15 and 60–63 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Canandaigua, Ontario County, New York's basic financial statements. The accompanying supplemental information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This 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 accompanying supplementary information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Rochester, New York
June 3, 2022

Mengel, Metzger, Barw & Co. LLP

CITY OF CANANDAIGUA, ONTARIO COUNTY, NEW YORK

Management's Discussion and Analysis

December 31, 2021

INTRODUCTION

The following is a discussion and analysis of the City of Canandaigua, Ontario County, New York's (the City) financial performance for the year ended December 31, 2021. 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.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year ended 2021 are as follows:

- On the government-wide statements, the net position for the City (assets and deferred outflow of resources less liabilities and deferred inflows of resources) was \$45,742,934 at the close of the most recent year.
- The City's total net position increased by \$632,267 or 1.4%. The net position of governmental activities increased by \$127,086 and net position of business-type activities increased by \$505,181.
- At the close of the current year, the City's governmental funds reported combined ending fund balances of \$8,393,282, an increase of \$53,584 over the prior year.
- The General Fund reported an ending unassigned fund balance of \$5,436,806, an increase of \$1,511,828 or 38.5% over the prior year and represents 34.2% of total General Fund expenditures.
- The City's total outstanding bonds payable decreased 10.8% from \$19,325,000 to \$17,230,000 during the current year, representing \$2,095,000 in principal payments.

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, and the capital projects fund. Nonmajor funds, combined on the financial statements, consist of the, debt service fund, watershed program, parks and open spaces, technology fund, community development fund, refuse 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 custodial fund. The custodial fund is 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, 2021, the total assets of the City exceeded liabilities by \$45,742,934.

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

	December 31,					
	Governmental Activities		Business-Type		Total	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Assets						
Current and other assets	\$ 10,252,432	\$ 9,670,379	\$ 9,252,975	\$ 9,045,156	\$ 19,505,407	\$ 18,715,535
Capital assets	40,267,874	40,949,130	19,096,283	19,777,990	59,364,157	60,727,120
Total assets	<u>50,520,306</u>	<u>50,619,509</u>	<u>28,349,258</u>	<u>28,823,146</u>	<u>78,869,564</u>	<u>79,442,655</u>
Deferred Outflows	<u>9,325,534</u>	<u>6,344,070</u>	<u>1,331,351</u>	<u>912,415</u>	<u>10,656,885</u>	<u>7,256,485</u>
Liabilities						
Other liabilities	1,725,586	1,151,644	219,849	126,534	1,945,435	1,278,178
Long-term liabilities	22,350,350	27,104,116	10,120,082	11,938,756	32,470,432	39,042,872
Total liabilities	<u>24,075,936</u>	<u>28,255,760</u>	<u>10,339,931</u>	<u>12,065,290</u>	<u>34,415,867</u>	<u>40,321,050</u>
Deferred Inflows	<u>7,690,583</u>	<u>755,584</u>	<u>1,677,065</u>	<u>511,839</u>	<u>9,367,648</u>	<u>1,267,423</u>
Net Position						
assets	31,693,874	31,221,530	10,301,049	10,123,075	41,994,923	41,344,605
Restricted	1,565,590	2,949,726	6,592,970	6,302,280	8,158,560	9,252,006
Unrestricted	(5,180,143)	(6,219,021)	769,594	733,077	(4,410,549)	(5,485,944)
Total net position	<u>\$ 28,079,321</u>	<u>\$ 27,952,235</u>	<u>\$ 17,663,613</u>	<u>\$ 17,158,432</u>	<u>\$ 45,742,934</u>	<u>\$ 45,110,667</u>

The largest component of the City's net position, \$41,994,923 or 91.8%, 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 \$8,158,560 or 17.8 % of total net position is restricted and is not available to finance the day-to-day operations of the City. The funding levels of restricted reserves decreased in the amount of \$1,093,446 from fiscal 2020 to fiscal 2021 primarily due to the use of capital reserves to pay for capital expenditures.

The remaining negative balance of \$4,410,549 or 9.6% is the result of the inclusion of long-term debt in regards to Pensions, Other Post-Employment Benefits and Compensated Absences to the Fund Financial Statement. This reconciliation can be found in the footnotes of the Financial Statement.

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

	December 31,					
	Governmental Activities		Business-Type		Total	
	2021	2020	2021	2020	2021	2020
Program revenue						
Charges for service	\$ 2,426,068	\$ 2,216,282	\$ 6,104,399	\$ 6,039,044	\$ 8,530,467	\$ 8,255,326
Operating grants and contributions	327,096	472,960	-	-	327,096	472,960
Capital grants and contributions	502,507	334,935	318,745	328,625	821,252	663,560
General revenue						
Real property taxes	5,942,231	5,606,253	-	-	5,942,231	5,606,253
Non-property taxes	5,871,364	4,926,156	-	-	5,871,364	4,926,156
Governmental aid	1,175,269	1,063,339	-	-	1,175,269	1,063,339
Other	722,128	605,576	42,266	72,731	764,394	678,307
Transfers	290,000	290,000	(290,000)	(290,000)	-	-
Total revenue	17,256,663	15,515,501	6,175,410	6,150,400	23,432,073	21,665,901
Program expenses						
General government	\$ 2,987,482	\$ 3,020,261	\$ -	\$ -	\$ 2,987,482	\$ 3,020,261
Public safety	7,021,374	7,658,561	-	-	7,021,374	7,658,561
Transportation	3,284,486	2,991,893	-	-	3,284,486	2,991,893
Economic Assistance and Opportunity	237,912	218,019	-	-	237,912	218,019
Cultural and recreation	1,481,271	1,292,444	-	-	1,481,271	1,292,444
Home and community services	1,842,516	1,940,953	-	-	1,842,516	1,940,953
Interest on long-term debt	274,536	291,959	-	-	274,536	291,959
Water	-	-	2,907,409	2,878,997	2,907,409	2,878,997
Sewer	-	-	2,762,820	2,953,183	2,762,820	2,953,183
Total expenses	17,129,577	17,414,090	5,670,229	5,832,180	22,799,806	23,246,270
Change in net position	127,086	(1,898,589)	505,181	318,220	632,267	(1,580,369)
Net position at beginning of year	27,952,235	29,850,824	17,158,432	16,840,212	45,110,667	46,691,036
Net position at end of year	\$ 28,079,321	\$ 27,952,235	\$ 17,663,613	\$ 17,158,432	\$ 45,742,934	\$ 45,110,667

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 year. The City's total net position increased by \$632,267 in 2021. Total government expenses of \$22.8 million were offset by revenues of \$23.4 million.

Governmental Activities: For the fiscal year ended December 31, 2021, governmental activities increased the City's net position by \$127,086. Revenues of \$17,256,663 from governmental activities increased \$1,741,162 over the prior year while related expenses of \$17,129,577 decreased by \$284,513.

Program revenues of \$3,255,671 represented 18.9% of total governmental revenues and increased 7.6% over the prior year. General revenues of \$14,000,992 (taxes, unallocated state and federal aid, investment earnings and other revenue) represented 81.1% of total governmental revenues and increased 12.1 % over 2020.

The major factors contributing the overall revenue increase of \$1,736,762 were:

- Charges for service increased \$209,786 from the prior year mainly due to easing of COVID restrictions.
 - a. Rental housing inspection fees, fire inspection fees, code enforcement and building and alteration permits increased by \$24,644.
 - b. Parking ticket and court fines increased by \$36,954.
 - c. Recreation and park rental fees increased by \$90,247.
 - d. Intergovernmental contract services for fire and police services increased by \$40,489, offset by a decrease in services for assessment challenges of \$13,652.
 - e. The sale of solar energy increased by \$23,045.
 - f. Crime proceeds and restitution increased by \$27,818.
 - g. Community Development income increased by \$14,272
 - h. Treasurer and Clerk fees increased \$12,264.
- Operating grants and contributions decreased by \$142,864 due to the timing of grants issued in 2020 verses 2021 from the Office and Community Renewal and grants for the Watershed Program.
- Capital grants and contributions increased by \$167,572 mainly due to the amount of Consolidated Highway Improvement Fund (CHIPS), PAVE NY and EWR funding used in 2021 versus the prior year which included carryover funds from 2020 used in 2021.
- Property tax revenue increased by \$335,978 due to a property tax levy increase of 5.14%.
- Non-property tax increased by \$945,207 over the previous year.
 - i. Sales tax revenue increased \$747,542 due to opening of the economy in 2021.
 - j. Hotel occupancy tax increased by \$194,102 due to the opening of a hotel in 2021.
- Mortgage tax revenue increased \$49,404 due to an increase in refinance or purchase of homes.
- Unallocated State aid increased \$111,930 due to the restoration of State aid that was cut by the State in 2020.
- Interest rates continued to decline which resulted in a decrease in interest earnings of \$70,258.
- Miscellaneous revenue increased by \$157,405 primarily driven by sales of equipment and insurance reimbursements.

Program expenses decreased by \$284,513 or 1.6% from the prior year.

- Overall expenditures before GASB 34 adjustments increased by 4.5% over the prior year. The COVID-19 pandemic resulted in an uncertain economy in 2020, and the City took proactive measures to curb expenditures which were reestablished in 2021.
 - k. In 2020 the City instituted hiring freezes of personnel to fill vacancies and reduced summer seasonal staff. Programs and staffing were reestablished in 2021 and therefore expenditures increased accordingly.
 - l. There was an overall 3% cost of living increase for employees.
 - m. The largest contributor to the increase in expenditures was due to the purchase of capital, which is expensed in the funds and recorded as an asset in the governmental statements.

- The GASB 34 adjustments resulted in an overall decrease in expenditures of \$1,247,518 from the prior year.
 - n. The largest component was a decrease in the GASB 68 reporting of net pension liability which resulted in decrease of \$1,208,050 from 2020.
 - o. GASB 34 requires fixed assets to be capitalized and depreciated for the government wide statements. This resulted in an additional capitalization of equipment of \$467,187 from the prior year but offset by an increase in depreciation expense of \$221,586.
 - p. The remaining GASB adjustment for compensated absences and other post-retirement benefits resulted in a net increase of \$119,054 over the prior year.

Business-Type Activities: The net position of business-type activities (Water Fund and Sewer Fund) increased by \$505,181 for fiscal year 2021.

Revenues for business-type activities totaled approximately \$6.17 million, an increase of .4% from the prior year, while expenses totaled \$5.7 million, a decrease of 2.8% from the prior year. Significant variances are as follows:

- Metered water sales account for 45.3% of the Water fund revenue. Metered water rates remained the same for 2021 with revenues increasing by 3.2% over the prior year primarily due to the shutdown of businesses and schools in 2020. Wholesale water sales to the Towns represent 61.2% of Water Fund revenue which decreased by 7.3% due to lower water consumption. Remaining revenue includes a transfer of funds to the General Fund and represents (6.5%) of total revenue. Water fund expenditures remained relatively flat with only a 1% increase.
- Sewer rents account for 51.1% of Sewer Fund Revenues. Sewer rent rates remained the same for 2021 and resulted in a 5.7% increase in sewer revenue (based on water consumption). Liquid waste agreements for processing waste at the Water Resource Recovery Facility represents 18% of Sewer Fund Revenues and increased 7.0% over the prior year. Contributions from Ontario County for processing County waste and operating contributions to capital represented 27.8% of revenue and reduced .05% over the prior year. Other revenues represent 3.1% of total revenues. Expenditures decreased 6.4% over 2020 mainly due to decrease in the City's share of net pension liability and OPEB liability as well as a decrease in depreciation expense.

FINANCIAL ANALYSIS OF CITY FUNDS

Financial Analysis of the Government's Funds

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

Governmental Funds: The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance which has not yet been limited to use for a particular purpose.

At the end of the current fiscal year, the City reported a combined fund balance of \$8,393,282, an increase of \$53,584 from the prior year. A summary of the change in fund balance for all governmental funds is as follows:

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

<u>General Fund -</u>	<u>2021</u>	<u>2020</u>
Nonspendable for inventory	\$ 14,823	\$ 12,908
Nonspendable for prepaid expenses	404,132	368,016
Restricted for insurance	60,692	31,500
Restricted for capital	887,303	2,116,349
Restricted for general reserve	26,305	13,369
Assigned for encumbrances	45,553	23,666
Assigned for Kershaw Park	67,298	57,907
Assigned - designated for subsequent year's expenditures	684,586	749,747
Unassigned	5,436,806	3,924,978
Total Fund Balance - General Fund	\$ 7,627,498	\$ 7,298,440
<u>Nonmajor Governmental Funds -</u>		
Restricted for debt service	\$ 73,831	\$ 293,451
Nonspendable for prepaid expenses	4,141	3,511
Restricted for the watershed program	247,440	164,708
Restricted for parks and open spaces	88,622	51,506
Restricted for community block grant Funds	136,005	246,013
Restricted for cemetery fund	29,042	32,830
Restricted for energy projects fund	16,350	-
Assigned for technology	170,353	249,239
Total Fund Balance - Nonmajor Governmental Funds	\$ 765,784	\$ 1,041,258
Total Fund Balance - All	\$ 8,393,282	\$ 8,339,698

General Fund The General Fund is the chief operating fund of the City. At the end of the current year the total fund balance of the General Fund was \$7,627,498, an increase of \$329,058 or 4.5% over the prior year. The unassigned fund balance at year end was \$5,436,806, an increase of \$1,511,828 or 38.5% over 2020 and represents 71.3% of the total General Fund balance. Two useful measures of liquidity are the percentage of unassigned fund balance to total expenditures and total fund balance to total expenditures. At the end of the current fiscal year, the General Fund showed a 34.2% unassigned fund balance to total expenditures and other financing uses and a 48.0% total fund balance to total expenditures and other financing uses.

The other large variance is the portion of the General Fund balance that is restricted for capital which resulted in a decreased by \$1,229,046 from the prior year. This represented an increase in funding used for capital expenditures in 2021 over 2020, mostly due to the shutdown of the economy which delayed the purchase and construction of capital assets.

Capital Projects Fund The Capital Projects Fund is used for the purchase and construction of capital assets. Funding sources for this fund is a transfer from the capital reserve and state and county aid. All expenditures are funded through these sources and therefore has no ending fund balance.

The Nonmajor Governmental Funds The Non-major Governmental Funds consist of the following individual funds: Debt Service, Watershed Program, Technology, Parks & Open Spaces, Energy Projects, Cemetery and Community Development. For the fiscal year ending December 31, 2021, the combined fund balance of these funds totaled \$765,784, a decrease of \$275,474 or 26.5% from the prior year. This was mainly due to the use of funds in the Debt Service fund that were used to pay off corresponding debt.

Proprietary Funds The City's proprietary fund consist of two enterprise funds, Water Fund and Sewer Fund. The City's proprietary funds statements provide the same type of information in the government-wide financial statements, but in greater detail.

- The total net position of the Water Fund at year end was \$6,579,181, an increase of \$147,037 over the prior year. The net investment in capital assets was \$5,271,581, restricted for debt and capital totaled \$1,297,057 leaving a balance of \$10,543 in unrestricted net position.
- The total net position of the Sewer Fund at year end was \$11,084,432, an increase of \$358,144 over the prior year. The net investment in capital assets was \$5,029,468, restricted for debt and capital totaled \$5,295,913 leaving a balance of \$759,051 in unrestricted net position.

BUDGETARY HIGHLIGHTS

The City adopts annual operating budgets for its governmental funds and enterprise funds and reports the results of operations on a budgetary comparison basis. In preparing its budget. The City attempts to estimate its revenues using realistic, but conservative, methods so as to budget its expenditures, appropriations and activities in a prudent manner. As a result, the City Council adopts budget adjustments during the course of the fiscal year, according the City's Budget Adjustment Policy, to reflect both the changed priorities and availability of additional revenues to allow for expansion of existing, or creation of new programs.

The general fund revenues of \$15.9 million resulted in a positive variance of \$1,154,211 or 7.8% when compared to the amended budget of \$14.8 million.

The major positive variances were a result of better than expected revenues due to an uncertain economy:

- Sales tax ended with a positive variance of \$835,503 or 18.4%.
- Hotel Occupancy tax ended with a positive variance of \$137,285 or 139.2% increase from the budget.
- New York State paid back what it withheld in 2020 for State aid as well as reinstating the original amount in 2021 which caused a positive variance of \$279,826 or 31.25%.
- Mortgage tax continued to increase more than anticipated with a positive variance of \$51,196 or 21.3%.
- Sale of electric based on solar energy had a positive variance of \$64,716 or 19.3%. This is weather dependent and does not have a significant history on which to base budget estimates on.

This was offset by negative variances of which the significant ones are:

- Payment in Lieu of Taxes had an negative variance of \$94,364 or 41.7% due to changes in agreements and property ownership which deferred payments.
- Interest and penalties on property taxes decreased by \$19,322 or 24%.

- Interest income continues to decline as interest rates remained very low. This resulted in a 24% decrease in what was expected.

The general fund expenditures and Transfers-out of \$15.9 million resulted in a positive variance of \$1,352,841 (net of encumbrances) or 7.8% when compared to the amended budget of \$17.3 million.

The City experienced positive variances in all departments which are further broken down by the following categories:

	Current			Variance to Budget	
	Budget	Actual	Encumbrances	\$	%
Salaries and Wages	6,662,837	6,247,454	-	415,383	6.2%
Department Equip	121,334	98,641	10,215	12,479	10.3%
Supplies	571,954	480,305	7,629	84,020	14.7%
Contractual	2,439,502	2,209,788	27,710	202,004	8.3%
Benefits	3,900,618	3,653,880	-	246,738	6.3%
Interfund Transfers	3,582,319	3,193,032	-	389,287	10.9%
Contingency	7,210	-	4,280	2,930	40.6%
Total Operational Expenditures	\$ 17,285,775	\$ 15,883,101	\$ 49,833	\$ 1,352,841	7.8%

All expenditure categories ended with a positive variance.

- Salaries and wages saw the biggest positive variance due to the timing of filling vacancies due to turnover and retirements. Also, difficulty in finding employees resulted in vacancies in seasonal staff. Due to a mild winter for snow, the City had savings in overtime for snowplowing.
- Due to a mild winter, the City had savings in departmental supplies for snowplowing.
- Various budget centers had savings in the contractual expenditures due to areas such as conferences and dues, software and systems maintenance.
- Savings were also achieved in benefits, due to the timing of filling personnel as well as the estimates for the NYS retirement system.

GOVERNMENT-WIDE CAPITAL ASSET AND DEBT ADMINISTRATION

At December 31, 2021, the City had \$60.7 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 2021 and 2020 is reflected below:

	Capital Assets, Net of Depreciation					
	December 31,					
	Governmental Activities		Business-Type		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 4,446,402	\$ 4,446,402	\$ 164,072	\$ 164,072	\$ 4,610,474	\$ 4,610,474
Buildings and improvements	13,315,280	13,353,065	10,833,264	11,589,400	24,148,544	24,942,465
Machinery and equipment	4,729,290	4,070,339	2,023,003	1,933,203	6,752,293	6,003,542
Infrastructure	17,776,902	19,035,768	5,458,866	5,734,158	23,235,768	24,769,926
Construction in progress	-	43,556	617,078	357,157	617,078	400,713
Total Capital Assets	\$ 40,267,874	\$ 40,949,130	\$ 19,096,283	\$ 19,777,990	\$ 59,364,157	\$ 60,727,120

Government-Wide Capital Assets - The net decrease in capital assets during the current year amounted to \$681,256 and included the following:

- The work in progress for uncompleted projects decreased \$43,556 and were all completed in 2021.
- Purchase of assets and infrastructure and capitalization of completed projects increased fixed assets in the amount of \$2.3 million.
- Depreciation expense of \$2.9 million was charged against the assets.

Business-Type Activities Capital Assets - The net decrease in capital assets during the current year amounted to \$681,707 and included the following:

- The work in progress for uncompleted projects increased \$259,921 due to uncompleted projects,
- Depreciated assets increased by \$424,930 during 2021.
- Depreciation expense of \$1.4 million was charged against the assets.

LONG-TERM DEBT

At December 31, 2021, the City had \$32.5 million in general obligation and other long-term debt outstanding as follows:

	December 31,					
	Governmental Activities		Business-Type		Total	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Serial bonds	\$ 8,574,000	\$ 9,727,600	\$ 8,656,000	\$ 9,597,400	\$ 17,230,000	\$ 19,325,000
Compensated absences	660,051	668,031	136,338	143,653	796,389	811,684
Other postemployment benefits	11,502,049	10,382,645	1,323,411	1,146,985	12,825,460	11,529,630
Net pension liability	1,614,250	6,325,840	4,333	1,050,718	1,618,583	7,376,558
Total Long Term Debt	\$ 22,350,350	\$ 27,104,116	\$ 10,120,082	\$ 11,938,756	\$ 32,470,432	\$ 39,042,872

Principal payments, other than refunding, for the year ending December 31, 2021 on serial bonds totaled \$1,153,600 for governmental funds and \$941,400 for enterprise funds.

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 2016 is excluded from the debt limit pursuant to Section 124.10 of the Local Finance Law. The City exhausted 15.04% of its constitutional debt capacity and has the authority to issue up to an additional \$44.8 million of general obligation long-term debt.

CREDIT RATING

The City was issued an AA- credit rating by Standard & Poor's in 2020.

FUTURE FINANCIAL IMPLICATIONS

The 2022 budget for the City of Canandaigua for general, capital, debt service, water, sewer and special revenue funds totaled \$31.3 million, (net of interfund transfers). The highlights for the major funds are outlined in the table below.

2022 City of Canandaigua Proposed Budget

HIGHLIGHTS - MAJOR FUNDS

General Fund	2021	2022	Change	
			\$	%
Assessed Value	721,823,289	802,753,380	80,930,091	11.21%
Tax Levy	5,692,300	5,958,077	265,777	4.67%
Tax Rate	7.87184	7.40840	(0.46)	-5.89%
Budget	15,509,794	16,713,593	1,203,799	7.76%
Appropriated Fund Balance	(749,747)	(684,586)	65,161	-8.69%
Water Fund				
Water Rate (per 1000 gallons)	\$ 3.383	\$ 3.806	\$ 0.423	12.50%
Minimum Bill	37.89	42.63	4.74	12.50%
Budget-(Net of Capital Reserves)	3,774,153	4,023,373	249,220	6.60%
Appropriated Fund Balance	(160,073)	(154,304)	5,768	-3.60%
Sewer Fund				
Sewer Rate (per 1000 gallons)	\$ 4.5000	\$ 4.5000	-	0.00%
Minimum Bill	50.40	50.40	-	0.00%
Budget-(Net of Capital Reserves)	2,708,937	2,907,398	198,461	7.33%
Appropriated Fund Balance	(148,269)	(252,040)	(103,771)	69.99%
Total Water and Sewer Charges				
Minimum Bill (Based on 11,200 gallons)	\$ 88.29	\$ 93.03	\$ 4.74	5.37%

From the 2022 City Manager Budget Message:

“At the beginning of August when City Staff began preparing this budget my direction/guidance was to take The Rolling Stone approach: “You can’t always get what you want, but if you try sometimes, well, you might find, you get what you need.” A theme quickly emerged from the Departmental requests; we need more help and we need to become more resilient. A lesson learned over the last two years is that we are more vulnerable to adversities that could severely or completely limit our ability to provide services to the community which would ultimately result in detrimental impacts to the health, safety and welfare of our community. As such, the intent behind new positions and certain capital investments is to begin to build a more resilient organization that can better adjust to adversity. “

The general fund revenue budget increased by 8.6% primarily due to the opening of the economy and restoration of state aid. The general fund expenditure budget increased by 7.8%. The City included 4 new staffing positions in the budget and restored \$100,000 to the capital reserve which was cut last year. The City restored and expanded City programs and services in 2022. The budget was balanced by increasing the tax levy by 4.61% and the use of appropriated fund balance in the amount of \$684,586.

The water rate was increased 12.5% while the sewer rates remained unchanged. Staffing was increased by 1 position in each fund. Appropriated fund balance in the amount of \$154,304 and \$252,040 respectively will be used to offset budget deficits.

The economic factors that will affect us in 2022 will be the rising inflation on goods and services. We will make adjustments as necessary to stay within our budget appropriations. Another factor affecting our services is the availability of supplies. This may result in postponing projects and capital purchases to future budgets.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances. Questions and comments concerning any of the information provided in this report should be addressed to John D. Goodwin, City Manager or Nancy C Abdallah, CPA, Treasurer/Director of Finance, City of Canandaigua, 2 North Main St., Canandaigua, NY 14424.

CITY OF CANANDAIGUA, ONTARIO COUNTY, NEW YORK

Statement of Net Position

December 31, 2021

	Governmental	Business-Type	
	Activities	Activities	Total
ASSETS			
Cash and cash equivalents	\$ 7,691,817	\$ 7,289,019	\$ 14,980,836
Accounts receivable, net	2,185,388	1,853,754	4,039,142
Prepaid items	423,096	110,202	533,298
Capital assets:			
Land and work in progress	4,446,402	781,150	5,227,552
Other capital assets, net of depreciation	35,821,472	18,315,133	54,136,605
TOTAL ASSETS	\$ 50,568,175	\$ 28,349,258	\$ 78,917,433
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources	\$ 9,325,534	\$ 1,331,351	\$ 10,656,885
LIABILITIES			
Accounts payable and other current liabilities	\$ 905,365	\$ 182,353	\$ 1,087,718
Accrued liabilities	240,065	37,496	277,561
Unearned revenue	59,337	-	59,337
Other liabilities	568,688	-	568,688
Noncurrent liabilities:			
Due in one year	1,009,013	1,005,085	2,014,098
Due in more than one year	21,341,337	9,114,997	30,456,334
TOTAL LIABILITIES	\$ 24,123,805	\$ 10,339,931	\$ 34,463,736
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources	\$ 7,690,583	\$ 1,677,065	\$ 9,367,648
NET POSITION			
Net investment in capital assets	\$ 31,693,874	\$ 10,301,049	\$ 41,994,923
Restricted for:			
Restricted other purposes	1,565,590	6,592,970	8,158,560
Unrestricted	(5,180,143)	769,594	(4,410,549)
TOTAL NET POSITION	\$ 28,079,321	\$ 17,663,613	\$ 45,742,934

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, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		<u>Total</u>
					<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Primary Government:							
Governmental Activities:							
General government support	\$ 2,987,482	\$ 454,509	\$ 17,215	\$ -	\$ (2,515,758)	\$ -	\$ (2,515,758)
Public safety	7,021,374	1,048,088	4,485	877	(5,967,924)	-	(5,967,924)
Transportation	3,284,486	4,400	128,318	501,630	(2,650,138)	-	(2,650,138)
Economic assistance and development	237,912	-	19,500	-	(218,412)	-	(218,412)
Culture and recreation	1,481,271	224,398	-	-	(1,256,873)	-	(1,256,873)
Home and community services	1,842,516	694,673	157,578	-	(990,265)	-	(990,265)
Interest on long-term debt	274,536	-	-	-	(274,536)	-	(274,536)
Total Governmental Activities	\$ 17,129,577	\$ 2,426,068	\$ 327,096	\$ 502,507	\$ (13,873,906)	\$ -	\$ (13,873,906)
Business-Type Activities:							
Water fund	\$ 2,907,409	\$ 3,326,740	\$ -	\$ 1,020	\$ -	\$ 420,351	\$ 420,351
Sewer fund	2,762,820	2,777,659	-	317,725	-	332,564	332,564
Total Business-Type Activities	\$ 5,670,229	\$ 6,104,399	\$ -	\$ 318,745	\$ -	\$ 752,915	\$ 752,915
Total Primary Government	\$ 22,799,806	\$ 8,530,467	\$ 327,096	\$ 821,252	\$ (13,873,906)	\$ 752,915	\$ (13,120,991)
General Revenues:							
Taxes:							
Property taxes					\$ 5,942,231	\$ -	\$ 5,942,231
Non-property taxes					5,871,364	-	5,871,364
Mortgage tax					291,196	-	291,196
Unallocated state and federal aid					1,175,269	-	1,175,269
Use of money and property					180,783	27,040	207,823
Miscellaneous					250,149	15,226	265,375
Total General Revenues					\$ 13,710,992	\$ 42,266	\$ 13,753,258
Special Items and Transfers:							
Transfers					\$ 290,000	\$ (290,000)	\$ -
Total General Revenues and Special Items and Transfers					\$ 14,000,992	\$ (247,734)	\$ 13,753,258
Change in Net Position					\$ 127,086	\$ 505,181	\$ 632,267
Net Position - Beginning					27,952,235	17,158,432	45,110,667
Net Position - Ending					\$ 28,079,321	\$ 17,663,613	\$ 45,742,934

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, 2021

	<u>Major</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	
Assets				
Cash and cash equivalents	\$ 6,905,389	\$ 41,053	\$ 745,375	\$ 7,691,817
Receivables, net	405,930	-	149,905	555,835
Due from other governments, net	943,356	-	27,200	970,556
State and federal aid receivable	83,336	501,630	74,031	658,997
Prepaid items	418,955	-	4,141	423,096
Total Assets	<u>\$ 8,756,966</u>	<u>\$ 542,683</u>	<u>\$ 1,000,652</u>	<u>\$ 10,300,301</u>
Liabilities, Deferred Inflows, and Fund Balances				
Liabilities:				
Accounts payable and other current liabilities	\$ 862,940	\$ 542,683	\$ 67,386	\$ 1,473,009
Accrued liabilities	229,962	-	1,556	231,518
Due to other governments	1,044	-	-	1,044
Unearned revenue	-	-	23,815	23,815
Total Liabilities	<u>\$ 1,093,946</u>	<u>\$ 542,683</u>	<u>\$ 92,757</u>	<u>\$ 1,729,386</u>
Deferred Inflows:				
Deferred Inflows of Resources	\$ 35,522	\$ -	\$ 142,111	\$ 177,633
Fund Balances:				
Nonspendable	\$ 418,955	\$ -	\$ 4,141	\$ 423,096
Restricted	974,300	-	591,290	1,565,590
Assigned	797,437	-	170,353	967,790
Unassigned	5,436,806	-	-	5,436,806
Total Fund Balances	<u>\$ 7,627,498</u>	<u>\$ -</u>	<u>\$ 765,784</u>	<u>\$ 8,393,282</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 8,756,966</u>	<u>\$ 542,683</u>	<u>\$ 1,000,652</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.	40,267,874
Interest is accrued on outstanding bonds in the statement of net assets but not in the funds.	(8,547)
Accounts receivable - HUD loans	142,111
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	(8,574,000)
Deferred Inflows - Pensions	(7,376,605)
Deferred Outflows - Pensions	7,260,636
Deferred Inflows - OPEB	(313,978)
Deferred Outflows - OPEB	2,064,898
Pension Liability	(1,614,250)
OPEB Liability	(11,502,049)
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.	(660,051)
Net Position of Governmental Activities	<u><u>\$ 28,079,321</u></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 Fund Balances
Governmental Funds
For the Year Ended December 31, 2021

	<u>Major</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	
Revenues:				
Real property and tax items	\$ 5,942,231	\$ -	\$ -	\$ 5,942,231
Non-property taxes	5,871,364	-	-	5,871,364
Departmental income	765,908	-	116,221	882,129
Intergovernmental charges	772,152	-	163,459	935,611
Use of money and property	59,770	-	121,013	180,783
Licenses and permits	119,843	-	-	119,843
Fines and forfeitures	146,837	-	-	146,837
Sale of property and compensation for loss	220,479	-	-	220,479
Miscellaneous	17,691	-	11,419	29,110
Interfund revenues	388,528	-	-	388,528
State and county aid	1,616,483	501,630	177,578	2,295,691
Federal aid	877	-	-	877
Total Revenues	<u>\$ 15,922,163</u>	<u>\$ 501,630</u>	<u>\$ 589,690</u>	<u>\$ 17,013,483</u>
Expenditures:				
Current:				
General government support	\$ 1,788,178	\$ 68,125	\$ 186,919	\$ 2,043,222
Public safety	4,197,248	744,066	-	4,941,314
Transportation	973,917	1,500,887	-	2,474,804
Economic assistance and development	204,541	-	22,393	226,934
Culture and recreation	842,289	184,039	-	1,026,328
Home and community services	1,030,021	-	388,603	1,418,624
Employee benefits	3,653,879	-	35,311	3,689,190
Debt Service:				
Debt service - principal	-	-	1,153,600	1,153,600
Debt service - interest and other charges	-	-	275,883	275,883
Total Expenditures	<u>\$ 12,690,073</u>	<u>\$ 2,497,117</u>	<u>\$ 2,062,709</u>	<u>\$ 17,249,899</u>
Excess (deficiency) of revenue over expenditures	\$ 3,232,090	\$ (1,995,487)	\$ (1,473,019)	\$ (236,416)
Other Financing Sources and Uses:				
Transfers - in	\$ 290,000	\$ 1,995,487	\$ 1,197,545	\$ 3,483,032
Transfers - out	(3,193,032)	-	-	(3,193,032)
Total Other Financing Sources and Uses	<u>\$ (2,903,032)</u>	<u>\$ 1,995,487</u>	<u>\$ 1,197,545</u>	<u>\$ 290,000</u>
Net change in fund balances	\$ 329,058	\$ -	\$ (275,474)	\$ 53,584
Fund Balance - Beginning	<u>7,298,440</u>	<u>-</u>	<u>1,041,258</u>	<u>8,339,698</u>
Fund Balance - Ending	<u>\$ 7,627,498</u>	<u>\$ -</u>	<u>\$ 765,784</u>	<u>\$ 8,393,282</u>

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, 2021

Net Change in Fund Balances - Total Governmental Funds \$ 53,584

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.

Addition of assets, net	\$ 2,252,456	
Depreciation	<u>(2,933,712)</u>	(681,256)

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	1,153,600
----------------	-----------

The net OPEB liability does not require the use of current financial resources, and therefore, is not reported as an expenditure in the governmental funds. (434,334)

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 (46,820)

(Increase) decrease in proportionate share of net pension asset/liability reported in the statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues and expenditures in the governmental funds:

Employees' Retirement System	140,571
Police and Fire Retirement System	(67,586)

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. 7,980

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 1,347

Change in Net Position of Governmental Activities \$ 127,086

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, 2021

	Business-Type Activities		Total Business-Type Activities
	Sewer Fund	Water Fund	
ASSETS			
Cash and cash equivalents	\$ 5,565,998	\$ 1,723,021	\$ 7,289,019
Accounts receivable, net	466,850	869,543	1,336,393
Due from other governments	517,361	-	517,361
Prepaid items	56,919	53,283	110,202
Capital assets:			
Land and work in progress	415,518	365,632	781,150
Other capital assets, net of depreciation	9,405,736	8,909,397	18,315,133
TOTAL ASSETS	\$ 16,428,382	\$ 11,920,876	\$ 28,349,258
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow of resources	\$ 479,120	\$ 852,231	\$ 1,331,351
LIABILITIES			
Accounts payable and other current liabilities	\$ 110,058	\$ 72,295	\$ 182,353
Accrued liabilities	15,600	21,896	37,496
Noncurrent liabilities:			
Due in one year	610,694	394,391	1,005,085
Due in more than one year	4,394,922	4,720,075	9,114,997
TOTAL LIABILITIES	\$ 5,131,274	\$ 5,208,657	\$ 10,339,931
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources	\$ 691,796	\$ 985,269	\$ 1,677,065
NET POSITION			
Net investment in capital assets	\$ 5,029,468	\$ 5,271,581	10,301,049
Restricted for:			
Restricted for debt	50,214	41,007	91,221
Capital reserve	5,245,699	1,256,050	6,501,749
Unrestricted	759,051	10,543	769,594
TOTAL NET POSITION	\$ 11,084,432	\$ 6,579,181	\$ 17,663,613

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, 2021

	<u>Business-Type Activities</u>		Total Business-Type Activities
	<u>Sewer Fund</u>	<u>Water Fund</u>	
<u>Operating Revenues:</u>			
Charges for services	\$ 2,760,179	\$ 3,316,875	\$ 6,077,054
TOTAL OPERATING REVENUE	\$ 2,760,179	\$ 3,316,875	\$ 6,077,054
<u>Operating Expenses:</u>			
Salaries	\$ 506,678	\$ 777,118	\$ 1,283,796
Benefits	219,041	414,940	633,981
Purchased services	972,603	1,052,587	2,025,190
Depreciation	882,860	483,699	1,366,559
Other expenses	54,912	57,581	112,493
TOTAL OPERATING EXPENSE	\$ 2,636,094	\$ 2,785,925	\$ 5,422,019
OPERATING INCOME OR (LOSS)	\$ 124,085	\$ 530,950	\$ 655,035
<u>Nonoperating Revenue (Expense):</u>			
Intergovernmental revenue	\$ 317,725	\$ 1,020	\$ 318,745
Interest	13,030	14,010	27,040
Sale of property and compensation for loss	12,550	2,676	15,226
Miscellaneous	17,480	9,865	27,345
Debt service interest	(126,726)	(121,484)	(248,210)
TOTAL NONOPERATING REVENUE (EXPENSE)	\$ 234,059	\$ (93,913)	\$ 140,146
Income (Loss) Before Operating Transfers	\$ 358,144	\$ 437,037	\$ 795,181
Transfers out (to governmental funds)	-	(290,000)	(290,000)
CHANGE IN NET POSITION	\$ 358,144	\$ 147,037	\$ 505,181
TOTAL NET POSITION, BEGINNING	10,726,288	6,432,144	17,158,432
TOTAL NET POSITION, ENDING	\$ 11,084,432	\$ 6,579,181	\$ 17,663,613

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

For the Year Ended December 31, 2021

	<u>Business-Type Activities</u>		<u>Total</u>
	<u>Sewer</u>	<u>Water</u>	<u>Business-Type</u>
	<u>Fund</u>	<u>Fund</u>	<u>Activities</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Cash received for services provided	\$ 2,705,602	\$ 3,331,029	\$ 6,036,631
Cash payments to suppliers for goods and services	(955,450)	(1,093,091)	(2,048,541)
Cash payments to employees	(787,616)	(1,242,401)	(2,030,017)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 962,536	\$ 995,537	\$ 1,958,073
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
County capital contribution	\$ 317,725	\$ -	\$ 317,725
Interfund Transfer	-	(290,000)	(290,000)
Interest expense	(142,601)	(123,021)	(265,622)
(Purchase) or sale of property and equipment	(389,398)	(280,228)	(669,626)
Principal payments on bonds	(592,000)	(349,400)	(941,400)
Other Receipts	21,288	12,228	33,516
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (784,986)	\$ (1,030,421)	\$ (1,848,923)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Interest income	\$ 9,222	\$ 12,667	\$ 21,889
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	\$ 9,222	\$ 12,667	\$ 21,889
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 186,772	\$ (22,217)	\$ 164,555
CASH AND CASH EQUIVALENTS - BEGINNING	5,379,226	1,745,238	7,124,464
CASH AND CASH EQUIVALENTS - ENDING	\$ 5,565,998	\$ 1,723,021	\$ 7,289,019
OPERATING INCOME (LOSS)	\$ 124,085	\$ 530,950	\$ 655,035
<u>ADJUSTMENT TO RECONCILE INCOME TO NET CASH BY OPERATING ACTIVITIES -</u>			
Depreciation	\$ 882,860	\$ 483,699	\$ 1,366,559
(Increase) decrease in accounts receivable	(54,577)	14,154	(40,423)
(Increase) decrease in prepaid items	1,718	(4,559)	(2,841)
(Increase) decrease in deferred outflow	(100,161)	(318,775)	(418,936)
Increase (decrease) in accounts payable and accrued liabilities	74,346	14,066	88,412
Increase (decrease) in deferred inflow	529,371	650,855	1,180,226
Increase (decrease) in net OPEB liability	(23,306)	199,732	176,426
Increase (decrease) in net pension liability	(471,800)	(574,585)	(1,046,385)
TOTAL ADJUSTMENTS	\$ 838,451	\$ 464,587	\$ 1,303,038
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 962,536	\$ 995,537	\$ 1,958,073

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, 2021

	Custodial Funds
	<u> </u>
ASSETS	
Cash and cash equivalents	\$ 4,054
	<u> </u>
TOTAL ASSETS	<u>\$ 4,054</u>
LIABILITIES	
Other liabilities	\$ 4,054
	<u> </u>
TOTAL LIABILITIES	<u>\$ 4,054</u>
NET POSITION	
Restricted for:	
Individuals, organizations, and other governments	\$ -
	<u> </u>
TOTAL NET POSITION	<u><u>\$ -</u></u>

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

CITY OF CANANDAIGUA, ONTARIO COUNTY, NEW YORK

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended December 31, 2021

	Custodial Funds
	<u> </u>
ADDITIONS	
Fees collected for New York State	\$ 4,044
Taxes collected for other municipalities	5,309,361
	<u> </u>
TOTAL ADDITIONS	<u>\$ 5,313,405</u>
DEDUCTIONS	
Fees collected for New York State	\$ 4,044
Taxes distributed to County	4,798,331
Taxes distributed to School District	511,030
	<u> </u>
TOTAL DEDUCTIONS	<u>\$ 5,313,405</u>
Change in net position	\$ -
NET POSITION - BEGINNING	<u>-</u>
NET POSITION - ENDING	<u><u>\$ -</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, 2021

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)

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	Community Development
Energy Projects	Cemetery

b. **Fiduciary Funds**

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

Custodial Fund – is custodial in nature and does not present results of operations or have measurement focus. The Custodial 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.

c. **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' 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.

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.

(I.) (Continued)

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.

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.

(I.) (Continued)

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>Estimated Useful Life</u>
Buildings	40 Years
Water & 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.

(I.) (Continued)

6. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

7. 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.

(I.) (Continued)

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 \$518,090 for 26 retirees and/or their surviving spouses for the year ended December 31, 2021.

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.

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.

(I.) (Continued)

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.

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.

(I.) (Continued)

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, 2021, the City had a legal margin of approximately \$12,436,152.

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:

Governmental Funds – By Character:	Current (further classified by function)
	Debt Service
	Capital outlay

In the fund financial statements, governmental funds report expenditures of financial resources. Government-wide financial statements report expenses relating to use of economic resources.

E. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

(I.) (Continued)

1. **Fund Financial Statements**

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

- a. **Interfund loan** – amounts provided with a requirement for repayment are reported as interfund receivables and payables.
- b. **Interfund services** – sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
- c. **Interfund reimbursements** – repayments from funds responsible for certain expenditures to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds
- d. **Interfund transfers** – flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

2. **Government-Wide Financial Statements**

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

- a. **Internal balances** – amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental columns of the Statement of Net Position, except for the net residual amounts due between governmental funds.
- b. **Internal activities** – amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities.

F. **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

G. **New Accounting Standards**

The City has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At December 31, 2021, the City implemented the following new standards issued by GASB: GASB has issued Statement 89 *Accounting for Interest Cost Incurred before the End of a Construction Period*.

GASB has issued Statement 93 *Replacement of Interbank Offered Rates Paragraphs 13 and 14*.

(I.) (Continued)

H. Future Changes in Accounting Standards

GASB has issued Statement 87 *Leases*, which will be effective for reporting periods beginning after June 15, 2021.

GASB has issued Statement 91 *Conduct Debt Obligations*, which will be effective for reporting periods beginning after December 15, 2021.

GASB has issued Statement 92 *Omnibus 2020 Paragraphs 6, 7, 8, 9, 10, 12*, which will be effective for reporting periods beginning after June 15, 2021.

GASB has issued Statement 93 *Replacement of Interbank Offered Rates Paragraphs 1-11a, and 12*, which will be effective for reporting periods beginning after June 15, 2020.

GASB has issued Statement 93 *Replacement of Interbank Offered Rates Paragraph 11b*, which will be effective for reporting periods beginning after December 15, 2021.

GASB has issued Statement 94 *Public-Private and Public-Public Partnerships and Available Payment Arrangements*, which will be effective for reporting periods beginning after June 15, 2022.

GASB has issued Statement 96 *Subscription Based Information Technology*, which will be effective for reporting periods beginning after December 15, 2022.

GASB has issued Statement 97 *Certain Component Unit Criteria and Accounting and Financial Report for Internal Revenue Code Section 457 Deferred Compensation Plans*, which will be effective for reporting periods beginning after December 15, 2021.

The City is currently reviewing 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:

(II.) (Continued)

- 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.
- 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.

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.

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		10,898,778
Total	\$	<u>10,898,778</u>

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 \$1,565,590 within the governmental funds, and \$6,592,970 in the proprietary funds.

B. Investment Pool

The City participates in a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 5-G, §119-O, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents.

Total investments of the cooperative as of year end are \$1,125,853, which consisted of \$128,122 in repurchase agreements, \$672,697 in U.S. Treasury Securities, and \$325,034 in collateralized bank deposits, with various interest rates and due dates.

The following amounts are included as unrestricted and restricted cash:

<u>Fund</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>	<u>Type of Investment</u>
General Fund	\$ 544,905	\$ 544,905	CLASS
Business-Type-Sewer Fund	443,620	443,620	CLASS
Business-Type-Water Fund	137,328	137,328	CLASS
Total	<u>\$ 1,125,853</u>	<u>\$ 1,125,853</u>	

(III.) (Continued)

C. Receivables

Receivables at December 31, 2021 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:

<u>Description</u>	<u>Government Funds</u>						<u>Business-Type Activities</u>		
	<u>General</u>	<u>Capital</u>	<u>Community Development</u>	<u>Watershed Program</u>	<u>Technology</u>	<u>Total</u>	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
<u>Receivables -</u>									
Taxes receivable	\$ 186,524	\$ -	\$ -	\$ -	\$ -	\$ 186,524	\$ -	\$ -	\$ -
Rents receivable	-	-	-	-	-	-	255,166	752,405	1,007,571
Accounts receivable	231,456	-	142,111	7,500	294	381,361	221,684	117,138	338,822
Allowance for uncollectables	(12,050)	-	-	-	-	(12,050)	(10,000)	-	(10,000)
Total Receivables, net	<u>\$ 405,930</u>	<u>\$ -</u>	<u>\$ 142,111</u>	<u>\$ 7,500</u>	<u>\$ 294</u>	<u>\$ 555,835</u>	<u>\$ 466,850</u>	<u>\$ 869,543</u>	<u>\$ 1,336,393</u>
<u>State and Federal -</u>									
Due from state and federal	\$ 83,336	\$ 501,630	\$ -	\$ 74,031	\$ -	\$ 658,997	\$ -	\$ -	\$ -
<u>Other Governments -</u>									
Due from other governments	\$ 943,356	\$ -	\$ -	\$ 27,200	\$ -	\$ 970,556	\$ 517,361	\$ -	\$ 517,361
Total Receivables	<u>\$ 1,432,622</u>	<u>\$ 501,630</u>	<u>\$ 142,111</u>	<u>\$ 108,731</u>	<u>\$ 294</u>	<u>\$ 2,185,388</u>	<u>\$ 984,211</u>	<u>\$ 869,543</u>	<u>\$ 1,853,754</u>

D. Tax Abatement

The County of Ontario IDA, and the City enter into various property tax and sales tax abatement programs for the purpose of Economic Development. As a result, the City property tax revenue was reduced \$529,880. The City received payment in lieu of tax (PILOT) payment totaling \$131,874 to help offset the property tax reduction.

E. Interfund Receivables, Payables, Revenues, and Expenditures

Interfund revenues and expenditures at December 31, 2021 were as follows:

	<u>Interfund</u>	
	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 290,000	\$ 3,193,032
Business-Type - Water Fund	-	290,000
Capital Fund	1,995,487	-
Debt Service Fund	1,197,545	-
Total	<u>\$ 3,483,032</u>	<u>\$ 3,483,032</u>

(III.) (Continued)

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 not necessarily expected to be repaid within one year.

Transfers are used to finance certain capital project expenditures and debt service expenditures.

F. **Changes In Capital Assets**

1. **Governmental Activities**

A summary of governmental changes in capital assets follows:

<u>Type</u>	<u>Balance</u> <u>1/1/21</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/21</u>
<u>Governmental Activities:</u>				
<u>Capital Assets that are not Depreciated -</u>				
Land	\$ 4,446,402	\$ -	\$ -	\$ 4,446,402
Work in progress	43,556	-	43,556	-
<i>Total Nondepreciable</i>	<u>\$ 4,489,958</u>	<u>\$ -</u>	<u>\$ 43,556</u>	<u>\$ 4,446,402</u>
<u>Capital Assets that are Depreciated -</u>				
Buildings and Improvements	\$ 25,160,580	\$ 681,840	\$ -	\$ 25,842,420
Machinery and equipment	9,659,271	1,459,820	530,748	10,588,343
Infrastructure	62,827,714	154,351	-	62,982,065
<i>Total Depreciated Assets</i>	<u>\$ 97,647,565</u>	<u>\$ 2,296,011</u>	<u>\$ 530,748</u>	<u>\$ 99,412,828</u>
<u>Less Accumulated Depreciation -</u>				
Buildings and Improvements	\$ 11,807,515	\$ 719,625	\$ -	\$ 12,527,140
Machinery and equipment	5,588,932	800,870	530,749	5,859,053
Infrastructure	43,791,946	1,413,217	-	45,205,163
<i>Total Accumulated Depreciation</i>	<u>\$ 61,188,393</u>	<u>\$ 2,933,712</u>	<u>\$ 530,749</u>	<u>\$ 63,591,356</u>
<i>Total Capital Assets Depreciated, Net of Accumulated Depreciation</i>	<u>\$ 36,459,172</u>	<u>\$ (637,701)</u>	<u>\$ (1)</u>	<u>\$ 35,821,472</u>
Total Capital Assets	<u><u>\$ 40,949,130</u></u>	<u><u>\$ (637,701)</u></u>	<u><u>\$ 43,555</u></u>	<u><u>\$ 40,267,874</u></u>

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

<u>Governmental Activities:</u>	
General Government	\$ 381,891
Public Safety	408,314
Transportation	1,769,890
Economic Opportunity	10,978
Culture and Recreation	237,849
Home and Community Services	124,790
Total Depreciation Expense	<u><u>\$ 2,933,712</u></u>

(III.) (Continued)

2. **Business-Type Activities**

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

<u>Type</u>	<u>Balance</u> <u>1/1/21</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/21</u>
<u>Business-Type Activities:</u>				
<u>Capital Assets that are not Depreciated -</u>				
Land	\$ 164,072	\$ -	\$ -	\$ 164,072
Work in progress	357,157	260,636	715	617,078
<i>Total Nondepreciable</i>	<u>\$ 521,229</u>	<u>\$ 260,636</u>	<u>\$ 715</u>	<u>\$ 781,150</u>
<u>Capital Assets that are Depreciated -</u>				
Buildings and Improvements	\$ 36,513,844	\$ 48,815	\$ -	\$ 36,562,659
Machinery and equipment	5,305,201	381,072	102,913	5,583,360
Infrastructure	23,218,269	-	-	23,218,269
<i>Total Depreciated Assets</i>	<u>\$ 65,037,314</u>	<u>\$ 429,887</u>	<u>\$ 102,913</u>	<u>\$ 65,364,288</u>
<u>Less Accumulated Depreciation -</u>				
Buildings and Improvements	\$ 24,924,444	\$ 804,951	\$ -	\$ 25,729,395
Machinery and equipment	3,371,998	286,317	97,958	3,560,357
Infrastructure	17,484,111	275,292	-	17,759,403
<i>Total Accumulated Depreciation</i>	<u>\$ 45,780,553</u>	<u>\$ 1,366,560</u>	<u>\$ 97,958</u>	<u>\$ 47,049,155</u>
<i>Total Capital Assets Depreciated, Net of Accumulated Depreciation</i>	<u>\$ 19,256,761</u>	<u>\$ (936,673)</u>	<u>\$ 4,955</u>	<u>\$ 18,315,133</u>
Total Capital Assets	<u>\$ 19,777,990</u>	<u>\$ (676,037)</u>	<u>\$ 5,670</u>	<u>\$ 19,096,283</u>

Depreciation expense totaling \$1,366,560 was charged to home and community services.

G. **Long-Term Debt**

At December 31, 2021 the total outstanding obligations of the City aggregated \$32,470,432 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.

(III.) (Continued)

2. **Interest Reconciliation**

A summary of the long-term interest expense as of December 31, 2021 is as follows:

Governmental Activities:

Interest Paid	\$	275,883
Less: Interest Accrued in the Prior Year		(9,894)
Plus: Interest Accrued in the Current Year		8,547
Total Long-Term Interest Expense - Governmental Activities	\$	274,536

Business-Type Activities:

Interest Paid	\$	248,210
Total Long-Term Interest Expense - Business-Type Activities	\$	248,210

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.

Net Pension Liability – represents long-term pension liability.

4. **Summary of Debt**

The following is a summary of obligations outstanding at December 31, 2021:

	Balance			Balance	Due Within
	<u>1/1/21</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/21</u>	<u>One Year</u>
<u>Governmental Activities:</u>					
Serial Bonds	\$ 9,727,600	\$ -	\$ 1,153,600	\$ 8,574,000	\$ 844,000
Net Pension Liability	6,325,840	-	4,711,590	1,614,250	-
Compensated Absences	668,031	-	7,980	660,051	165,013
OPEB	10,382,645	1,119,404	-	11,502,049	-
Total Governmental Activities	\$ 27,104,116	\$ 1,119,404	\$ 5,873,170	\$ 22,350,350	\$ 1,009,013
<u>Business-Type Activities:</u>					
Serial Bonds	\$ 9,597,400	\$ -	\$ 941,400	\$ 8,656,000	\$ 971,000
Net Pension Liability	1,050,718	-	1,046,385	4,333	-
Compensated Absences	143,653	-	7,315	136,338	34,085
OPEB	1,146,985	176,426	-	1,323,411	-
Total Business-Type Activities	\$ 11,938,756	\$ 176,426	\$ 1,995,100	\$ 10,120,082	\$ 1,005,085
Total Long-Term Obligations	\$ 39,042,872	\$ 1,295,830	\$ 7,868,270	\$ 32,470,432	\$ 2,014,098

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>Description</u>	<u>Original Amount</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Amount Outstanding 12/31/21</u>
<u>Governmental Activities:</u>					
<u>General Fund -</u>					
Serial Bonds	\$ 1,613,000	2015	2025	2.00%-2.25%	\$ 685,000
Serial Bonds	\$ 1,988,950	2015	2027	3.01%	544,000
Serial Bonds	\$ 7,320,000	2018	2033	3.00%-3.50%	5,995,000
Serial Bonds	\$ 1,430,000	2019	2034	1.75%-2.00%	1,255,000
Serial Bonds	\$ 260,000	2020	2026	2.00%-4.00%	95,000
<u>Business-Type Activities:</u>					
<u>Water Fund -</u>					
Serial Bonds	\$ 666,500	2015	2025	2.00%-2.25%	290,000
Serial Bonds	\$ 2,371,800	2015	2046	3.01%	1,894,000
Serial Bonds	\$ 715,000	2019	2034	1.75%-2.00%	625,000
Serial Bonds	\$ 1,325,000	2020	2031	1.00%-4.00%	1,155,000
<u>Sewer Fund -</u>					
NYS EFC Bonds	\$ 1,105,000	2013	2023	0.721%-4.500%	120,000
Serial Bonds	\$ 620,500	2015	2025	2.00%-2.25%	265,000
Serial Bonds	\$ 554,250	2015	2027	3.01%	222,000
Serial Bonds	\$ 715,000	2019	2034	1.75%-2.00%	635,000
Serial Bonds	\$ 3,755,000	2020	2031	1.00%-4.00%	3,450,000
Total					<u>\$ 17,230,000</u>

6. The following table summarizes the City's future debt service requirements as of December 31, 2021:

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 844,000	\$ 245,436	\$ 971,000	\$ 222,733
2023	870,000	223,506	845,000	196,312
2024	885,000	199,406	845,000	181,463
2025	895,000	176,406	845,000	168,987
2026	746,000	151,169	694,000	154,375
2027-31	3,039,000	457,972	3,046,000	468,540
2032-36	1,295,000	63,438	690,000	191,363
2037-41	-	-	370,000	112,594
2042-46	-	-	350,000	42,000
Total	<u>\$ 8,574,000</u>	<u>\$ 1,517,333</u>	<u>\$ 8,656,000</u>	<u>\$ 1,738,367</u>

(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. \$7,625,000 of bonds outstanding are considered defeased.
8. **Deferred Outflow and Inflow of Resources**

The City has the following deferred outflow and Inflow of resources:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Pension	\$ 7,260,636	\$ 7,376,605	\$ 1,054,731	\$ 1,266,683
Bonds	-	-	-	230,455
OPEB	2,064,898	313,978	276,620	179,927
Total	\$ 9,325,534	\$ 7,690,583	\$ 1,331,351	\$ 1,677,065

H. **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, 2021 is \$60,692.

b. **Capital Reserve** – Established to be used for the construction, reconstruction or acquisition of general types of the capital improvements or the acquisition of general types of items or types of equipment. The balance at December 31, 2021 is \$887,303.

c. **General Reserve** – Represents amounts held in reserve by contributors for a specific purpose. The balance at December 31, 2021 is \$26,305.

(III.) (Continued)

d. **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, 2021 is \$73,831.

e. **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.

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.

e. **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.

c. **Assigned**

The City has the following assigned funds:

- | | |
|-------------------|---------------------------|
| General Fund – | 1. Appropriated for Taxes |
| | 2. Encumbrances |
| | 3. Kershaw Park Reserve |
| Technology Fund – | 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 \$25,000 are considered significant, the City does not have any significant encumbrances.

(III.) (Continued)

d. Unassigned

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

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

<u>FUND BALANCE:</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Special District Funds</u>	<u>Total</u>
<u>Nonspendable -</u>				
Inventory	\$ 14,823	\$ -	\$ -	\$ 14,823
Prepaid items	404,132	-	4,141	408,273
Total Nonspendable	\$ 418,955	\$ -	\$ 4,141	\$ 423,096
<u>Restricted -</u>				
Capital reserves	\$ 887,303	\$ -	\$ -	\$ 887,303
Insurance reserve	60,692	-	-	60,692
Debt reserve	-	73,831	-	73,831
General reserve	26,305	-	-	26,305
Special districts -				
Community development fund	-	-	136,005	136,005
Cemetery fund	-	-	29,042	29,042
Parks & open spaces fund	-	-	88,622	88,622
Energy Projects fund	-	-	16,350	16,350
Canandaigua Lake watershed council	-	-	247,440	247,440
Total Restricted	\$ 974,300	\$ 73,831	\$ 517,459	\$ 1,565,590
<u>Assigned -</u>				
Appropriated for taxes	\$ 684,586	\$ -	\$ -	\$ 684,586
Kershaw park reserve	67,298	-	-	67,298
General government support	18,610	-	-	18,610
Public safety	20,256	-	-	20,256
Transportation	2,008	-	-	2,008
Culture and recreation	4,679	-	-	4,679
Technology fund	-	-	170,353	170,353
Total Assigned	\$ 797,437	\$ -	\$ 170,353	\$ 967,790
<u>Unassigned</u>	\$ 5,436,806	\$ -	\$ -	\$ 5,436,806
TOTAL FUND BALANCE	\$ 7,627,498	\$ 73,831	\$ 691,953	\$ 8,393,282

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.

(III.) (Continued)

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

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

Debt	\$	73,831
Watershed		247,440
Parks & Open Spaces		88,622
Energy Projects Fund		16,350
Cemetery		29,042
Community Development		136,005
Capital Reserves		887,303
Insurance Reserve		60,692
Other		26,305
Total Net Position - Restricted for Other Purposes	\$	<u>1,565,590</u>

IV. **General Information and Pension Plans:**

A. **General Information About Pension Plan**

1. **Plan Description**

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

2. **Benefits Provided**

The Systems provide retirement benefits as well as death and disability benefits.

(IV.) (Continued)

Tier 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20 percent of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous two years.

Tier 3, 4, 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4, and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of wages earned in the three highest consecutive years. For Tier 3, 4, and 5 members, each year of final average salary is limited to no more than 10 percent of the average of the previous two years.

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age of Tier 6 is 63 and ERS members and 62 for PFRS members.

(IV.) (Continued)

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with ten or more years of service can retire as early as 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10 percent of the average of the previous four years.

Special Plans

The 25-Year Plans allow a retirement after 25 years of service with a benefit of one-half of final average salary, and the 20-Year Plans allow a retirement after 20 years of service with a benefit of one-half of final average salary. These plans are available to certain PFRS members, sheriffs, and correction officers.

Ordinary Disability Benefits

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after ten years of service; in some cases, they are provided after five years of service.

Accidental Disability Benefits

For all eligible Tier 1 and Tier 2 ERS and PFRS members, the accidental disability benefit is a pension of 75 percent of final average salary, with an offset for any Workers' Compensation benefits received. The benefit for eligible Tier 3, 4, 5, and 6 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (i) all pensioners who have attained age 62 and have been retired for five years; (ii) all pensioners who have attained age 55 and have been retired for ten years; (iii) all disability pensioners, regardless of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor, but cannot be less than 1 percent or exceed 3 percent.

(IV.) (Continued)

3. **Contributions**

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS) who generally contribute 3 percent of their salary for their entire length of service. For Tier 6 members, the contribution rate varies from 3 percent to 6 percent depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly, used in computing the employers' contributions based on salaries paid during the Systems' financial year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

<u>Prepayment</u> <u>Due Date</u>	<u>ERS</u>	<u>PFRS</u>
12/15/2021	\$ 571,184	\$ 817,826
12/15/2020	\$ 548,611	\$ 728,087
12/15/2019	\$ 551,083	\$ 668,173

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

B. **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions**

At December 31, 2021, the City reported a liability of \$1,618,674 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2021, the City's proportion was 0.00128355 percent for ERS and 0.0924855 percent for PFRS.

For the year ended December 31, 2021 the City recognized pension expense of \$1,228,278. At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u> <u>of Resources</u>		<u>Deferred Inflows</u> <u>of Resources</u>	
	<u>ERS</u>	<u>PFRS</u>	<u>ERS</u>	<u>PFRS</u>
Differences between expected and actual experience	\$ 156,088	\$ 356,319	\$ -	\$ -
Changes of assumptions	2,349,980	3,945,284	44,321	-
Net difference between projected and actual earnings on pension plan investments	-	-	3,671,404	4,721,769
Changes in proportion and differences between the District's contributions and proportionate share of contributions	176,847	289,092	20,802	184,992
Subtotal	<u>\$ 2,682,915</u>	<u>\$ 4,590,695</u>	<u>\$ 3,736,527</u>	<u>\$ 4,906,761</u>
City's contributions subsequent to the measurement date	428,387	613,370	-	-
Grand Total	<u>\$ 3,111,302</u>	<u>\$ 5,204,065</u>	<u>\$ 3,736,527</u>	<u>\$ 4,906,761</u>

(IV.) (Continued)

	Deferred Outflows of Resources						
	Governmental		Total	Proprietary		Total	Grand
	<u>PFRS</u>	<u>ERS</u>	<u>Governmental</u>	<u>Water</u>	<u>Sewer</u>	<u>Proprietary</u>	<u>Total</u>
Differences between expected and actual experience	\$ 356,319	\$ 103,174	\$ 459,493	\$ 30,281	\$ 22,633	\$ 52,914	\$ 512,407
Changes of assumptions	3,945,284	1,553,337	5,498,621	455,896	340,747	796,643	6,295,264
Net difference between projected and actual earnings on pension plan investments	-	-	-	-	-	-	-
Changes in proportion and differences between the City's contributions and proportionate share of contributions	289,092	116,896	405,988	34,308	25,643	59,951	465,939
SubTotal	\$ 4,590,695	\$ 1,773,407	\$ 6,364,102	\$ 520,485	\$ 389,023	\$ 909,508	\$ 7,273,610
City's contributions subsequent to the measurement date	613,370	283,164	896,534	83,107	62,116	145,223	1,041,757
Grand Total	\$ 5,204,065	\$ 2,056,571	\$ 7,260,636	\$ 603,592	\$ 451,139	\$ 1,054,731	\$ 8,315,367

	Deferred Inflows of Resources						
	Governmental		Total	Proprietary		Total	Grand
	<u>PFRS</u>	<u>ERS</u>	<u>Governmental</u>	<u>Water</u>	<u>Sewer</u>	<u>Proprietary</u>	<u>Total</u>
Differences between expected and actual experience	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Changes of assumptions	-	29,296	29,296	8,598	6,427	15,025	44,321
Net difference between projected and actual earnings on pension plan investments	4,721,769	2,426,798	7,148,567	712,252	532,354	1,244,606	8,393,173
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	184,992	13,750	198,742	4,036	3,016	7,052	205,794
Grand Total	\$ 4,906,761	\$ 2,469,844	\$ 7,376,605	\$ 724,886	\$ 541,797	\$ 1,266,683	\$ 8,643,288

(IV.) (Continued)

The City reported \$1,041,757 as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

<u>Year</u>	<u>ERS</u>	<u>PFRS</u>
2022	\$ (163,380)	\$ (188,285)
2023	(36,124)	1,701
2024	(168,632)	(133,032)
2025	(685,476)	(808,824)
2026	-	812,374
Total	\$ (1,053,612)	\$ (316,066)

1. Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

	<u>ERS</u>	<u>PFRS</u>
Measurement date	March 31, 2021	March 31, 2021
Actuarial valuation date	April 1, 2021	April 1, 2020
Interest rate	5.90%	5.90%
Salary scale	4.40%	6.20%
Decrement tables	April 1 2010 - 31-Mar-15 System's Experience	April 1 2010 - 31-Mar-15 System's Experience
Inflation rate	2.70%	2.70%
COLA's	1.40%	1.40%

Annuitant mortality rates are based on Society of Actuaries Scale MP-2014 System's experience with adjustments for mortality improvements based on MP-2019.

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

(IV.) (Continued)

<u>Asset Type</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	4.05%
International equity	6.30%
Private equity	6.75%
Real estate	4.95%
Absolute return strategies *	4.50%
Opportunistic portfolios	4.50%
Real assets	5.95%
Cash	0.50%
Inflation-indexed bonds	0.50%
Credit	3.63%

The real rate of return is net of the long-term inflation assumption of 2% for ERS and 2% for PFRS.

* Excludes equity-oriented long-only funds. For investment management purposes, these funds are included in domestic equity and internal equity.

2. Discount Rate

The discount rate used to calculate the total pension liability was 5.90%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 5.90%, as well as what the City's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentagepoint lower (4.90%) or 1-percentagepoint higher (6.90%) than the current rate:

	1% Decrease <u>(4.90%)</u>	Current Assumption <u>(5.90%)</u>	1% Increase <u>(6.90%)</u>
<u>ERS</u>			
Employer's proportionate share of the net pension asset (liability)	\$ (3,547,461)	\$ (12,781)	\$ 3,247,021
		Current Assumption <u>(5.90%)</u>	1% Increase <u>(6.90%)</u>
<u>PFRS</u>			
Employer's proportionate share of the net pension asset (liability)	\$ (6,828,778)	\$ (1,605,803)	\$ 2,717,471

(IV.) (Continued)

4. **Pension Plan Fiduciary Net Position**

The components of the current year net pension asset/(liability) of the employers as of the respective valuation dates, were as follows:

	(In Thousands)	
	<u>ERS</u>	<u>PFRS</u>
Employers' total pension liability	\$ 22,680,157	\$ 41,236,775
Plan net position	<u>220,580,583</u>	<u>39,500,500</u>
Employers' net pension asset/(liability)	<u>\$ 197,900,426</u>	<u>\$ (1,736,275)</u>
Ratio of plan net position to the employers' total pension asset/(liability)	99.95%	95.79%

V. **Postemployment Benefits**

A. **General Information About the OPEB Plan**

Plan Description – The City’s defined benefit OPEB plan, provides OPEB for all permanent full-time general and public safety employees of the City. The plan is a single-employer defined benefit OPEB plan administered by the City. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the City Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided – The City provides healthcare and life insurance benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the City offices and are available upon request.

Employees Covered by Benefit Terms – At December 31, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	51
Active Employees	<u>94</u>
Total	<u>145</u>

B. **Total OPEB Liability**

The City’s total OPEB liability of \$12,825,460 was measured as of December 31, 2021 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

(V.) (Continued)

Inflation	2.37 percent
Salary Increases	3.44 percent, average, including inflation
Discount Rate	2.19 percent
Healthcare Cost Trend Rates	6.10 percent for 2021, decreasing to an ultimate rate of 4.37 percent for 2075 and later years
Retirees' Share of Benefit-Related Costs	Various percent of projected health insurance premiums for retirees

The discount rate was based on Fidelity General Obligation AA-20 Year Municipal Bond rate.

Mortality rates were based on the RP-2014 Mortality Table, as appropriate, with adjustments for mortality improvements based on Scale MP-2021.

C. **Changes in the Total OPEB Liability**

Balance at December 31, 2020	<u>\$ 11,529,630</u>
<u>Changes for the Year -</u>	
Service cost	\$ 353,776
Interest	270,198
Differences between expected and actual experience	790,131
Changes in assumptions or other inputs	553,615
Benefit payments	<u>(671,890)</u>
Net Changes	<u>\$ 1,295,830</u>
Balance at December 31, 2021	<u><u>\$ 12,825,460</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.41 percent in 2020 to 2.19 percent in 2021.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.19 percent) or 1-percentage-point higher (3.19 percent) than the current discount rate:

	1% Decrease	Discount	1% Increase
	<u>(1.19%)</u>	<u>Rate</u>	<u>(3.19%)</u>
	<u>(2.19%)</u>		<u>(3.19%)</u>
Total OPEB Liability	\$ 13,896,162	\$ 12,825,460	\$ 11,851,401

(V.) (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.10 percent) or 1-percentage-point higher (7.10 percent) than the current healthcare cost trend rate:

	1% Decrease (5.10% Decreasing to 3.37%)	Healthcare Cost Trend Rates (6.10% Decreasing to 4.37%)	1% Increase (7.10% Increasing to 5.37%)
Total OPEB Liability	\$ 11,476,012	\$ 12,825,460	\$ 14,401,702

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

For the year ended December 31, 2021, the City recognized OPEB expense of \$1,105,769. At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,098,748	\$ 453,400
Changes of assumptions	1,072,952	40,505
City's contributions subsequent to the measurement date	169,818	-
Total	\$ 2,341,518	\$ 493,905

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

<u>Year</u>	
2022	\$ 503,587
2023	515,294
2024	398,111
2025	217,823
2026	27,695
Thereafter	15,285
Total	\$ 1,677,795

VI. 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.

VII. Risk Management

A. 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.

B. 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, 2021 and 2020 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 \$60,692 at December 31, 2021.

C. 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.

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, 2021, the City of Canandaigua, Ontario County, New York incurred premiums or contribution expenditures totaling \$296,018 which were collected through the County's tax levy.

VIII. Commitments and Contingencies

A. 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 or will not be material to the financial statements. In addition, there are pending tax certiorari claims requesting reduction of assessments in which the financial impact, if any, cannot be determined at this time.

(VIII.) (Continued)

B. 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.

IX. Lease Agreements

A. System Site Lease Agreement

On May 8, 2015 the City entered into a system site lease agreement to lease approximately ten (10) acres of land for solar panel use. The City will receive a one-time payment of \$1 for the lease of this property over the twenty-five year term of this agreement. The commercial operation date of the solar panels was January 1, 2019.

B. Power Purchase Agreement

On May 8, 2015 the City (purchaser) entered into a power purchase agreement with a third party (seller) to purchase energy generated by the solar system located on the ten (10) acres in the system site lease agreement noted above. The City pays an annual fixed rate that increases each year from .092/kwh in year 1 to .14798/kwh in year 25. Any energy generated that exceeds the City's needs will be sold to a utility in accordance with the net metering rules or enter into other arrangements to deliver or exchange excess energy to another buyer. Any excess energy sold to a utility will offset cost to the City and then be maintained as a credit to offset future utility cost of the City. The commercial operation date of the solar panels was January 1, 2019. As of December 31, 2021 the City had a solar credit balance totaling \$24,370.

X. Rental of Real Property

The City has entered into agreements to lease City property for the following:

A. Cellular Towers

The total rental income received for the year ended December 31, 2021 totaled \$106,391 which is reported in the Technology Fund.

B. Muar House

The total rental income received for the year ended December 31, 2021 totaled \$13,200 which is reported in the General Fund.

C. West Lake Road

The total rental income received for the year ended December 31, 2021 totaled \$9,600 which is reported in the Water Fund.

(X.) (Continued)

D. Solar Farm

The total rental income received for the year ended December 31, 2021 totaled \$32,147 which is reported in the General Fund.

XI. Covid-19

On January 30,2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the City’s financial condition, liquidity, budgetary projections and future results of operation. Management is actively monitoring the global situation on its financial condition, liquidity, budgetary projections, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the City is not able to estimate the effects of the COVID-19 outbreak on its budgetary projections, results of operations, financial condition, or liquidity for fiscal year 2022.

Required Supplemental Information
CITY OF CANANDAIGUA, ONTARIO COUNTY, NEW YORK
Schedule of Changes in City's Total OPEB Liability and Related Ratio
(Unaudited)
For the Year Ended December 31, 2021

TOTAL OPEB LIABILITY				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 353,776	\$ 297,524	\$ 278,425	\$ 296,837
Interest	270,198	281,137	377,853	351,215
Changes in benefit terms	-	-	(25,931)	-
Differences between expected and actual experiences	790,131	706,821	(962,561)	(14,335)
Changes of assumptions or other inputs	553,615	318,502	1,189,673	(269,936)
Benefit payments	(671,890)	(519,002)	(514,487)	(496,416)
Net Change in Total OPEB Liability	<u>\$ 1,295,830</u>	<u>\$ 1,084,982</u>	<u>\$ 342,972</u>	<u>\$ (132,635)</u>
Total OPEB Liability - Beginning	<u>\$ 11,529,630</u>	<u>\$ 10,444,648</u>	<u>\$ 10,101,676</u>	<u>\$ 10,234,311</u>
Total OPEB Liability - Ending	<u><u>\$ 12,825,460</u></u>	<u><u>\$ 11,529,630</u></u>	<u><u>\$ 10,444,648</u></u>	<u><u>\$ 10,101,676</u></u>
Covered Employee Payroll	\$ 6,242,104	\$ 6,034,517	\$ 5,845,368	\$ 5,845,368
Total OPEB Liability as a Percentage of Covered Employee Payroll	205.47%	191.06%	178.68%	172.82%

10 years of historical information is not available and will be reported each year going forward

Required Supplemental Information
CITY OF CANANDAIGUA, ONTARIO COUNTY, NEW YORK
Schedule of the City's Proportionate Share of the Net Pension Liability
(Unaudited)
For the Year Ended December 31, 2021

NYSERS Pension Plan

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (assets)	0.0128355%	0.0120531%	0.0125312%	0.0126691%	0.0125921%	0.0120560%	0.0122275%
Proportionate share of the net pension liability (assets)	\$ 12,871	\$ 3,191,729	\$ 887,871	\$ 408,888	\$ 1,183,184	\$ 1,935,021	\$ 413,076
Covered-employee payroll	\$ 3,725,433	\$ 3,913,713	\$ 3,857,951	\$ 3,773,084	\$ 3,760,142	\$ 3,577,704	\$ 3,650,025
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	0.345%	81.552%	23.014%	10.837%	31.466%	54.086%	11.317%
Plan fiduciary net position as a percentage of the total pension liability	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%

NYSPPRS Pension Plan

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (assets)	0.0924855%	0.0782952%	0.0757769%	0.0741655%	0.0770643%	0.0915745%	0.0740655%
Proportionate share of the net pension liability (assets)	\$ 1,605,803	\$ 4,184,829	\$ 1,270,827	\$ 749,633	\$ 1,597,275	\$ 2,711,325	\$ 203,872
Covered-employee payroll	\$ 3,136,725	\$ 3,211,666	\$ 2,965,135	\$ 2,756,805	\$ 2,782,060	\$ 2,690,048	\$ 2,756,062
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	51.194%	130.301%	42.859%	27.192%	57.413%	100.791%	7.397%
Plan fiduciary net position as a percentage of the total pension liability	95.79%	84.86%	95.09%	96.93%	93.50%	90.20%	99.00%

10 years of historical information is not available and will be reported each year going forward

Required Supplemental Information
CITY OF CANANDAIGUA, ONTARIO COUNTY, NEW YORK
Schedule of City Contributions
(Unaudited)
For the Year Ended December 31, 2021

NYSERS Pension Plan

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 571,184	\$ 552,587	\$ 548,116	\$ 556,844	\$ 538,374	\$ 607,902	\$ 693,834
Contributions in relation to the contractually required contribution	<u>(571,184)</u>	<u>(552,587)</u>	<u>(548,116)</u>	<u>(556,844)</u>	<u>(538,374)</u>	<u>(607,902)</u>	<u>(693,834)</u>
Contribution deficiency (excess)	<u>\$ -</u>						
Covered-employee payroll	\$ 3,725,433	\$ 3,913,713	\$ 3,857,951	\$ 3,773,084	\$ 3,760,142	\$ 3,577,704	\$ 3,650,025
Contributions as a percentage of covered-employee payroll	15.33%	14.12%	14.21%	14.76%	14.32%	16.99%	19.01%

NYSPPRS Pension Plan

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 817,826	\$ 668,173	\$ 620,349	\$ 640,643	\$ 609,334	\$ 617,316	\$ 619,951
Contributions in relation to the contractually required contribution	<u>(817,826)</u>	<u>(668,173)</u>	<u>(620,349)</u>	<u>(640,643)</u>	<u>(609,334)</u>	<u>(617,316)</u>	<u>(619,951)</u>
Contribution deficiency (excess)	<u>\$ -</u>						
Covered-employee payroll	\$ 3,136,725	\$ 3,211,666	\$ 2,965,135	\$ 2,756,805	\$ 2,782,060	\$ 2,690,048	\$ 2,756,062
Contributions as a percentage of covered-employee payroll	26.07%	20.80%	20.92%	23.24%	21.90%	22.95%	22.49%

10 years of historical information is not available and will be reported each year going forward

Required Supplemental Information
CITY OF CANANDAIGUA, ONTARIO COUNTY, NEW YORK
Schedule 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, 2021

GENERAL FUND					
	Original Budget (Incl. Carryover Encumbrances)	Budget (Amended)	Actual	Encumbrances	Variance
Revenues:					
Real property and tax items	\$ 6,044,004	\$ 6,044,004	\$ 5,942,231	\$ -	\$ (101,773)
Non-property taxes	4,908,243	4,908,243	5,871,364	-	963,121
Departmental income	723,862	727,361	765,908	-	38,547
Intergovernmental charges	795,203	795,203	772,152	-	(23,051)
Use of money and property	84,090	84,090	59,770	-	(24,320)
Licenses and permits	110,300	110,300	119,843	-	9,543
Fines and forfeitures	132,800	132,800	146,837	-	14,037
Sale of property and compensation for loss	250,000	278,578	220,479	-	(58,099)
Miscellaneous	6,181	9,009	17,691	-	8,682
Interfund revenues	388,528	388,528	388,528	-	-
State and county aid	1,287,361	1,287,361	1,616,483	-	329,122
Federal aid	2,475	2,475	877	-	(1,598)
Total Revenues	\$ 14,733,047	\$ 14,767,952	\$ 15,922,163	\$ -	\$ 1,154,211
Expenditures:					
Current:					
General government support	\$ 1,978,718	\$ 1,998,565	\$ 1,788,178	\$ 18,610	\$ 191,777
Public safety	4,492,303	4,503,536	4,197,248	20,256	286,032
Transportation	1,094,520	1,073,042	973,917	2,008	97,117
Economic assistance and development	195,766	206,766	204,541	-	2,225
Culture and recreation	953,325	970,210	842,289	4,679	123,242
Home and community services	1,043,719	1,050,719	1,030,021	-	20,698
Employee benefits	3,900,118	3,900,618	3,653,879	-	246,739
Total Expenditures	\$ 13,658,469	\$ 13,703,456	\$ 12,690,073	\$ 45,553	\$ 967,830
Excess (deficiency) of revenue over expenditures	\$ 1,074,578	\$ 1,064,496	\$ 3,232,090	\$ (45,553)	\$ 2,122,041
Other Financing Sources and Uses:					
Transfers - in	\$ 290,000	\$ 290,000	\$ 290,000	\$ -	\$ -
Transfers - out	(3,261,162)	(3,582,319)	(3,193,032)	-	389,287
Total Other Financing Sources and Uses	\$ (2,971,162)	\$ (3,292,319)	\$ (2,903,032)	\$ -	\$ 389,287
Net change in fund balances	\$ (1,896,584)	\$ (2,227,823)	\$ 329,058	\$ (45,553)	\$ 2,511,328
Fund Balance - Beginning	7,298,440	7,298,440	7,298,440	-	-
Fund Balance - Ending	\$ 5,401,856	\$ 5,070,617	\$ 7,627,498	\$ (45,553)	\$ 2,511,328

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, 2021

	Debt Service Fund	Watershed Program Fund	Technology Fund
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and cash equivalents	\$ 73,831	\$ 158,564	\$ 222,172
Receivables, net	-	7,500	294
Due from other governments, net	-	27,200	-
State and federal aid receivable	-	74,031	-
Prepaid items	-	4,141	-
Total Assets	<u>\$ 73,831</u>	<u>\$ 271,436</u>	<u>\$ 222,466</u>
Liabilities, Deferred Inflows, and Fund Balances			
Liabilities:			
Accounts payable and other			
current liabilities	\$ -	\$ 18,299	\$ 28,298
Accrued liabilities	-	1,556	-
Unearned revenue	-	-	23,815
Total Liabilities	<u>\$ -</u>	<u>\$ 19,855</u>	<u>\$ 52,113</u>
Deferred Inflows:			
Deferred Inflows of Resources	\$ -	\$ -	\$ -
Fund Balances:			
Nonspendable	\$ -	\$ 4,141	\$ -
Restricted	73,831	247,440	-
Assigned	-	-	170,353
Total Fund Balances	<u>\$ 73,831</u>	<u>\$ 251,581</u>	<u>\$ 170,353</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 73,831</u>	<u>\$ 271,436</u>	<u>\$ 222,466</u>

(See Independent Auditors' Report)

Park & Open Spaces Fund	Energy Projects Fund	Cemetery Fund	Community Development Fund	Total Nonmajor Governmental Funds
\$ 88,622	\$ 16,350	\$ 29,042	\$ 156,794	\$ 745,375
-	-	-	142,111	149,905
-	-	-	-	27,200
-	-	-	-	74,031
-	-	-	-	4,141
<u>\$ 88,622</u>	<u>\$ 16,350</u>	<u>\$ 29,042</u>	<u>\$ 298,905</u>	<u>\$ 1,000,652</u>
\$ -	\$ -	\$ -	\$ 20,789	\$ 67,386
-	-	-	-	1,556
-	-	-	-	23,815
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,789</u>	<u>\$ 92,757</u>
\$ -	\$ -	\$ -	\$ 142,111	\$ 142,111
\$ -	\$ -	\$ -	\$ -	\$ 4,141
88,622	16,350	29,042	136,005	591,290
-	-	-	-	170,353
<u>\$ 88,622</u>	<u>\$ 16,350</u>	<u>\$ 29,042</u>	<u>\$ 136,005</u>	<u>\$ 765,784</u>
<u>\$ 88,622</u>	<u>\$ 16,350</u>	<u>\$ 29,042</u>	<u>\$ 298,905</u>	<u>\$ 1,000,652</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, 2021

	Debt Service Fund	Watershed Program Fund	Technology Fund
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Departmental income	\$ -	\$ 7,283	\$ -
Intergovernmental charges	-	163,459	-
Use of money and property	13,583	363	106,768
Miscellaneous	-	11,919	-
State and county aid	-	157,578	-
Total Revenues	<u>\$ 13,583</u>	<u>\$ 340,602</u>	<u>\$ 106,768</u>
Expenditures:			
Current:			
General government support	\$ 1,265	\$ -	\$ 185,654
Economic assistance and development	-	-	-
Home and community services	-	221,929	-
Employee benefits	-	35,311	-
Debt Service:			
Debt service - principal	1,153,600	-	-
Debt service - interest and other charges	275,883	-	-
Total Expenditures	<u>\$ 1,430,748</u>	<u>\$ 257,240</u>	<u>\$ 185,654</u>
Excess (deficiency) of revenue over expenditures	<u>\$ (1,417,165)</u>	<u>\$ 83,362</u>	<u>\$ (78,886)</u>
Other Financing Sources and Uses:			
Transfers - in	\$ 1,197,545	\$ -	\$ -
Total Other Financing Sources and Uses	<u>\$ 1,197,545</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ (219,620)	\$ 83,362	\$ (78,886)
Fund Balance - Beginning	<u>293,451</u>	<u>168,219</u>	<u>249,239</u>
Fund Balance - Ending	<u><u>\$ 73,831</u></u>	<u><u>\$ 251,581</u></u>	<u><u>\$ 170,353</u></u>

(See Independent Auditors' Report)

Park & Open Spaces Fund	Energy Projects Fund	Cemetery Fund	Community Development Fund	Total Non-Major Governmental Funds
\$ 37,000	\$ 21,850	\$ -	\$ 50,088	\$ 116,221
-	-	-	-	163,459
116	-	12	171	121,013
-	-	-	(500)	11,419
-	-	-	20,000	177,578
<u>\$ 37,116</u>	<u>\$ 21,850</u>	<u>\$ 12</u>	<u>\$ 69,759</u>	<u>\$ 589,690</u>
\$ -	\$ -	\$ -	\$ -	\$ 186,919
-	-	-	22,393	22,393
-	5,500	3,800	157,374	388,603
-	-	-	-	35,311
-	-	-	-	1,153,600
-	-	-	-	275,883
<u>\$ -</u>	<u>\$ 5,500</u>	<u>\$ 3,800</u>	<u>\$ 179,767</u>	<u>\$ 2,062,709</u>
<u>\$ 37,116</u>	<u>\$ 16,350</u>	<u>\$ (3,788)</u>	<u>\$ (110,008)</u>	<u>\$ (1,473,019)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,197,545</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,197,545</u>
\$ 37,116	\$ 16,350	\$ (3,788)	\$ (110,008)	\$ (275,474)
51,506	-	32,830	246,013	1,041,258
<u><u>\$ 88,622</u></u>	<u><u>\$ 16,350</u></u>	<u><u>\$ 29,042</u></u>	<u><u>\$ 136,005</u></u>	<u><u>\$ 765,784</u></u>