

CITY OF CANANDAIGUA
Ontario County, New York

BASIC FINANCIAL STATEMENTS

For Year Ended December 31, 2023



BUSINESS
ADVISORS
AND CPAS

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BUSINESS
ADVISORS
AND CPAS

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 the City of Canandaigua, Ontario County, New York, as of and for the year ended December 31, 2023, 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, 2023, 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 4–14 and 61–64 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.

Other Information

As described in Note II to the financial statements, the City adopted GASB Statement No. 96 *Subscription Based Information Technology Arrangements (SBITA)*. As a result, the beginning net position has been restated. Our opinion is not modified with respect to this matter.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
June 12, 2024

CITY OF CANANDAIGUA, ONTARIO COUNTY, NEW YORK

Management's Discussion and Analysis

December 31, 2023

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, 2023. 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 2023 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 \$49.7 million.
- The City's total net position increased by \$545,778 or 1.1%. The net position of governmental activities decreased by \$.7 million and the net position of business-type activities increased by \$1.2 million.
- The City's governmental funds reported combined ending fund balances of \$10.3 million, an increase of \$225,644 over the prior year.
- The General Fund reported an ending unassigned fund balance of \$6.0 million, an increase of \$190,781 or 3.3% over the prior year and represents 32.4% of total General Fund expenditures.
- The City's total outstanding bonds payable increased 116.5% from \$20.4 million to \$44.2 million during the current year, representing \$1.7 million in principal payments and new debt issuance of \$25.5 million.

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 funds. 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, energy projects 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 a 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, 2023, the total assets of the City exceeded liabilities by \$49.7 million.

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

	December 31,					
	Governmental Activities		Business-Type		Total	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Assets						
Current and other assets	\$ 12,522,839	\$ 13,586,745	\$ 19,139,893	\$ 9,813,587	\$ 31,662,732	\$ 23,400,332
Capital assets	39,954,512	38,865,177	41,608,111	25,259,999	81,562,623	64,125,176
Total assets	<u>52,477,351</u>	<u>52,451,922</u>	<u>60,748,004</u>	<u>35,073,586</u>	<u>113,225,355</u>	<u>87,525,508</u>
Deferred Outflows	<u>6,446,919</u>	<u>7,016,764</u>	<u>887,713</u>	<u>975,824</u>	<u>7,334,632</u>	<u>7,992,588</u>
Liabilities						
Other liabilities	1,226,018	1,792,037	800,348	415,120	2,026,366	2,207,157
Long-term liabilities	25,346,932	18,003,983	39,208,029	14,045,425	64,554,961	32,049,408
Total liabilities	<u>26,572,950</u>	<u>19,796,020</u>	<u>40,008,377</u>	<u>14,460,545</u>	<u>66,581,327</u>	<u>34,256,565</u>
Deferred Inflows	<u>3,862,670</u>	<u>10,510,200</u>	<u>459,994</u>	<u>1,649,071</u>	<u>4,322,664</u>	<u>12,159,271</u>
Net Position						
Net investment in capital assets	31,594,512	31,088,027	15,050,549	12,276,139	46,645,061	43,364,166
Restricted	2,342,153	2,696,599	5,244,934	5,968,980	7,587,087	8,665,579
Unrestricted (restated)	(5,448,015)	(4,614,202)	871,863	1,694,675	(4,576,152)	(2,919,527)
Total net position	<u>\$ 28,488,650</u>	<u>\$ 29,170,424</u>	<u>\$ 21,167,346</u>	<u>\$ 19,939,794</u>	<u>\$ 49,655,996</u>	<u>\$ 49,110,218</u>

The largest component of the City's net position, \$46.6 million 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 \$7.6 million 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 \$1.1 million from the prior year.

The remaining negative balance of \$4.6 million 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 statements. This reconciliation can be found in the footnotes to the Financial Statements.

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

	December 31,					
	Governmental Activities		Business-Type		Total	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Program revenue						
Charges for service	\$ 3,342,241	\$ 2,682,295	\$ 6,199,181	\$ 6,755,725	\$ 9,541,422	\$ 9,438,020
Operating grants and contributions	680,082	500,726	-	-	680,082	500,726
Capital grants and contributions	437,771	678,110	2,098,441	1,756,883	2,536,212	2,434,993
General revenue						
Real property taxes	6,637,137	6,323,674	-	-	6,637,137	6,323,674
Non-property taxes	6,554,659	6,414,425	-	-	6,554,659	6,414,425
Governmental aid	1,119,304	1,770,308	-	-	1,119,304	1,770,308
Other	1,239,283	529,568	794,581	106,955	2,033,864	636,523
Transfers	290,000	290,000	(290,000)	(290,000)	-	-
Total revenue	<u>20,300,477</u>	<u>19,189,106</u>	<u>8,802,203</u>	<u>8,329,563</u>	<u>29,102,680</u>	<u>27,518,669</u>
Program expenses						
General government	\$ 4,135,383	\$ 3,357,732	\$ -	\$ -	\$ 4,135,383	\$ 3,357,732
Public safety	8,979,800	7,023,832	-	-	8,979,800	7,023,832
Transportation	3,547,432	3,591,640	-	-	3,547,432	3,591,640
Economic Assistance and Opportunity	-	-	-	-	-	-
	393,827	318,330	-	-	393,827	318,330
Cultural and recreation	1,825,400	1,602,852	-	-	1,825,400	1,602,852
Home and community services	1,849,869	1,950,842	-	-	1,849,869	1,950,842
Interest on long-term debt	250,540	247,429	-	-	250,540	247,429
Water	-	-	3,750,815	3,211,455	3,750,815	3,211,455
Sewer	-	-	3,823,836	2,841,927	3,823,836	2,841,927
Total expenses	<u>20,982,251</u>	<u>18,092,657</u>	<u>7,574,651</u>	<u>6,053,382</u>	<u>28,556,902</u>	<u>24,146,039</u>
Change in Net Position	(681,774)	1,096,449	1,227,552	2,276,181	545,778	3,372,630
Net Position-Beginning (restated)	29,170,424	28,066,017	19,939,794	17,663,613	49,110,218	45,729,630
Net Position-Ending	<u>\$ 28,488,650</u>	<u>\$ 29,162,466</u>	<u>\$ 21,167,346</u>	<u>\$ 19,939,794</u>	<u>\$ 49,655,996</u>	<u>\$ 49,102,260</u>

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 \$545,778 in 2023. Total government expenses of \$28.5 million were offset by revenues of \$29.1 million. The beginning net position for governmental activities has been restated due to the implementation of GASB Statement No. 96 in the amount of \$7,958. The detail of this change can be found in the footnotes to the financial statements.

Governmental Activities: For the fiscal year ended December 31, 2023, governmental activities decreased the City's net position by \$681,774. Revenues of \$20.3 million from governmental activities increased \$1.1 million over the prior year while related expenses of \$21.0 million increased by \$2.9 million.

Program revenues of \$4.5 million represented 22.0% of total governmental revenues and increased 15.5% over the prior year. The major factors contributing the overall revenue increase of \$598,966 are as follows:

- Charges for service increased \$659,946 or 24.6% from the prior year primarily due the following:
 - Interfund revenue increased \$185,002 due to an increase in administrative costs charged to the water and sewer funds.
 - A new revenue category for "contracts with outside agencies" for gas and a new contract with Canandaigua Ambulance for vehicle repair and maintenance had revenue in the amount of \$117,190. This revenue is primarily offset by a corresponding expense for supplies and service.
 - The fire services contract with the Town of Canandaigua increased by \$251,542 due additional firefighter staffing and corresponding expenditures.

- Crime proceeds increased by \$174,317 due to the City receiving funds from the Federal government on a shared drug investigation.
- Operating grants and contributions increased by \$179,356 due to the timing of grants issued in 2022 versus 2023 from the Office and Community Renewal and grants for the watershed program.
- Capital grants and contributions decreased by \$217,759 mainly due to utilizing the ARPA funds for capital expenditures in the prior year.

General revenues of \$15.8 million (taxes, unallocated state and federal aid, investment earnings and other revenue) represented 78.0% of total governmental revenues and increased 3.3% over 2022. General revenue increased by \$512,408 from the prior year mainly due to:

- Property tax revenue increased by \$313,463 due to a property tax levy increase of \$404,124 or 6.86% offset by a decrease in PILOT revenue of \$116,802.
- Non property taxes increased by \$140,234 over the prior year with increased revenue in market driven accounts of sales tax and occupancy tax.
- Other revenues showed a modest increase of \$58,711 but had offsetting variances due to high interest rates. Interest income increased by \$471,985 while mortgage tax decreased from the prior year by \$354,168.

Program expenses increased by \$2.9 million or 16.0% from the prior year mainly in the following areas:

- Salaries and benefits increased by \$ 1,066,718 over the prior year.
 - There was an overall 3% cost of living increase for employees.
 - During 2023 the City added two new positions in general government support and three new positions in public safety. Actuals also include a full year of the new positions added in 2022. Corresponding benefits also increased as a result of the additional employees.
- The City had a loss on sale of property in the amount of \$103,666.
- Liability insurance for the City increased by \$91,657 due to an increase in premiums.
- GASB 34 adjustments for retirement and post-employment expenses increased by \$1.3 million over 2022, while depreciation expense increased by \$190,762.
- The remaining increase in 2023, which is spread out to all the department operating accounts, saw an increase primarily due to inflation in the economy.

Business-Type Activities: The net position of business-type activities (water fund and sewer fund) increased by \$1.2 million for fiscal year 2023.

Revenues for business-type activities totaled approximately \$8.8 million, an increase of 5.7% from the prior year, while expenses totaled \$7.6 million, an increase of 25.1% from the prior year. Significant variances are as follows:

- Water fund net position increased by \$676,012 Metered water rates for City customers increased 9.7% while wholesale rates to the Towns increased 1.8%. In 2023, City customers accounted for 42.1% of water sales and saw an increase of \$154,069 over 2022. Wholesale water sales to the Towns accounted for 57.9% of water sales and increased \$41,335. The Water Fund operating expenses increased 17.7% due to inflation, especially in gas & electric and chemicals as well as adjustments for retirement on post-employment expenses.
- Sewer fund net position increased by \$551,540. Sewer rent rates increased by 20% for 2023 and resulted in an increase in revenues of \$330,427 (based on water consumption). Contributions from Ontario County for processing County waste increased by 14.9% over 2022 due to an increase in flow volume and operating expenditures. Sewer fund expenditures increased 14.8% over 2022 primarily driven by increases due to inflation, especially in gas & electric and chemicals as well as adjustments for retirement on post-employment expenses.
- Both funds saw an increase in interest income due to the interests rates remaining high in 2023.

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 \$10.3 million, an increase of \$225,644 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>2023</u>	<u>2022</u>	<u>Change</u>
Nonspendable for inventory	\$ 17,757	\$ 14,333	3,424
Nonspendable for prepaid expenses	403,684	357,547	46,137
Restricted for insurance	25,434	23,365	2,069
Restricted for capital	1,656,970	2,138,086	(481,116)
Restricted for general reserve	161,682	12,385	149,297
Assigned for encumbrances	47,380	33,676	13,704
Assigned for Kershaw Park	86,242	73,356	12,886
Assigned - appropriated for next year	1,588,480	982,706	605,774
Unassigned	6,021,047	5,830,266	190,781
Total Fund Balance - General Fund	\$ 10,008,676	\$ 9,465,720	\$ 542,956
<u>Capital Projects</u>			
Restricted for capital projects	\$ -	\$ 5,000	(5,000)
Unassigned for capital projects	(227,292)	-	(227,292)
	\$ (227,292)	\$ 5,000	\$ (232,292)
<u>Nonmajor Governmental Funds -</u>			
Nonspendable for prepaid expenses	\$ 3,450	\$ 3,072	\$ 378
Restricted for debt service	76,100	-	76,100
Restricted for the watershed program	168,134	197,570	(29,436)
Restricted for parks and open spaces	126,356	118,858	7,498
Restricted for community block grant Funds	90,390	163,327	(72,937)
Restricted for cemetery fund	29,068	29,054	14
Restricted for energy projects fund	8,019	13,954	(5,935)
Assigned for technology	-	60,702	(60,702)
Total Fund Balance - Nonmajor Funds	\$ 501,517	\$ 586,537	\$ (85,020)
Total Fund Balance - All	\$ 10,282,901	\$ 10,057,257	\$ 225,644

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 \$10.0 million, an increase of \$542,956 over the prior year. The unassigned fund balance at year end was \$6.0 million, an increase of \$190,781 and represents 60.2% 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 32.5% unassigned fund balance to total expenditures and other financing uses compared to 36.5% for 2022 and a 55.3% total fund balance to total expenditures compared to 62.9% in 2022. The portion of the General Fund balance that is restricted for capital represents 16.6% of the General fund balance and resulted in a decrease of \$481,116 from the prior year.

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 however in 2023 the City is waiting for grants on capital assets funded in 2023 which resulted in a fund balance deficit of \$227,292.

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, 2023, the combined fund balance of these funds totaled \$501,517 a decrease of \$85,020 from the prior year.

**CHANGES IN FUND BALANCE FOR
BUSINESS TYPE ACTIVITIES
FOR THE PERIOD ENDING DECEMBER 31,**

	<u>2023</u>	<u>2022</u>	<u>Change</u>
<u>Water Fund</u>			
Net Investment in capital assets	\$ 6,706,025	\$ 6,019,274	\$ 686,751
Capital reserve	1,463,049	1,351,783	111,266
Unrestricted	125,584	247,589	(122,005)
Total Net Position-Water Fund	<u>\$ 8,294,658</u>	<u>\$ 7,618,646</u>	<u>\$ 676,012</u>
<u>Sewer fund</u>			
Net Investment in capital assets	\$ 8,344,524	\$ 6,256,865	\$ 2,087,659
Capital reserve	3,781,885	4,617,197	(835,312)
Unrestricted	743,279	1,447,086	(703,807)
Total Net Position-Sewer Fund	<u>\$ 12,869,688</u>	<u>\$ 12,321,148</u>	<u>\$ 548,540</u>
 Total Business-Type Activities	 <u><u>\$ 21,164,346</u></u>	 <u><u>\$ 19,939,794</u></u>	 <u><u>\$1,224,552</u></u>

Business-Type Activities: 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. A description of the equity classifications can be found in the footnotes of the financial statements.

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 to 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.

Budget variances for the General and Major Special Revenue Fund Types can be found in the Required Supplemental Information of the financial statements. The total variance, net of encumbrances of \$47,380, from the amended budget resulted in a positive variance of \$3.3 million. Major variances are as follows:

The general fund revenues of \$18.8 million resulted in a positive variance of \$621,709 or 3.4% when compared to the amended budget of \$18.2 million.

-The major positive variances were a result of better-than-expected revenues as highlighted below:

- Non-property taxes in the amount of \$296,409 of which the largest variance is due to better-than-expected results in Sales tax revenue of \$204,014 or 3.6%.
- Use of money and property in the amount of \$397,794 of which the largest variance was due to higher-than-expected interest rates.
- Fines and forfeitures variance in the amount of \$173,333 due to DEA asset forfeiture proceeds.
- State and Federal aid variance in the amount of \$111,663 was for proceeds from FEMA for major flooding in our area.

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

- Sale of property and compensation for loss variance in the amount of \$333,673 which represents a negative variance in sale of equipment due to delays receiving ordered equipment so that the existing equipment could be sold.

The general fund expenditures and encumbrances of \$15.2 million resulted in a positive variance of \$1.1 million or 6.6% when compared to the amended budget of \$16.3 million. The major positive variances were as follows:

- Employee salaries and benefits variance of \$494,395 was due to the timing of filling vacancies, turnover and retirements and represented 46.1% of the positive variance in expenditures.
- The remaining 53.9% of the budget variance is reflected across all departments with positive savings in contractual expenditures in areas such as outside services, departmental supplies, gas and diesel, conferences and dues, software and systems maintenance and budget contingency.

The general fund transfers-out of \$3.4 million resulted in a positive variance of \$1.6 million or 32.3% when compared to the amended budget of \$5.0 million. This was due to a decrease in capital expenditures due to equipment on backorder or projects deferred to the following year.

GOVERNMENT-WIDE CAPITAL ASSET AND DEBT ADMINISTRATION

At December 31, 2023, the City had \$81.1 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 2023 and 2022 is reflected below:

Capital Assets, Net of Depreciation

December 31,

	Governmental Activities		Business-Type		Total	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	Land	\$ 4,446,402	\$ 4,446,402	\$ 164,072	\$ 164,072	\$ 4,610,474
Buildings and improvements	12,919,952	12,712,377	10,736,552	11,012,517	23,656,504	23,724,894
Machinery and equipment	6,607,255	4,432,478	3,192,707	1,981,806	9,799,962	6,414,284
Infrastructure	15,562,483	17,012,687	5,762,485	5,412,888	21,324,968	22,425,575
Construction in progress	201,853	224,880	21,482,295	6,688,716	21,684,148	6,913,596
Total Capital Assets	\$ 39,737,945	\$ 38,828,824	\$ 41,338,111	\$ 25,259,999	\$ 81,076,056	\$ 64,088,823

Government-Wide Capital Assets - The net increase in capital assets during the current year amounted to \$.9 million and included the following changes:

- Purchase of assets and infrastructure and capitalization of completed projects increased fixed assets in the amount of \$4.5 million while deletions of assets sold or scrapped, net of accumulated depreciation were \$469,768.
- Depreciation expense of \$3.3 million was charged against the assets which is \$190,762 more than the prior year.

Business-Type Activities Capital Assets - The net increase in capital assets during the current year amounted to \$17.1 million and included the following:

- The major increase in capital assets is due to a large work in progress project in the Water Resource Recovery Facility. This project is expected to be completed in 2024.
- Depreciation expense of \$1.3 million was charged against the assets.

LONG-TERM DEBT

At December 31, 2023, the City had \$64.6 million in general obligation and other long-term debt outstanding as follows:

Summary of Debt

December 31,

	Governmental Activities		Business-Type		Total	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	Serial bonds	\$ 8,360,000	\$ 7,730,000	\$ 35,840,000	\$ 12,685,000	\$ 44,200,000
Unamortized bond premium			\$ 1,160,850			
Net pension liability	7,079,499	511,758	840,756	-	7,920,255	511,758
Lease Liability	207,755	29,414			207,755	29,414
Retainage Payable	-	10,797			-	10,797
Compensated Absences	474,058	734,072	119,400	131,751	593,458	865,823
Other postemployment benefits	9,225,620	8,987,942	1,247,023	1,228,674	10,472,643	10,216,616
Total Long Term Debt	\$ 25,346,932	\$ 18,003,983	\$ 39,208,029	\$ 14,045,425	\$ 63,394,111	\$ 32,049,408

Serial Bonds: Principal payments for the year ending December 31, 2023 on serial bonds totaled \$870,000 for Governmental Funds and \$845,000 for the Proprietary Funds. New debt in the amount of \$25.5 million was issued during the year of which \$24,000,000 was for the Water Resource Recovery Facility Project with a maturity date of 2042 and a Fire Truck in the amount of \$1,500,000 with a maturity date of 2028.

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 all the current Sewer Fund is excluded from the debt limit pursuant to Section 124.10 of the Local Finance Law. As of June 2023, official statement the City exhausted 15.24% of its constitutional debt capacity and has the authority to issue up to an additional \$46.1 million of general obligation long-term debt.

CREDIT RATING

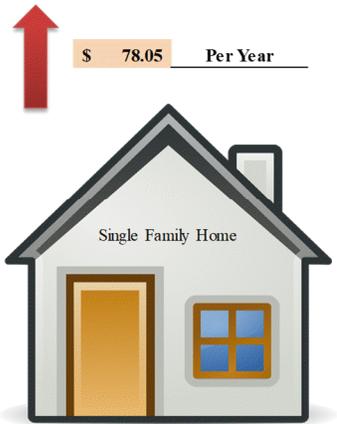
The City was issued an AA- credit rating by Standard & Poor’s in 2023.

FUTURE FINANCIAL IMPLICATIONS

The 2024 budget for the City of Canandaigua for general, capital, debt service, water, sewer and special revenue funds totaled \$39.6 million, (net of interfund transfers). The highlights for the major funds with estimated impacts to taxpayers are outlined in the table below.

**2024 City of Canandaigua ADOPTED Budget
HIGHLIGHTS - MAJOR FUNDS**

Net Change in Assessed Value	
Tax Levy- 2023	828,583,623
Tax Levy -2024	854,846,571
3.17%	
Net Change in Tax Levy	
Tax Levy- 2023	6,367,060.00
Tax Levy -2024	6,649,083.60
Tax Cap 2024 Limit	4.73%
4.43%	
Net Change in Tax Rate	
Tax Rate 2023	7.669
Tax Rate 2024	7.740
Assessed Value- 2024	854,846,571
Exemption Removal	(32,822.77)
0.92%	
Net Change in Water Rates (per 1000 Gallons)	
Water Rate 2023	4.11
Water Rate 2024	4.73
Minimum Quarterly Bill -2023	46.03
Minimum Quarterly Bill -2024	53.00
15.13%	
Net Change in Sewer Rates (per 1000 Gallons)	
Sewer Rate 2023	5.400
Sewer Rate 2024	6.07
Minimum Quarterly Bill -2023	60.48
Minimum Quarterly Bill -2024	68.00
12.43%	



	2023	2024	Net Change
Average Assessed Value	186,800	187,700	
Average Property Tax Bill	1,432.65	1,452.74	20.09
Minimum Water Bill	184.12	212.00	27.88
Minimum Sewer Bill	241.92	272.00	30.08
			78.05

General Fund: The general fund expenditure budget increased by 10.8%. The majority of the increase was related to employee benefits, salary and wages. Following employee costs, the one-time interfund transfers were the next largest increase including to the Capital Reserve for projects and flood mitigation, to the Insurance Reserve to pay for larger deductibles which were added to reduce costs related to property and liability insurance.

The increased costs have been offset by an increase in budgeted general fund revenues of 8.0%. Sales tax revenue continues to increase. We have increases in services in our contracts with other municipalities as well as continued increases in interest rates. The tax levy increased by 4.43%

The budget was balanced with the use of appropriated fund balance in the amount of \$1.6 million. Of this amount \$625,649 was used to offset ongoing expenditures. The remaining \$962,831 were used to fund one-time expenditures.

Business-Type Activities: The water rate was increased 15.13% while the sewer rates increased 12.43%. More demands on these facilities have resulted in increased operating and capital costs. Appropriated fund balance in the amount of \$196,301 and \$105,563 respectively will be used to offset budget deficits.

The economic factors that will affect us in 2024 continue to be inflation on goods and services. We will make adjustments as necessary to stay within our budget appropriations. Another continuing factor affecting our services is the availability of supplies, which is improving for certain items. This may result in postponing projects and capital purchases to future budgets.

From the 2024 City Manager Budget Message:

“Achieving the proper balance remains challenging as supply chain issues continue to persist and inflation, although it has decreased from recent peaks, remains historically high (last 50 years). This results in increased costs for supplies and materials, contracts and longer wait times to receive items which has significant impacts our municipal operations. The supply chain issues, especially related to obtaining vehicles and equipment, forces increased maintenance costs on vehicles and equipment that was to be replaced. We have also not contributed enough towards our Capital Reserve in past years and are impacted by the lack of resources. Further, the labor market has continued to provide the challenge of finding people to fill certain vacant positions both in skilled and unskilled positions which causes strain on employees and is driving wage rates to increase. On top of that our economy is showing signs of slowing down and we need to be prepared for a potential economic downturn.”

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, 2023

	Governmental	Business-Type	
	Activities	Activities	Total
ASSETS			
Cash and cash equivalents	\$ 9,140,029	\$ 17,112,133	\$ 26,252,162
Accounts receivable, net	2,957,919	2,211,691	5,169,610
Prepaid items	424,891	86,069	510,960
Capital assets:			
Land and work in progress	4,648,255	21,646,367	26,294,622
Other capital assets, net of depreciation	35,306,257	19,691,744	54,998,001
TOTAL ASSETS	\$ 52,477,351	\$ 60,748,004	\$ 113,225,355
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources	\$ 6,446,919	\$ 887,713	\$ 7,334,632
LIABILITIES			
Accounts payable	\$ 752,869	\$ 671,414	\$ 1,424,283
Accrued liabilities	269,247	128,934	398,181
Unearned revenue	19,713	-	19,713
Other liabilities	184,189	-	184,189
Noncurrent liabilities:			
Due in one year	1,338,770	1,120,947	2,459,717
Due in more than one year	24,008,162	38,087,082	62,095,244
TOTAL LIABILITIES	\$ 26,572,950	\$ 40,008,377	\$ 66,581,327
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources	\$ 3,862,670	\$ 459,994	\$ 4,322,664
NET POSITION			
Net investment in capital assets	\$ 31,594,512	\$ 15,050,549	\$ 46,645,061
Restricted for:			
Other purposes	2,342,153	5,244,934	7,587,087
Unrestricted	(5,448,015)	871,863	(4,576,152)
TOTAL NET POSITION	\$ 28,488,650	\$ 21,167,346	\$ 49,655,996

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, 2023

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Primary Government:							
Governmental Activities:							
General government support	\$ 4,135,383	\$ 807,044	\$ 24,890	\$ -	\$ (3,303,449)	\$ -	\$ (3,303,449)
Public safety	8,979,800	1,552,823	7,035	2,122	(7,417,820)	-	(7,417,820)
Transportation	3,598,744	15,259	295,365	395,649	(2,892,471)	-	(2,892,471)
Economic assistance and development	393,827	-	190,825	-	(203,002)	-	(203,002)
Culture and recreation	1,774,088	216,372	15,487	-	(1,542,229)	-	(1,542,229)
Home and community services	1,849,869	750,743	146,480	40,000	(912,646)	-	(912,646)
Interest on long-term debt	250,540	-	-	-	(250,540)	-	(250,540)
Total Governmental Activities	\$ 20,982,251	\$ 3,342,241	\$ 680,082	\$ 437,771	\$ (16,522,157)	\$ -	\$ (16,522,157)
Business-Type Activities:							
Water fund	\$ 3,750,815	\$ 4,200,657	\$ -	\$ 393,049	\$ -	\$ 842,891	\$ 842,891
Sewer fund	3,823,836	1,998,524	-	1,705,392	-	(119,920)	(119,920)
Total Business-Type Activities	\$ 7,574,651	\$ 6,199,181	\$ -	\$ 2,098,441	\$ -	\$ 722,971	\$ 722,971
Total Primary Government	\$ 28,556,902	\$ 9,541,422	\$ 680,082	\$ 2,536,212	\$ (16,522,157)	\$ 722,971	\$ (15,799,186)
General Revenues:							
Taxes:							
Property taxes					\$ 6,637,137	\$ -	\$ 6,637,137
Non-property taxes					6,554,659	-	6,554,659
Mortgage tax					296,836	-	296,836
Unallocated state and federal aid					1,119,304	-	1,119,304
Use of money and property					831,723	786,790	1,618,513
Miscellaneous					110,724	7,791	118,515
Total General Revenues					\$ 15,550,383	\$ 794,581	\$ 16,344,964
Transfers:							
Transfers					\$ 290,000	\$ (290,000)	\$ -
Total General Revenues and Transfers					\$ 15,840,383	\$ 504,581	\$ 16,344,964
Change in Net Position					\$ (681,774)	\$ 1,227,552	\$ 545,778
Net Position - Beginning (restated)					29,170,424	19,939,794	49,110,218
Net Position - Ending					\$ 28,488,650	\$ 21,167,346	\$ 49,655,996

CITY OF CANANDAIGUA, ONTARIO COUNTY, NEW YORK

Balance Sheet

Governmental Funds

December 31, 2023

	Major			Total Governmental Funds
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	
Assets				
Cash and cash equivalents	\$ 8,591,297	\$ -	\$ 548,732	\$ 9,140,029
Receivables, net	347,704	-	932,338	1,280,042
Due from other funds	329,121	-	-	329,121
Due from other governments, net	1,034,637	-	18,000	1,052,637
State and federal aid receivable	201,115	395,649	28,476	625,240
Prepaid items	421,441	-	3,450	424,891
Total Assets	<u>\$ 10,925,315</u>	<u>\$ 395,649</u>	<u>\$ 1,530,996</u>	<u>\$ 12,851,960</u>
Liabilities, Deferred Inflows, and Fund Balances				
Liabilities:				
Accounts payable	\$ 541,393	\$ 293,820	\$ 98,226	\$ 933,439
Accrued liabilities	255,987	-	1,731	257,718
Due to other funds	-	329,121	-	329,121
Due to other governments	3,619	-	-	3,619
Total Liabilities	<u>\$ 800,999</u>	<u>\$ 622,941</u>	<u>\$ 99,957</u>	<u>\$ 1,523,897</u>
Deferred Inflows:				
Deferred Inflows of Resources	\$ 115,640	\$ -	\$ 929,522	\$ 1,045,162
Fund Balances:				
Nonspendable	\$ 421,441	\$ -	\$ 3,450	\$ 424,891
Restricted	1,844,086	-	498,067	2,342,153
Assigned	1,722,102	-	-	1,722,102
Unassigned	6,021,047	(227,292)	-	5,793,755
Total Fund Balances	<u>\$ 10,008,676</u>	<u>\$ (227,292)</u>	<u>\$ 501,517</u>	<u>\$ 10,282,901</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 10,925,315</u>	<u>\$ 395,649</u>	<u>\$ 1,530,996</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.	39,954,512
Interest is accrued on outstanding bonds in the statement of net assets but not in the funds.	(11,529)
Accounts receivable - HUD loans	117,398
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	(8,360,000)
Lease Liability	(207,755)
Deferred Inflows - Pensions	(487,297)
Deferred Outflows - Pensions	5,452,202
Deferred Inflows - OPEB	(2,467,322)
Deferred Outflows - OPEB	994,717
Pension Liability	(7,079,499)
OPEB Liability	(9,225,620)
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.	(474,058)
Net Position of Governmental Activities	<u><u>\$ 28,488,650</u></u>

CITY OF CANANDAIGUA, ONTARIO COUNTY, NEW YORK
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2023

	<u>Major</u>		<u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
	<u>General</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>		
Revenues:				
Real property and tax items	\$ 6,637,137	\$ -	\$ -	\$ 6,637,137
Non-property taxes	6,554,659	-	-	6,554,659
Departmental income	958,240	-	62,879	1,021,119
Intergovernmental charges	1,132,664	40,000	168,859	1,341,523
Use of money and property	578,586	-	178,675	757,261
Licenses and permits	95,540	-	-	95,540
Fines and forfeitures	277,833	-	-	277,833
Sale of property and compensation for loss	99,327	-	-	99,327
Miscellaneous	8,875	-	77,484	86,359
Interfund revenues	623,160	-	-	623,160
State and county aid	1,758,917	395,649	243,882	2,398,448
Federal aid	95,045	-	-	95,045
Total Revenues	<u>\$ 18,819,983</u>	<u>\$ 435,649</u>	<u>\$ 731,779</u>	<u>\$ 19,987,411</u>
Expenditures:				
Current:				
General government support	\$ 2,631,356	\$ 485,536	\$ 197,405	\$ 3,314,297
Public safety	4,977,713	2,289,637	-	7,267,350
Transportation	1,190,455	813,892	-	2,004,347
Economic assistance and development	201,250	97,681	190,825	489,756
Culture and recreation	1,010,232	397,044	-	1,407,276
Home and community services	1,009,821	548,886	371,633	1,930,340
Employee benefits	4,146,038	-	33,194	4,179,232
Debt Service:				
Debt service - principal	56,685	-	870,000	926,685
Debt service - interest and other charges	1,272	-	247,673	248,945
Total Expenditures	<u>\$ 15,224,822</u>	<u>\$ 4,632,676</u>	<u>\$ 1,910,730</u>	<u>\$ 21,768,228</u>
Excess (deficiency) of revenue over expenditures	<u>\$ 3,595,161</u>	<u>\$ (4,197,027)</u>	<u>\$ (1,178,951)</u>	<u>\$ (1,780,817)</u>
Other Financing Sources and Uses:				
Transfers - in	\$ 316,517	\$ 2,248,549	\$ 1,120,448	\$ 3,685,514
Transfers - out	(3,368,722)	(275)	(26,517)	(3,395,514)
Serial bonds	-	1,500,000	-	1,500,000
Leases	-	216,461	-	216,461
Total Other Financing Sources and Uses	<u>\$ (3,052,205)</u>	<u>\$ 3,964,735</u>	<u>\$ 1,093,931</u>	<u>\$ 2,006,461</u>
Net change in fund balances	\$ 542,956	\$ (232,292)	\$ (85,020)	\$ 225,644
Fund Balance - Beginning	<u>9,465,720</u>	<u>5,000</u>	<u>586,537</u>	<u>10,057,257</u>
Fund Balance - Ending	<u>\$ 10,008,676</u>	<u>\$ (227,292)</u>	<u>\$ 501,517</u>	<u>\$ 10,282,901</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, 2023

Net Change in Fund Balances - Total Governmental Funds \$ 225,644

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

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

Capital outlay	\$ 4,416,215	
Addition of assets, net	1,826	
Depreciation and amortization	<u>(3,355,229)</u>	
		1,062,812

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	\$ 926,685	
Proceeds from lease issuance	(216,461)	
Proceeds from bonds issued	<u>(1,500,000)</u>	
		(789,776)

The retainage liability does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds. 10,797

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. (467,092)

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 23,066

(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		(321,549)
Police and Fire Retirement System		(684,095)

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. 260,014

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (1,595)

Change in Net Position of Governmental Activities \$ (681,774)

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, 2023

	Business-Type Activities		Total Business-Type Activities
	Sewer Fund	Water Fund	
ASSETS			
Cash and cash equivalents	\$ 15,000,404	\$ 2,111,729	\$ 17,112,133
Accounts receivable, net	516,718	1,080,034	1,596,752
Due from other governments	614,939	-	614,939
Prepaid items	43,148	42,921	86,069
Capital assets:			
Land and work in progress	21,519,114	127,253	21,646,367
Other capital assets, net of depreciation	9,820,607	9,871,137	19,691,744
TOTAL ASSETS	\$ 47,514,930	\$ 13,233,074	\$ 60,748,004
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow of resources	\$ 304,429	\$ 583,284	\$ 887,713
LIABILITIES			
Accounts payable	\$ 265,751	\$ 405,663	\$ 671,414
Accrued liabilities	106,023	22,911	128,934
Noncurrent liabilities:			
Due in one year	726,286	394,661	1,120,947
Due in more than one year	33,685,160	4,401,922	38,087,082
TOTAL LIABILITIES	\$ 34,783,220	\$ 5,225,157	\$ 40,008,377
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources	\$ 163,451	\$ 296,543	\$ 459,994
NET POSITION			
Net investment in capital assets	\$ 8,344,524	\$ 6,706,025	15,050,549
Restricted for:			
Capital reserve	3,781,885	1,463,049	5,244,934
Unrestricted	746,279	125,584	871,863
TOTAL NET POSITION	\$ 12,872,688	\$ 8,294,658	\$ 21,167,346

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, 2023

	<u>Business-Type Activities</u>		<u>Total Business-Type Activities</u>
	<u>Sewer Fund</u>	<u>Water Fund</u>	
<u>Operating Revenues:</u>			
Charges for services	\$ 3,142,695	\$ 4,190,292	\$ 7,332,987
Grants and aid	180,781	393,049	573,830
TOTAL OPERATING REVENUE	\$ 3,323,476	\$ 4,583,341	\$ 7,906,817
<u>Operating Expenses:</u>			
Salaries	\$ 546,953	\$ 859,052	\$ 1,406,005
Benefits	298,896	521,138	820,034
Purchased services	1,420,827	1,510,621	2,931,448
Depreciation	798,929	537,810	1,336,739
Other expenses	64,080	220,136	284,216
TOTAL OPERATING EXPENSE	\$ 3,129,685	\$ 3,648,757	\$ 6,778,442
OPERATING INCOME OR (LOSS)	\$ 193,791	\$ 934,584	\$ 1,128,375
<u>Nonoperating Revenue (Expense):</u>			
Intergovernmental revenue	\$ 317,725	\$ 820	\$ 318,545
Interest	671,460	115,330	786,790
Sale of property and compensation for loss	-	7,791	7,791
Miscellaneous	62,715	9,545	72,260
Debt service interest	(694,151)	(102,058)	(796,209)
TOTAL NONOPERATING REVENUE (EXPENSE)	\$ 357,749	\$ 31,428	\$ 389,177
Income (Loss) Before Operating Transfers	\$ 551,540	\$ 966,012	\$ 1,517,552
Transfers out (to governmental funds)	-	(290,000)	(290,000)
CHANGE IN NET POSITION	\$ 551,540	\$ 676,012	\$ 1,227,552
TOTAL NET POSITION, BEGINNING	12,321,148	7,618,646	19,939,794
TOTAL NET POSITION, ENDING	\$ 12,872,688	\$ 8,294,658	\$ 21,167,346

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, 2023

	Business-Type Activities		Total Business-Type Activities
	Sewer Fund	Water Fund	
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Cash received for services provided	\$ 3,171,822	\$ 4,617,027	\$ 7,788,849
Cash payments to suppliers for goods and services	(1,424,575)	(1,396,852)	(2,821,427)
Cash payments to employees	(858,494)	(1,315,461)	(2,173,955)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 888,753	\$ 1,904,714	\$ 2,793,467
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
County capital contribution	\$ 317,725	\$ -	\$ 317,725
Interfund transfer	-	(290,000)	(290,000)
Proceeds from sale of bonds	25,191,400	-	25,191,400
Interest expense	(700,290)	(102,365)	(802,655)
(Purchase) or sale of property and equipment	(16,563,835)	(843,225)	(17,407,060)
Principal payments on bonds	(481,000)	(364,000)	(845,000)
Grant income received	900,000	-	900,000
Miscellaneous	62,715	10,365	73,080
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	\$ 8,726,715	\$ (1,589,225)	\$ 7,137,490
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Interest income	\$ 671,460	\$ 115,330	\$ 786,790
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	\$ 671,460	\$ 115,330	\$ 786,790
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 10,286,928	\$ 430,819	\$ 10,717,747
CASH AND CASH EQUIVALENTS - BEGINNING	4,713,476	1,680,910	6,394,386
CASH AND CASH EQUIVALENTS - ENDING	\$ 15,000,404	\$ 2,111,729	\$ 17,112,133
OPERATING INCOME (LOSS)	\$ 193,791	\$ 934,584	\$ 1,128,375
<u>ADJUSTMENT TO RECONCILE INCOME TO NET CASH BY OPERATING ACTIVITIES -</u>			
Depreciation	\$ 798,929	\$ 537,810	\$ 1,336,739
(Increase) decrease in accounts receivable	(151,654)	33,686	(117,968)
(Increase) decrease in prepaid items	(1,873)	(3,561)	(5,434)
(Increase) decrease in deferred outflow	39,026	49,085	88,111
(Increase) decrease in net pension asset	147,499	197,344	344,843
Increase (decrease) in accounts payable and accrued liabilities	6,083	327,691	333,774
Increase (decrease) in deferred inflow	(480,834)	(693,244)	(1,174,078)
Increase (decrease) in net OPEB liability	(15,199)	33,548	18,349
Increase (decrease) in net pension liability	352,985	487,771	840,756
TOTAL ADJUSTMENTS	\$ 694,962	\$ 970,130	\$ 1,665,092
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 888,753	\$ 1,904,714	\$ 2,793,467

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, 2023

	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, 2023

	Custodial Funds
	<u> </u>
ADDITIONS	
Fees collected for New York State	\$ 3,690
Taxes collected for other municipalities	<u>5,884,776</u>
TOTAL ADDITIONS	<u>\$ 5,888,466</u>
DEDUCTIONS	
Fees collected for New York State	\$ 3,690
Taxes distributed to County	5,351,227
Taxes distributed to School District	<u>533,549</u>
TOTAL DEDUCTIONS	<u>\$ 5,888,466</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, 2023

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 Funds include the Water and Sewer Funds.

(I.) (Continued)

3. **Basis of Accounting**

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

a. **Modified Accrual**

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

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

b. **Accrual**

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

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

(I.) (Continued)

C. **Assets, Liabilities, and Equity**

1. **Cash and Investments**

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

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

Investments are stated at cost, which approximates market value.

2. **Receivables**

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

In addition, the City will report a receivable relating to a lease arrangement. The receivable is recorded at the present value of the future payments and recognized over the life of the lease.

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:

(I.) (Continued)

<u>Class</u>	<u>Estimated Useful Life</u>
Buildings	40 Years
Water & Sewer System/Infrastructure	50 Years
Equipment	4-20 Years

5. **Right To Use Assets**

The City-wide financial statements, right-to-use-assets are reported within the major class of the underlying asset and valued at the future minimum lease payment. Amortization is 5 years based on the contract terms and/or estimated replacement of the assets.

6. **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.

7. **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.

8. **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.

(I.) (Continued)

a. **Compensatory Absences**

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

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

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

b. **Postemployment Benefits**

In addition to providing pension benefits, the City provides certain health care benefits to retired employees. Retired employees with at least 15 years of service are allowed to participate in the City's group medical insurance plan until they reach the age of 65. Retired employees reaching age 65 may continue participation in the plan but must reimburse the City for the premium. The City recognizes the cost of providing these benefits by expensing the annual insurance premiums which totaled \$514,865 for 29 retirees and/or their surviving spouses for the year ended December 31, 2023.

9. **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.

10. **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.

(I.) (Continued)

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. The City reported a government-wide deficit unrestricted net position as a result of the other postemployment benefit obligations.

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.

1. **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.
2. **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.
3. **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.
4. **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)

(I.) (Continued)

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.

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 15. 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, 2023, the City had a legal margin of approximately \$12,550,431.

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.

(I.) (Continued)

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, 2023, the City implemented the following new standards issued by GASB:

GASB has issued Statement 94 *Public-Private and Public-Public Partnerships and Available Payment Arrangements*.

GASB has issued Statement 96 *Subscription Based Information Technology*.

GASB has issued Statement 99 *Omnibus 2022-Leases, PPP, and SBITAS*.

H. **Future Changes in Accounting Standards**

GASB has issued Statement 99 *Omnibus 2022-Financial Guarantees, and the classification and reporting of derivative instruments within the scope of GASB Statement No. 53*, which will be effective for fiscal years beginning after June 15, 2023.

GASB has issued Statement 100 *Accounting Changes and Error Corrections-An Amendment of GASB Statement No. 62*, which will be effective for fiscal years beginning after June 15, 2023.

GASB has issued Statement 101, *Compensated Absences*, which will be effective for reporting periods beginning after December 15, 2023.

GASB has issued Statement 102, *Certain Risk Disclosures*, which will be effective for fiscal years beginning after June 15, 2024.

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

II. Restatement of Net Position

For the year ended December 31, 2023, the City implemented GASB Statement No. 96, *Subscription Based Information Technology Arrangements (SBITA)*. The City’s net position has been restated as follows:

	Government-Wide <u>Statements</u>
Net position beginning of year, as previously stated	\$ 29,162,466
Right to use assets	44,205
Accumulated amortization	(17,682)
Lease liability	(18,565)
Net position beginning of year, as restated	<u><u>\$ 29,170,424</u></u>

III. Changes in Accounting Principles

For the year ended December 31, 2023, the City implemented GASB Statement No. 96, *Subscription Based Information Technology Arrangements (SBITA)*. The implementation of the statement changes the reporting for SBITAs. See Note II for the financial statement impact of implementation of the Statement.

IV. Stewardship, Compliance and Accountability:

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

A. Budgetary Data

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

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

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

(IV.) (Continued)

2. **Budget Basis of Accounting**

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

3. **Revenue Restrictions**

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

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

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

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

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

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

The Capital Projects Fund had a deficit fund balance of \$227,292 at December 31, 2023, which is a result of expenses incurred before receiving financing.

V. **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.

(V.) (Continued)

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

Uncollateralized	\$	-
Collateralized with Securities held by the Pledging Financial Institution		21,466,598
Total	\$	21,466,598

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year end included \$2,342,153 within the governmental funds, and \$5,244,934 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 \$4,111,411, which consisted of \$728,953 in repurchase agreements, \$2,724,221 in U.S. Treasury Securities, and \$658,237 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	\$ 2,460,777	\$ 2,460,777	CLASS
Business-Type-Sewer Fund	1,048,215	1,048,215	CLASS
Business-Type-Water Fund	602,419	602,419	CLASS
Total	\$ 4,111,411	\$ 4,111,411	

(V.) (Continued)

C. Receivables

Receivables at December 31, 2023 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	\$ 81,583	\$ -	\$ -	\$ -	\$ -	\$ 81,583	\$ -	\$ -	\$ -
Rents receivable	-	-	-	-	-	-	266,308	927,629	1,193,937
Accounts receivable	277,203	-	117,398	2,522	812,418	1,209,541	260,410	152,405	412,815
Allowance for uncollectables	(11,082)	-	-	-	-	(11,082)	(10,000)	-	(10,000)
Total Receivables, net	\$ 347,704	\$ -	\$ 117,398	\$ 2,522	\$ 812,418	\$ 1,280,042	\$ 516,718	\$ 1,080,034	\$ 1,596,752
<u>State and Federal -</u>									
Due from state and federal	\$ 201,115	\$ 395,649	\$ -	\$ 28,476	\$ -	\$ 625,240	\$ -	\$ -	\$ -
<u>Other Governments -</u>									
Due from other governments	\$ 1,034,637	\$ -	\$ -	\$ 18,000	\$ -	\$ 1,052,637	\$ 614,939	\$ -	\$ 614,939
Total Receivables	\$ 1,583,456	\$ 395,649	\$ 117,398	\$ 48,998	\$ 812,418	\$ 2,957,919	\$ 1,131,657	\$ 1,080,034	\$ 2,211,691

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 \$678,586. The City received payment in lieu of tax (PILOT) payment totaling \$137,067 to help offset the property tax reduction.

(V.) (Continued)

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

Interfund receivables, payables, revenues and expenditures at December 31, 2023 were as follows:

	Interfund			
	<u>Receivables</u>	<u>Payables</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 329,121	\$ -	\$ 316,517	\$ 3,368,722
Business-Type - Water Fund	-	-	-	290,000
Capital Fund	-	329,121	2,248,549	275
NonMajor Funds	-	-	1,120,448	26,517
Total	\$ 329,121	\$ 329,121	\$ 3,685,514	\$ 3,685,514

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 and Lease Assets**

1. **Governmental Activities**

a. **Capital Assets**

A summary of governmental changes in capital assets follows:

<u>Type</u>	<u>Balance</u> <u>1/1/23</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/23</u>
<u>Governmental Activities:</u>				
<u>Capital Assets that are not Depreciated -</u>				
Land	\$ 4,446,402	\$ -	\$ -	\$ 4,446,402
Work in progress	224,880	182,107	205,134	201,853
Total Nondepreciable	\$ 4,671,282	\$ 182,107	\$ 205,134	\$ 4,648,255
<u>Capital Assets that are Depreciated -</u>				
Buildings and Improvements	\$ 25,711,089	\$ 976,785	\$ -	\$ 26,687,874
Machinery and equipment	10,325,204	3,323,469	469,768	13,178,905
Infrastructure	63,675,610	38,378	-	63,713,988
Total Depreciated Assets	\$ 99,711,903	\$ 4,338,632	\$ 469,768	\$ 103,580,767
<u>Less Accumulated Depreciation -</u>				
Buildings and Improvements	\$ 12,998,712	\$ 769,210	\$ -	\$ 13,767,922
Machinery and equipment	5,892,726	1,034,667	355,743	6,571,650
Infrastructure	46,662,923	1,488,582	-	48,151,505
Total Accumulated Depreciation	\$ 65,554,361	\$ 3,292,459	\$ 355,743	\$ 68,491,077
Total Capital Assets Depreciated, Net of Accumulated Depreciation	\$ 34,157,542	\$ 1,046,173	\$ 114,025	\$ 35,089,690
Total Capital Assets	\$ 38,828,824	\$ 1,228,280	\$ 319,159	\$ 39,737,945

(V.) (Continued)

b. Lease Assets

A summary of governmental changes in lease assets follows:

<u>Type</u>	<u>Balance</u> <u>1/1/23</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/23</u>
<u>Lease Assets:</u>				
Equipment	\$ 45,113	\$ -	\$ -	\$ 45,113
<i>Total Lease Assets</i>	<u>\$ 45,113</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,113</u>
<u>Less Accumulated Amortization -</u>				
Equipment	\$ 8,760	\$ 10,637	\$ -	\$ 19,397
<i>Total Lease Assets, Net</i>	<u>\$ 36,353</u>	<u>\$ (10,637)</u>	<u>\$ -</u>	<u>\$ 25,716</u>
<u>Subscription IT assets:</u>				
Subscription IT assets	\$ 44,205	\$ 216,461	\$ -	\$ 260,666
Less Accumulated Amortization	17,682	52,133	-	69,815
<i>Total Subscription IT Assets, Net</i>	<u>\$ 26,523</u>	<u>\$ 164,328</u>	<u>\$ -</u>	<u>\$ 190,851</u>
<i>Total Lease and Subscription IT Assets, Net</i>	<u>\$ 62,876</u>	<u>\$ 153,691</u>	<u>\$ -</u>	<u>\$ 216,567</u>

c. Other capital assets (net of depreciation and amortization):

Depreciated Capital Assets, net	\$ 35,089,690
Amortized Lease Assets, net	216,567
Total Other Capital Assets, net	<u><u>\$ 35,306,257</u></u>

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

<u>Governmental Activities:</u>	<u>Depreciation</u>	<u>Amortization</u>	<u>Total</u>
General Government	\$ 373,038	\$ 10,637	\$ 383,675
Public Safety	536,851	52,133	588,984
Transportation	1,978,023	-	1,978,023
Economic Opportunity	1,753	-	1,753
Culture and Recreation	270,759	-	270,759
Home and Community Services	132,035	-	132,035
Total Expense	<u><u>\$ 3,292,459</u></u>	<u><u>\$ 62,770</u></u>	<u><u>\$ 3,355,229</u></u>

(V.) (Continued)

2. **Business-Type Activities**

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

<u>Type</u>	<u>Balance</u> <u>1/1/23</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/23</u>
<u>Business-Type Activities:</u>				
<u>Capital Assets that are not Depreciated -</u>				
Land	\$ 164,072	\$ -	\$ -	\$ 164,072
Work in progress	6,688,716	15,337,960	544,381	21,482,295
<i>Total Nondepreciable</i>	<u>\$ 6,852,788</u>	<u>\$ 15,337,960</u>	<u>\$ 544,381</u>	<u>\$ 21,646,367</u>
<u>Capital Assets that are Depreciated -</u>				
Buildings and Improvements	\$ 37,399,196	\$ 420,185	\$ -	\$ 37,819,381
Machinery and equipment	5,709,507	1,565,093	364,699	6,909,901
Infrastructure	23,451,480	635,994	-	24,087,474
<i>Total Depreciated Assets</i>	<u>\$ 66,560,183</u>	<u>\$ 2,621,272</u>	<u>\$ 364,699</u>	<u>\$ 68,816,756</u>
<u>Less Accumulated Depreciation -</u>				
Buildings and Improvements	\$ 26,386,679	\$ 696,150	\$ -	\$ 27,082,829
Machinery and equipment	3,727,701	313,567	324,074	3,717,194
Infrastructure	18,038,592	286,397	-	18,324,989
<i>Total Accumulated Depreciation</i>	<u>\$ 48,152,972</u>	<u>\$ 1,296,114</u>	<u>\$ 324,074</u>	<u>\$ 49,125,012</u>
<i>Total Capital Assets Depreciated, Net of Accumulated Depreciation</i>	<u>\$ 18,407,211</u>	<u>\$ 1,325,158</u>	<u>\$ 40,625</u>	<u>\$ 19,691,744</u>
Total Capital Assets	<u><u>\$ 25,259,999</u></u>	<u><u>\$ 16,663,118</u></u>	<u><u>\$ 585,006</u></u>	<u><u>\$ 41,338,111</u></u>

Depreciation expense totaling \$1,296,114 was charged to home and community services.

G. **Long-Term Debt**

At December 31, 2023 the total outstanding obligations of the City aggregated \$64,554,961 as follows:

1. **Serial Bonds**

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

2. **Interest Reconciliation**

A summary of the long-term interest expense as of December 31, 2023 is as follows:

(V.) (Continued)

Governmental Activities:

Interest Paid	\$ 248,945
Less: Interest Accrued in the Prior Year	(9,934)
Plus: Interest Accrued in the Current Year	11,529
Total Long-Term Interest Expense - Governmental Activities	\$ 250,540

Business-Type Activities:

Interest Paid	\$ 796,209
Total Long-Term Interest Expense - Business-Type Activities	\$ 796,209

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.

Lease Liability – represents the value of future lease principal payments.

Retainage Liability – represents the value of retainage payable on capital projects.

4. Summary of Debt

The following is a summary of obligations outstanding at December 31, 2023:

	Balance			Balance	Due Within
	<u>1/1/23</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/23</u>	<u>One Year</u>
<u>Governmental Activities:</u>					
Serial Bonds	\$ 7,730,000	\$ 1,500,000	\$ 870,000	\$ 8,360,000	\$ 1,160,000
Net Pension Liability	511,758	6,567,741	-	7,079,499	-
Lease Liability	47,979	216,461	56,685	207,755	60,255
Retainage Payable	10,797	-	10,797	-	-
Compensated Absences	734,072	-	260,014	474,058	118,515
OPEB	8,987,942	237,678	-	9,225,620	-
Total Governmental Activities	\$ 18,022,548	\$ 8,521,880	\$ 1,197,496	\$ 25,346,932	\$ 1,338,770
<u>Business-Type Activities:</u>					
Serial Bonds	\$ 12,685,000	\$ 24,000,000	\$ 845,000	\$ 35,840,000	\$ 1,030,000
Unamortized bond premium	-	1,160,850	-	1,160,850	61,097
Net Pension Liability	-	840,756	-	840,756	-
Compensated Absences	131,751	-	12,351	119,400	29,850
OPEB	1,228,674	18,349	-	1,247,023	-
Total Business-Type Activities	\$ 14,045,425	\$ 26,019,955	\$ 857,351	\$ 39,208,029	\$ 1,120,947
Total Long-Term Obligations	\$ 32,067,973	\$ 34,541,835	\$ 2,054,847	\$ 64,554,961	\$ 2,459,717

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

(V.) (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 12/31/23</u>
Governmental Activities:					
<u>General Fund -</u>					
Serial Bonds	\$ 1,613,000	2015	2025	2.00%-2.25%	\$ 350,000
Serial Bonds	\$ 1,988,950	2015	2027	3.01%	345,000
Serial Bonds	\$ 7,320,000	2018	2033	3.00%-3.50%	5,030,000
Serial Bonds	\$ 1,430,000	2019	2034	1.75%-2.00%	1,075,000
Serial Bonds	\$ 260,000	2020	2026	2.00%-4.00%	60,000
Serial Bonds	\$ 1,500,000	2023	2028	4.00%	1,500,000
Leases - Equipment	\$ 37,945	2021-22	2026-27	2.50%	18,881
Leases - Subscription	\$ 260,666	2021-23	2025-27	2.50%	188,874
Business-Type Activities:					
<u>Water Fund -</u>					
Serial Bonds	\$ 666,500	2015	2025	2.00%-2.25%	150,000
Serial Bonds	\$ 2,371,800	2015	2046	3.01%	1,711,000
Serial Bonds	\$ 715,000	2019	2034	1.75%-2.00%	535,000
Serial Bonds	\$ 1,325,000	2020	2031	1.00%-4.00%	835,000
<u>Sewer Fund -</u>					
Serial Bonds	\$ 620,500	2015	2025	2.00%-2.25%	135,000
Serial Bonds	\$ 554,250	2015	2027	3.01%	104,000
Serial Bonds	\$ 715,000	2019	2034	1.75%-2.00%	555,000
Serial Bonds	\$ 3,755,000	2020	2031	1.00%-4.00%	2,815,000
Serial Bonds	\$ 5,000,000	2022	2042	3.73%	5,000,000
Serial Bonds	\$ 24,000,000	2023	2042	4.00%	24,000,000
Total					\$ 44,407,755

6. The following table summarizes the City's future debt service requirements as of December 31, 2023:

<u>Year</u>	<u>Governmental Activities</u>				<u>Business-Type Activities</u>	
	<u>Serial Bonds</u>		<u>Leases</u>		<u>Serial Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 1,160,000	\$ 253,906	\$ 60,255	\$ 5,125	\$ 1,030,000	\$ 1,322,113
2025	1,180,000	219,706	55,800	3,676	1,945,000	1,285,525
2026	1,046,000	182,769	45,367	2,294	1,834,000	1,227,675
2027	999,000	147,929	46,333	1,146	1,886,000	1,156,465
2028	995,000	114,969	-	-	1,905,000	1,083,406
2029-33	2,875,000	282,412	-	-	8,965,000	4,461,381
2034-38	105,000	2,100	-	-	9,245,000	2,742,209
2039-43	-	-	-	-	8,820,000	805,612
2044-46	-	-	-	-	210,000	16,800
Total	\$ 8,360,000	\$ 1,203,791	\$ 207,755	\$ 12,241	\$ 35,840,000	\$ 14,101,186

(V.) (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. \$6,095,000 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	\$ 5,452,202	\$ 487,297	\$ 650,448	\$ 43,349
Leases	-	908,051	-	-
Bonds	-	-	-	181,365
OPEB	994,717	2,467,322	237,265	235,280
Total	\$ 6,446,919	\$ 3,862,670	\$ 887,713	\$ 459,994

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, 2023 is \$25,434.

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, 2023 is \$1,656,970.

c. **General Reserve** – Represents amounts held in reserve by contributors for a specific purpose. The balance at December 31, 2023 is \$161,682.

(V.) (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, 2023 is \$76,100.

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

(V.) (Continued)

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 \$28,000 are considered significant in the general fund, the City does not have any significant encumbrances. The City has outstanding purchase commitments totaling \$589,409 in the capital projects fund.

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>Capital Projects Fund</u>	<u>Non Major Funds</u>	<u>Total</u>
<u>Nonspendable -</u>				
Inventory	\$ 17,757	\$ -	\$ -	\$ 17,757
Prepaid items	403,684	-	3,450	407,134
Total Nonspendable	\$ 421,441	\$ -	\$ 3,450	\$ 424,891
<u>Restricted -</u>				
Capital reserves	\$ 1,656,970	\$ -	\$ -	\$ 1,656,970
Insurance reserve	25,434	-	-	25,434
Debt reserve	-	-	76,100	76,100
General reserve	161,682	-	-	161,682
Special districts -				
Community development fund	-	-	90,390	90,390
Cemetery fund	-	-	29,068	29,068
Parks & open spaces fund	-	-	126,356	126,356
Energy Projects fund	-	-	8,019	8,019
Canandaigua Lake watershed council	-	-	168,134	168,134
Total Restricted	\$ 1,844,086	\$ -	\$ 498,067	\$ 2,342,153
<u>Assigned -</u>				
Appropriated for taxes	\$ 1,588,480	\$ -	\$ -	\$ 1,588,480
Kershaw park reserve	86,242	-	-	86,242
General government support	10,959	-	-	10,959
Public safety	9,759	-	-	9,759
Transportation	5,250	-	-	5,250
Culture and recreation	21,412	-	-	21,412
Total Assigned	\$ 1,722,102	\$ -	\$ -	\$ 1,722,102
<u>Unassigned</u>	\$ 6,021,047	\$ (227,292)	\$ -	\$ 5,793,755
TOTAL FUND BALANCE	\$ 10,008,676	\$ (227,292)	\$ 501,517	\$ 10,282,901

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.

(V.) (Continued)

2. Net Position - Restricted for Other Purposes

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

Watershed	\$	168,134
Parks & Open Spaces		126,356
Energy Projects Fund		8,019
Cemetery		29,068
Community Development		90,390
Capital Reserves		1,656,970
Insurance Reserve		25,434
Other		161,682
Total Net Position - Restricted for Other Purposes	\$	<u>2,342,153</u>

VI. 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.

(VI.) (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 five 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 five 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 five 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.

(VI.) (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 five 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.

(VI.) (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>
12/15/2023	\$ 530,831	\$	952,870
12/15/2022	\$ 423,788	\$	843,382
12/15/2021	\$ 571,184	\$	817,826

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, 2023, the City reported a liability of \$2,648,051 for ERS and a liability of \$5,272,204 for PFRS for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2023, 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, 2023, the City's proportion was 0.0123487 percent for ERS and 0.0956761 percent for PFRS.

For the year ended December 31, 2023 the City recognized pension expense of \$966,417 for ERS, and \$1,612,315 for PFRS. At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u>		<u>Deferred Inflows</u>	
	<u>of Resources</u>		<u>of Resources</u>	
	<u>ERS</u>	<u>PFRS</u>	<u>ERS</u>	<u>PFRS</u>
Differences between expected and actual experience	\$ 282,038	\$ 515,305	\$ 74,367	\$ -
Changes of assumptions	1,286,064	2,569,131	14,213	-
Net difference between projected and actual earnings on pension plan investments	-	9,320	15,557	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	82,432	245,584	32,395	394,114
Subtotal	\$ 1,650,534	\$ 3,339,340	\$ 136,532	\$ 394,114
City's contributions subsequent to the measurement date	398,123	714,653	-	-
Grand Total	\$ 2,048,657	\$ 4,053,993	\$ 136,532	\$ 394,114

(VI.) (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	\$ 515,305	\$ 192,491	\$ 707,796	\$ 51,951	\$ 37,596	\$ 89,547	\$ 797,343
Changes of assumptions	2,569,131	877,739	3,446,870	236,893	171,432	408,325	3,855,195
Net difference between projected and actual earnings on pension plan investments	9,320	-	9,320	-	-	-	9,320
Changes in proportion and differences between the City's contributions and proportionate share of contributions	245,584	56,260	301,844	15,184	10,988	26,172	328,016
SubTotal	\$ 3,339,340	\$ 1,126,490	\$ 4,465,830	\$ 304,028	\$ 220,016	\$ 524,044	\$ 4,989,874
City's contributions subsequent to the measurement date	714,653	271,719	986,372	73,334	53,070	126,404	1,112,776
Grand Total	\$ 4,053,993	\$ 1,398,209	\$ 5,452,202	\$ 377,362	\$ 273,086	\$ 650,448	\$ 6,102,650

	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	\$ -	\$ 50,756	\$ 50,756	\$ 13,698	\$ 9,913	\$ 23,611	\$ 74,367
Changes of assumptions	-	9,700	9,700	2,618	1,895	4,513	14,213
Net difference between projected and actual earnings on pension plan investments	-	10,617	10,617	2,866	2,074	4,940	15,557
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	394,114	22,110	416,224	5,967	4,318	10,285	426,509
Grand Total	\$ 394,114	\$ 93,183	\$ 487,297	\$ 25,149	\$ 18,200	\$ 43,349	\$ 530,646

(VI.) (Continued)

The City reported \$1,112,776 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, 2023. 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>
2024	\$ 375,984	\$ 558,667
2025	(121,637)	(140,507)
2026	536,962	1,536,744
2027	722,693	910,761
2028	-	79,561
Total	\$ 1,514,002	\$ 2,945,226

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, 2023	March 31, 2023
Actuarial valuation date	April 1, 2023	April 1, 2023
Interest rate	5.90%	5.90%
Salary scale	4.40%	6.20%
Decrement tables	April 1 2015 - March 31, 2020 System's Experience	April 1 2015 - March 31, 2020 System's Experience
Inflation rate	2.90%	2.90%
COLA's	1.50%	1.50%

Annuitant mortality rates are based on Society of Actuaries Scale MP-2014 System's experience with adjustments for mortality improvements based on MP-2021.

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:

(VI.) (Continued)

<u>Asset Type</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	4.60%
International equity	6.85%
Private equity	7.50%
Real estate	4.60%
Opportunistic portfolios	5.38%
Real assets	5.84%
Credit	5.43%

The real rate of return is net of the long-term inflation assumption of 2.5% for ERS and 2.5% for PFRS.

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:

<u>ERS</u>	1% Decrease (4.90%)	Current Assumption (5.90%)	1% Increase (6.90%)
Employer's proportionate share of the net pension asset (liability)	\$ (6,399,203)	\$ (2,648,051)	\$ 486,473
		Current Assumption (5.90%)	1% Increase (6.90%)
<u>PFRS</u>	1% Decrease (4.90%)	Current Assumption (5.90%)	1% Increase (6.90%)
Employer's proportionate share of the net pension asset (liability)	\$ (10,990,156)	\$ (5,272,204)	\$ (537,396)

(VI.) (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:

	<u>(In Thousands)</u>	
	<u>ERS</u>	<u>PFRS</u>
Employers' total pension liability	\$ 232,627,259	\$ 43,835,333
Plan net position	211,183,223	38,324,863
Employers' net pension asset/(liability)	<u>\$ (21,444,036)</u>	<u>\$ (5,510,470)</u>
Ratio of plan net position to the employers' total pension asset/(liability)	90.78%	87.43%

VII. **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, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	41
Active Employees	<u>101</u>
Total	<u><u>142</u></u>

B. **Total OPEB Liability**

The City’s total OPEB liability of \$10,472,643 was measured as of December 31, 2023 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

(VII.) (Continued)

Inflation	2.42 percent
Salary Increases	3.42 percent, average, including inflation
Discount Rate	4.64 percent
Healthcare Cost Trend Rates	5.10 percent for 2024, decreasing to an ultimate rate of 3.86 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 Pub-2010 Public Retirement Plans 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, 2022	<u>\$ 10,216,616</u>
<u>Changes for the Year -</u>	
Service cost	\$ 316,852
Interest	438,699
Differences between expected and actual experience	379,876
Changes in assumptions or other inputs	(316,385)
Benefit payments	<u>(563,015)</u>
Net Changes	<u>\$ 256,027</u>
Balance at December 31, 2023	<u>\$ 10,472,643</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 4.40 percent in 2022 to 4.64 percent in 2023.

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 (3.64 percent) or 1-percentage-point higher (5.64 percent) than the current discount rate:

	1% Decrease	Discount	1% Increase
	<u>(3.64%)</u>	<u>Rate</u>	<u>(5.64%)</u>
	<u>(4.64%)</u>		<u>(5.64%)</u>
Total OPEB Liability	\$ 11,302,248	\$ 10,472,643	\$ 9,722,541

(VII.) (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 (4.10 percent decreasing to 2.86 percent) or 1-percentage-point higher (6.10 percent decreasing to 4.86 percent) than the current healthcare cost trend rate:

	1% Decrease (4.10% Decreasing to 2.86%)	Healthcare Cost Trend Rates (5.10% Decreasing to 3.86%)	1% Increase (6.10% Decreasing to 4.86%)
Total OPEB Liability	\$ 9,452,283	\$ 10,472,643	\$ 11,660,832

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

For the year ended December 31, 2023, the City recognized OPEB expense of \$1,004,910. At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 782,217	\$ 950,470
Changes of assumptions	307,464	1,752,132
City's contributions subsequent to the measurement date	142,301	-
Total	\$ <u>1,231,982</u>	\$ <u>2,702,602</u>

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

<u>Year</u>	
2024	\$ 132,176
2025	(48,112)
2026	(238,240)
2027	(250,652)
2028	(265,935)
Thereafter	(942,158)
Total	\$ <u>(1,612,921)</u>

VIII. 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.

IX. 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, 2023 and 2022 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 \$25,434 at December 31, 2023.

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, 2023, the City of Canandaigua, Ontario County, New York incurred premiums or contribution expenditures totaling \$312,371 which were collected through the County's tax levy.

X. 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.

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.

XI. 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, 2023 the City had a solar credit balance totaling \$0.

XII. 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, 2023 totaled \$157,009 which is reported in the Technology Fund.

(XII.) (Continued)

B. Muar House

The total rental income received for the year ended December 31, 2023 totaled \$14,132 which is reported in the General Fund.

C. West Lake Road

The total rental income received for the year ended December 31, 2023 totaled \$11,150 which is reported in the Water Fund.

D. Solar Farm

The total rental income received for the year ended December 31, 2023 totaled \$29,016 which is reported in the General Fund.

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, 2023

	TOTAL OPEB LIABILITY					
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 316,852	\$ 424,076	\$ 353,776	\$ 297,524	\$ 278,425	\$ 296,837
Interest	438,699	276,816	270,198	281,137	377,853	351,215
Changes in benefit terms	-	173,117	-	-	(25,931)	-
Differences between expected and actual experiences	379,876	(1,066,705)	790,131	706,821	(962,561)	(14,335)
Changes of assumptions or other inputs	(316,385)	(1,806,643)	553,615	318,502	1,189,673	(269,936)
Benefit payments	(563,015)	(609,505)	(671,890)	(519,002)	(514,487)	(496,416)
Net Change in Total OPEB Liability	\$ 256,027	\$ (2,608,844)	\$ 1,295,830	\$ 1,084,982	\$ 342,972	\$ (132,635)
Total OPEB Liability - Beginning	\$ 10,216,616	\$ 12,825,460	\$ 11,529,630	\$ 10,444,648	\$ 10,101,676	\$ 10,234,311
Total OPEB Liability - Ending	\$ 10,472,643	\$ 10,216,616	\$ 12,825,460	\$ 11,529,630	\$ 10,444,648	\$ 10,101,676
Covered Employee Payroll	\$ 6,934,817	\$ 6,698,365	\$ 6,242,104	\$ 6,034,517	\$ 5,845,368	\$ 5,845,368
Total OPEB Liability as a Percentage of Covered Employee Payroll	151.02%	152.52%	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, 2023

NYSERS Pension Plan

	<u>2023</u>	<u>2022</u>	<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)	0.0123487%	0.0124439%	0.0128355%	0.0120531%	0.0125312%	0.0126691%	0.0125921%	0.0120560%	0.0122275%
Proportionate share of the net pension liability (assets)	\$ 2,648,051	\$ (1,017,235)	\$ 12,871	\$ 3,191,729	\$ 887,871	\$ 408,888	\$ 1,183,184	\$ 1,935,021	\$ 413,076
Covered-employee payroll	\$ 4,273,416	\$ 3,848,539	\$ 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	61.966%	-26.432%	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	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%

NYSPPRS Pension Plan

	<u>2023</u>	<u>2022</u>	<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)	0.0956761%	0.0900912%	0.0924855%	0.0782952%	0.0757769%	0.0741655%	0.0770643%	0.0915745%	0.0740655%
Proportionate share of the net pension liability (assets)	\$ 5,272,204	\$ 511,758	\$ 1,605,803	\$ 4,184,829	\$ 1,270,827	\$ 749,633	\$ 1,597,275	\$ 2,711,325	\$ 203,872
Covered-employee payroll	\$ 3,721,002	\$ 3,360,284	\$ 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	141.688%	15.230%	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	87.43%	98.66%	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

(See Independent Auditors' Report)

Required Supplemental Information
CITY OF CANANDAIGUA, ONTARIO COUNTY, NEW YORK
Schedule of City Contributions
(Unaudited)
For the Year Ended December 31, 2023

NYSERS Pension Plan

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 530,831	\$ 423,788	\$ 571,184	\$ 552,587	\$ 548,116	\$ 556,844	\$ 538,374	\$ 607,902	\$ 693,834
Contributions in relation to the contractually required contribution	<u>(530,831)</u>	<u>(423,788)</u>	<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	\$ 4,273,416	\$ 3,848,539	\$ 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	12.42%	11.01%	15.33%	14.12%	14.21%	14.76%	14.32%	16.99%	19.01%

NYSPPFRS Pension Plan

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 952,870	\$ 843,382	\$ 817,826	\$ 668,173	\$ 620,349	\$ 640,643	\$ 609,334	\$ 617,316	\$ 619,951
Contributions in relation to the contractually required contribution	<u>(952,870)</u>	<u>(843,382)</u>	<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	\$ 3,721,002	\$ 3,360,284	\$ 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	25.61%	25.10%	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, 2023

	GENERAL FUND				
	Original Budget (Incl. Carryover Encumbrances)	Budget (Amended)	Actual	Encumbrances	Variance
Revenues:					
Real property and tax items	\$ 6,616,196	\$ 6,616,196	\$ 6,637,137	\$ -	\$ 20,941
Non-property taxes	6,258,250	6,258,250	6,554,659	-	296,409
Departmental income	829,357	944,047	958,240	-	14,193
Intergovernmental charges	1,126,830	1,126,830	1,132,664	-	5,834
Use of money and property	176,812	180,792	578,586	-	397,794
Licenses and permits	160,800	160,800	95,540	-	(65,260)
Fines and forfeitures	104,500	104,500	277,833	-	173,333
Sale of property and compensation for loss	433,000	433,000	99,327	-	(333,673)
Miscellaneous	2,000	8,400	8,875	-	475
Interfund revenues	623,160	623,160	623,160	-	-
State and county aid	1,738,549	1,738,549	1,758,917	-	20,368
Federal aid	3,750	3,750	95,045	-	91,295
Total Revenues	\$ 18,073,204	\$ 18,198,274	\$ 18,819,983	\$ -	\$ 621,709
Expenditures:					
Current:					
General government support	\$ 2,714,360	\$ 2,835,372	\$ 2,631,356	\$ 10,959	\$ 193,057
Public safety	5,282,390	5,311,605	4,977,713	9,759	324,133
Transportation	1,466,469	1,463,969	1,190,455	5,250	268,264
Economic assistance and development	201,250	201,250	201,250	-	-
Culture and recreation	1,140,323	1,144,247	1,010,232	21,412	112,603
Home and community services	1,081,541	1,081,541	1,009,821	-	71,720
Employee benefits	4,306,949	4,307,460	4,146,038	-	161,422
Debt Service:					
Debt service - principal	-	-	56,685	-	(56,685)
Debt service - interest and other charges	-	-	1,272	-	(1,272)
Total Expenditures	\$ 16,193,282	\$ 16,345,444	\$ 15,224,822	\$ 47,380	\$ 1,073,242
Excess (deficiency) of revenue over expenditures	\$ 1,879,922	\$ 1,852,830	\$ 3,595,161	\$ (47,380)	\$ 1,694,951
Other Financing Sources and Uses:					
Transfers - in	\$ 290,000	\$ 315,000	\$ 316,517	\$ -	\$ 1,517
Transfers - out	(3,138,071)	(4,977,756)	(3,368,722)	-	1,609,034
Total Other Financing Sources and Uses	\$ (2,848,071)	\$ (4,662,756)	\$ (3,052,205)	\$ -	\$ 1,610,551
Net change in fund balances	\$ (968,149)	\$ (2,809,926)	\$ 542,956	\$ (47,380)	\$ 3,305,502
Fund Balance - Beginning	9,465,720	9,465,720	9,465,720	-	-
Fund Balance - Ending	\$ 8,497,571	\$ 6,655,794	\$ 10,008,676	\$ (47,380)	\$ 3,305,502

Notes to Required Supplemental Information:

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

(See Independent Auditors' Report)

CITY OF CANANDAIGUA, ONTARIO COUNTY, NEW YORK

**Combining Balance Sheet
Nonmajor Governmental Funds**

December 31, 2023

	Debt Service Fund	Watershed Program Fund	Technology Fund
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and cash equivalents	\$ 76,406	\$ 150,704	\$ 31,808
Receivables, net	-	2,522	812,418
Due from other governments, net	-	18,000	-
State and federal aid receivable	-	28,476	-
Prepaid items	-	3,450	-
Total Assets	<u>\$ 76,406</u>	<u>\$ 203,152</u>	<u>\$ 844,226</u>
Liabilities, Deferred Inflows, and Fund Balances			
Liabilities:			
Accounts payable	\$ 306	\$ 29,837	\$ 32,102
Accrued liabilities	-	1,731	-
Total Liabilities	<u>\$ 306</u>	<u>\$ 31,568</u>	<u>\$ 32,102</u>
Deferred Inflows:			
Deferred Inflows of Resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 812,124</u>
Fund Balances:			
Nonspendable	\$ -	\$ 3,450	\$ -
Restricted	76,100	168,134	-
Assigned	-	-	-
Total Fund Balances	<u>\$ 76,100</u>	<u>\$ 171,584</u>	<u>\$ -</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 76,406</u>	<u>\$ 203,152</u>	<u>\$ 844,226</u>

CITY OF CANANDAIGUA, ONTARIO COUNTY, NEW YORK

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2023

Park & Open Spaces Fund	Energy Projects Fund	Cemetery Fund	Community Development Fund	Total Nonmajor Governmental Funds
\$ 126,356	\$ 8,019	\$ 29,068	\$ 126,371	\$ 548,732
-	-	-	117,398	932,338
-	-	-	-	18,000
-	-	-	-	28,476
-	-	-	-	3,450
<u>\$ 126,356</u>	<u>\$ 8,019</u>	<u>\$ 29,068</u>	<u>\$ 243,769</u>	<u>\$ 1,530,996</u>
\$ -	\$ -	\$ -	\$ 35,981	\$ 98,226
-	-	-	-	1,731
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,981</u>	<u>\$ 99,957</u>
\$ -	\$ -	\$ -	\$ 117,398	\$ 929,522
\$ -	\$ -	\$ -	\$ -	\$ 3,450
126,356	8,019	29,068	90,390	498,067
-	-	-	-	-
<u>\$ 126,356</u>	<u>\$ 8,019</u>	<u>\$ 29,068</u>	<u>\$ 90,390</u>	<u>\$ 501,517</u>
<u>\$ 126,356</u>	<u>\$ 8,019</u>	<u>\$ 29,068</u>	<u>\$ 243,769</u>	<u>\$ 1,530,996</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, 2023

	Debt Service Fund	Watershed Program Fund	Technology Fund
Revenues:			
Departmental income	\$ -	\$ -	\$ -
Intergovernmental charges	-	168,859	-
Use of money and property	1,363	9,826	160,720
Miscellaneous	74,462	2,522	-
State and county aid	-	50,557	-
Total Revenues	\$ 75,825	\$ 231,764	\$ 160,720
Expenditures:			
Current:			
General government support	\$ 2,500	\$ -	\$ 194,905
Economic assistance and development	-	-	-
Home and community services	-	227,628	-
Employee benefits	-	33,194	-
Debt Service:			
Debt service - principal	870,000	-	-
Debt service - interest and other charges	247,673	-	-
Total Expenditures	\$ 1,120,173	\$ 260,822	\$ 194,905
Excess (deficiency) of revenue over expenditures	\$ (1,044,348)	\$ (29,058)	\$ (34,185)
Other Financing Sources and Uses:			
Transfers - in	\$ 1,120,448	\$ -	\$ -
Total Other Financing Sources and Uses	\$ 1,120,448	\$ -	\$ (26,517)
Net change in fund balances	\$ 76,100	\$ (29,058)	\$ (60,702)
Fund Balance - Beginning	-	200,642	60,702
Fund Balance - Ending	\$ 76,100	\$ 171,584	\$ -

(See Independent Auditors' Report)

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, 2023

Park & Open Spaces Fund	Energy Projects Fund	Cemetery Fund	Community Development Fund	Total Non-Major Governmental Funds
\$ 1,500	\$ -	\$ -	\$ 61,379	\$ 62,879
-	-	-	-	168,859
5,998	503	14	251	178,675
-	-	-	500	77,484
-	-	-	193,325	243,882
<u>\$ 7,498</u>	<u>\$ 503</u>	<u>\$ 14</u>	<u>\$ 255,455</u>	<u>\$ 731,779</u>
\$ -	\$ -	\$ -	\$ -	\$ 197,405
-	-	-	190,825	190,825
-	6,438	-	137,567	371,633
-	-	-	-	33,194
-	-	-	-	870,000
-	-	-	-	247,673
<u>\$ -</u>	<u>\$ 6,438</u>	<u>\$ -</u>	<u>\$ 328,392</u>	<u>\$ 1,910,730</u>
<u>\$ 7,498</u>	<u>\$ (5,935)</u>	<u>\$ 14</u>	<u>\$ (72,937)</u>	<u>\$ (1,178,951)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,120,448</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,093,931</u>
\$ 7,498	\$ (5,935)	\$ 14	\$ (72,937)	\$ (85,020)
<u>118,858</u>	<u>13,954</u>	<u>29,054</u>	<u>163,327</u>	<u>586,537</u>
<u><u>\$ 126,356</u></u>	<u><u>\$ 8,019</u></u>	<u><u>\$ 29,068</u></u>	<u><u>\$ 90,390</u></u>	<u><u>\$ 501,517</u></u>

(See Independent Auditors' Report)