

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

**BASIC FINANCIAL STATEMENTS**

**For Year Ended December 31, 2017**

**Raymond F. Wager, CPA, P.C.**  
Certified Public Accountants

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**Independent Auditors' Report**

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

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Canandaigua, Ontario County, New York, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress of postemployment benefit plan, schedule of the City's proportionate share of the net position liability, schedule of City contributions, and budgetary comparison information on pages 3–15 and 59–62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

Rochester, New York  
April 23, 2018



# CITY OF CANANDAIGUA, ONTARIO COUNTY, NEW YORK

## Management's Discussion and Analysis

December 31, 2017

### 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, 2017. This section of the report should be read in conjunction with the basic financial statements, which immediately follow this section, in order to provide an enhanced understanding of the City's financial performance.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

#### **Fund Financial Statements**

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

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

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

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

### **Other Supplementary Information**

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the City's financial position. As of December 31, 2017 the total assets of the City exceeded liabilities by \$55,523,274.

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

	December 31, 2017			December 31, 2016		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Government</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Government</u>
<b><u>Assets</u></b>						
Current and other assets	\$ 7,610,449	\$ 7,535,459	\$ 15,145,908	\$ 8,006,436	\$ 7,874,060	\$ 15,880,496
Capital assets	37,435,993	21,127,218	58,563,211	37,697,265	21,612,333	59,309,598
<b>Total assets</b>	<b>\$ 45,046,442</b>	<b>\$ 28,662,677</b>	<b>\$ 73,709,119</b>	<b>\$ 45,703,701</b>	<b>\$ 29,486,393</b>	<b>\$ 75,190,094</b>
<b><u>Deferred Outflows</u></b>	<b>\$ 2,560,635</b>	<b>\$ 398,890</b>	<b>\$ 2,959,525</b>	<b>\$ 4,642,726</b>	<b>\$ 750,945</b>	<b>\$ 5,393,671</b>
<b><u>Liabilities</u></b>						
Other liabilities	\$ 710,815	\$ 198,689	\$ 909,504	\$ 754,003	\$ 310,546	\$ 1,064,549
Long-term liabilities	7,644,869	11,895,741	19,540,610	10,075,175	13,013,784	23,088,959
<b>Total liabilities</b>	<b>\$ 8,355,684</b>	<b>\$ 12,094,430</b>	<b>\$ 20,450,114</b>	<b>\$ 10,829,178</b>	<b>\$ 13,324,330</b>	<b>\$ 24,153,508</b>
<b><u>Deferred Inflows</u></b>	<b>\$ 635,965</b>	<b>\$ 59,291</b>	<b>\$ 695,256</b>	<b>\$ 702,387</b>	<b>\$ 79,469</b>	<b>\$ 781,856</b>
<b><u>Net Position</u></b>						
Invested in capital Assets net of related debt	\$ 33,544,743	\$ 9,933,468	\$ 43,478,211	\$ 32,489,173	\$ 9,525,383	\$ 42,014,556
Restricted	2,603,553	4,356,129	6,959,682	2,333,968	4,380,262	6,714,230
Unrestricted	2,467,132	2,618,249	5,085,381	3,991,721	2,927,894	6,919,615
<b>Total net position</b>	<b>\$ 38,615,428</b>	<b>\$ 16,907,846</b>	<b>\$ 55,523,274</b>	<b>\$ 38,814,862</b>	<b>\$ 16,833,539</b>	<b>\$ 55,648,401</b>

The largest component of the City's net position, \$43,478,211 or approximately 78.3%, 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 \$6,959,682 or 12.5% of total net position is restricted and is not available to finance the day-to-day operations of the City. The funding levels of capital reserves exceeded capital expenditures which resulted in an increase of \$245,452 in the restricted portion of net position from fiscal 2016 to fiscal 2017.

The remaining \$5,085,381 or 9.2% balance of unrestricted net position can be used to finance future operations.

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

	<u>December 31, 2017</u>			<u>December 31, 2016</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Government</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Government</u>
<b><u>Program revenue</u></b>						
Charges for service	\$ 2,173,720	\$ 5,688,627	\$ 7,862,347	\$ 1,766,550	\$ 5,811,257	\$ 7,577,807
Operating grants and contributions	1,946,628	-	1,946,628	218,105	-	218,105
Capital grants and contributions	169,666	352,305	521,971	297,116	339,526	636,642
<b><u>General revenue</u></b>						
Real property taxes	5,128,275	-	5,128,275	4,952,372	-	4,952,372
Non-property taxes	4,714,950	-	4,714,950	4,610,781	-	4,610,781
Governmental aid	1,119,304	-	1,119,304	1,119,304	-	1,119,304
Other	547,019	20,011	567,030	503,686	28,902	532,588
Advance refunding	-	-	-	-	-	-
Transfers	290,000	(290,000)	-	290,000	(290,000)	-
<b>Total revenue</b>	<b><u>\$ 16,089,562</u></b>	<b><u>\$ 5,770,943</u></b>	<b><u>\$ 21,860,505</u></b>	<b><u>\$ 13,757,914</u></b>	<b><u>\$ 5,889,685</u></b>	<b><u>\$ 19,647,599</u></b>
<b><u>Program expenses</u></b>						
General government	\$ 2,576,357	\$ -	\$ 2,576,357	\$ 2,588,961	\$ -	\$ 2,588,961
Public safety	5,983,498	-	5,983,498	6,183,347	-	6,183,347
Health	-	-	-	-	-	-
Transportation	3,133,336	-	3,133,336	3,079,954	-	3,079,954
Economic Assistance and Opportunity	1,643,189	-	1,643,189	243,435	-	243,435
Cultural and recreation	1,373,827	-	1,373,827	1,366,186	-	1,366,186
Home and community services	1,469,846	-	1,469,846	1,031,466	-	1,031,466
Interest on long-term debt	108,943	-	108,943	134,351	-	134,351
Water	-	2,894,661	2,894,661	-	2,852,150	2,852,150
Sewer	-	2,801,975	2,801,975	-	2,795,008	2,795,008
<b>Total expenses</b>	<b><u>\$ 16,288,996</u></b>	<b><u>\$ 5,696,636</u></b>	<b><u>\$ 21,985,632</u></b>	<b><u>\$ 14,627,700</u></b>	<b><u>\$ 5,647,158</u></b>	<b><u>\$ 20,274,858</u></b>
Change in net position	<b><u>\$ (199,434)</u></b>	<b><u>\$ 74,307</u></b>	<b><u>\$ (125,127)</u></b>	<b><u>\$ (869,786)</u></b>	<b><u>\$ 242,527</u></b>	<b><u>\$ (627,259)</u></b>

The revenue and expense information was derived from the government-wide statement of activities and reflects how the City's net position changed during the year. The City's total net position decreased \$125,127 during 2017. Total government expenses of \$22.0 million were offset by revenues of \$21.9 million.

Governmental Activities: Governmental activities net position decreased \$199,434 in 2017.

Total revenues from governmental activities totaled \$16,089,652 in 2017, which was an increase of \$2,331,648 over 2016.

Program revenues represented 26.7% of total governmental revenues and increased 88.0% over 2016.

- Charges for service increased 3.8% primarily due to the sale of solar energy which began in 2017.
- Operating grants and contributions increase by \$1.7 million over the prior year. This was primarily due to a \$1.5 million pass through grant from Dormitory Authority of the State of New York for the Pinnacle North Project on Lakeshore Drive.

General revenues (taxes, intergovernmental, investment earnings and other revenue) represented 73.3% of total governmental and increased 2.8% over 2016.

- Property tax revenue increased 3.6% due to a property tax increase of 1.3%.
- Non-property tax revenues increased 2.3% due to market driven increases in sales tax and mortgage tax.

Program expenses increased \$1,661,296 or 11.4% over year 2016.

- Economic Development increased \$1.4 million primarily due to the payment of a pass through grant of \$1.5 million.
- Home and community services increased by \$438,380 due to the sale of solar energy which started in 2017.
- General government and Public safety expenses decreased by \$212,453 primarily driven by personnel changes.

Business-Type Activities: The net position of business-type activities (Water Fund and Sewer Fund) increased by \$74,307 in fiscal year 2017.

Revenues for business-type activities totaled approximately \$6.0 million, a decrease of 1.8% from the prior year, while expenses totaled \$5.7 million, an increase of .9% from the prior year. Significant variances are as follows:

- Metered Water rates increased 5.0% while metered Sewer rates remained the same for 2017 with revenues remaining relatively flat. Wholesale water sales to the Towns decreased by 13.8% due to a decrease in water consumption as a result of a wet summer.
- There was a modest increase in expenditures of .9% due to normal inflation.

**FINANCIAL ANALYSIS OF CITY FUNDS**

**Governmental Funds**

At the end of the current year, the City reported a combined fund balance of \$6.4 million, a decrease of \$995,669 from the prior year. A summary of the change in fund balance for all funds is as follows:

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

<u>General Fund -</u>	<u>2017</u>	<u>2016</u>
Nonspendable for inventory	\$ 10,346	\$ 11,975
Nonspendable for prepaid expenses	361,237	275,122
Restricted for insurance	27,155	35,851
Restricted for expenditures	-	-
Restricted for capital	1,640,199	1,137,248
Restricted for general reserve	2,199	2,199
contributors for a specific purpose		
Assigned for encumbrances	23,535	3,200
Assigned for Kershaw Park	52,702	44,574
Assigned - designated for subsequent		
year's expenditures	103,946	203,773
Unassigned	3,934,332	3,566,826
<b>Total Fund Balance - General Fund</b>	<u>\$ 6,155,651</u>	<u>\$ 5,280,768</u>
 <u>Capital Projects Fund -</u>		
Restricted for capital expenditures	\$ 123,001	\$ 66,152
Assigned fund balance	-	-
Unassigned budget deficit	(984,394)	(131,194)
<b>Total Fund Balance - Capital Projects Fund</b>	<u>\$ (861,393)</u>	<u>\$ (65,042)</u>
 <u>Community Development Fund -</u>		
Restricted for community block grant Funds	\$ 511,649	\$ 363,988
<b>Total Fund Balance - Community</b>		
<b>Development Fund</b>	<u>\$ 511,649</u>	<u>\$ 363,988</u>
 <u>Debt Service Fund -</u>		
Restricted for debt service	\$ 22,152	\$ 395,833
 <u>Nonmajor Governmental Funds -</u>		
Nonspendable for prepaid expenses	\$ 3,578	\$ 3,357
Restricted for the watershed program	107,373	51,580
Restricted for parks and open spaces	63,082	53,992
 Restricted for cemetery fund	32,791	32,776
Assigned for technology	304,659	313,521
<b>Total Fund Balance - Nonmajor</b>		
<b>Governmental Funds</b>	<u>\$ 511,483</u>	<u>\$ 455,226</u>
<b>Total Fund Balance - All</b>	<u><b>\$ 6,339,542</b></u>	<u><b>\$ 6,430,773</b></u>

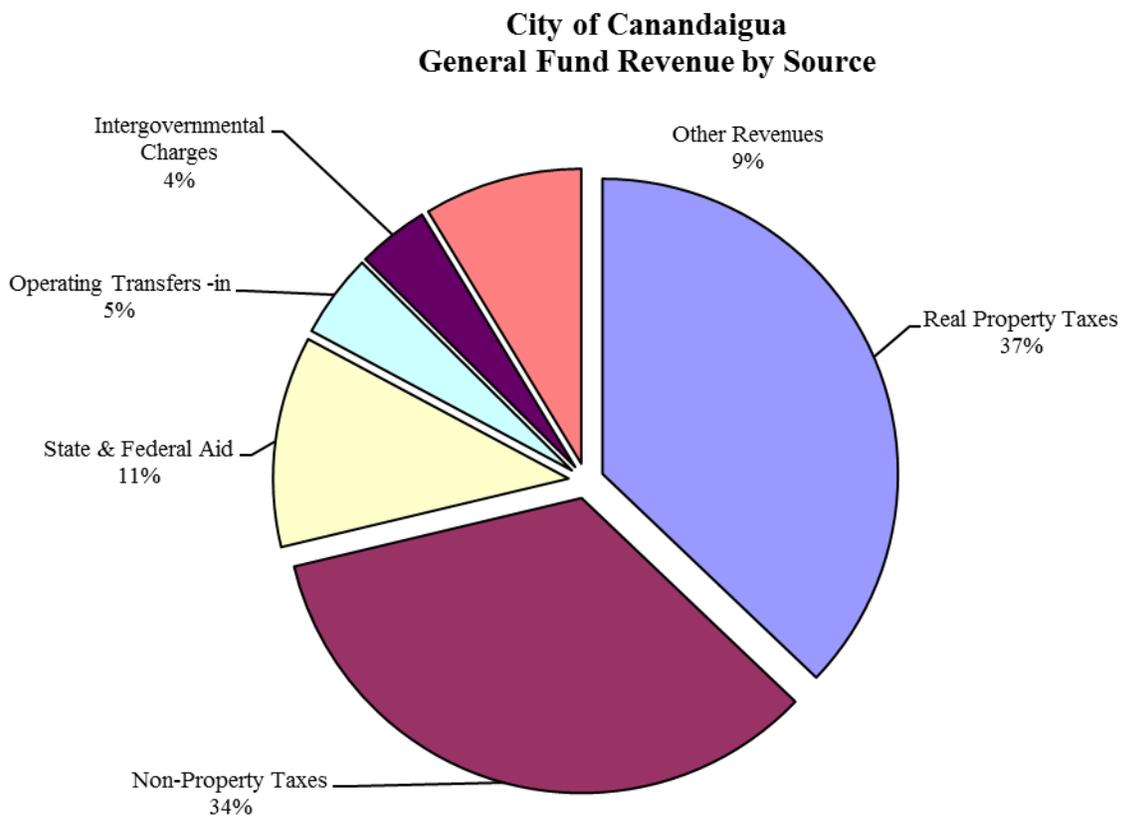
## General Fund

The City’s general fund is the largest “fund” of the City comprising 61.8% of the adopted 2017 City budget. Some of the services provided by the general fund are:

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

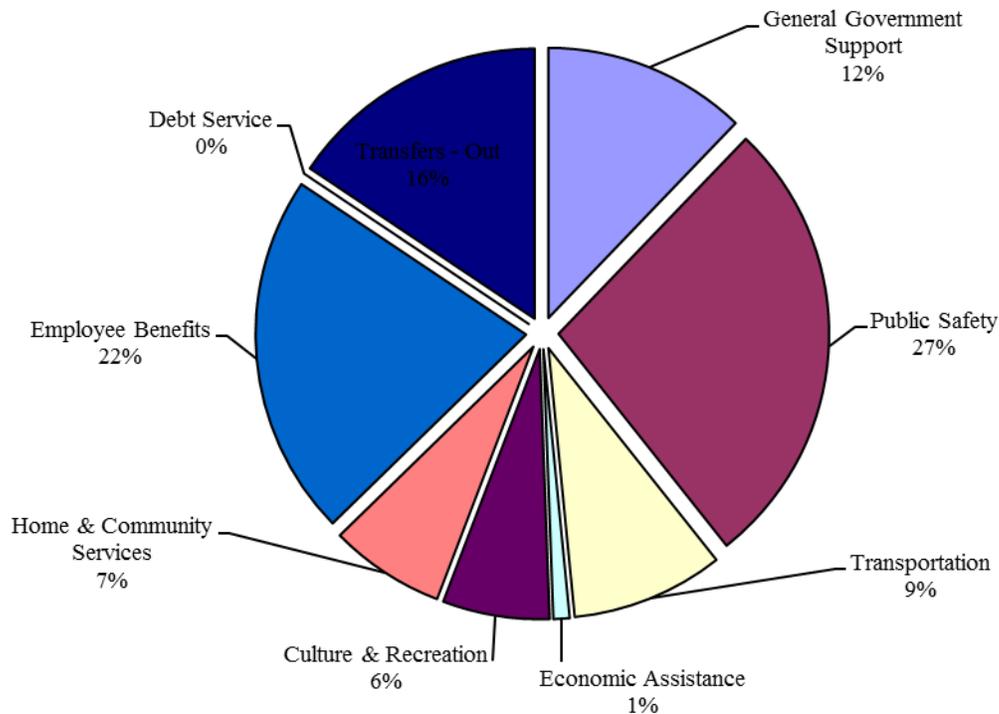
In addition to the above programs, the general fund provides support such as administration, accounting and financial management, payroll and personnel, assessment, planning and zoning, legal, etc.

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



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

### City of Canandaigua General Fund Expenditures by Program



The amended general fund budget (only) in the amount of \$14.2 million anticipated the use of \$504,522 of fund balance. However, actual results of operations showed an overall increase to fund balance of \$327,497, which resulted in a net increase to fund balance (net of encumbrances) of \$851,348, comparing the actual results to the budget.

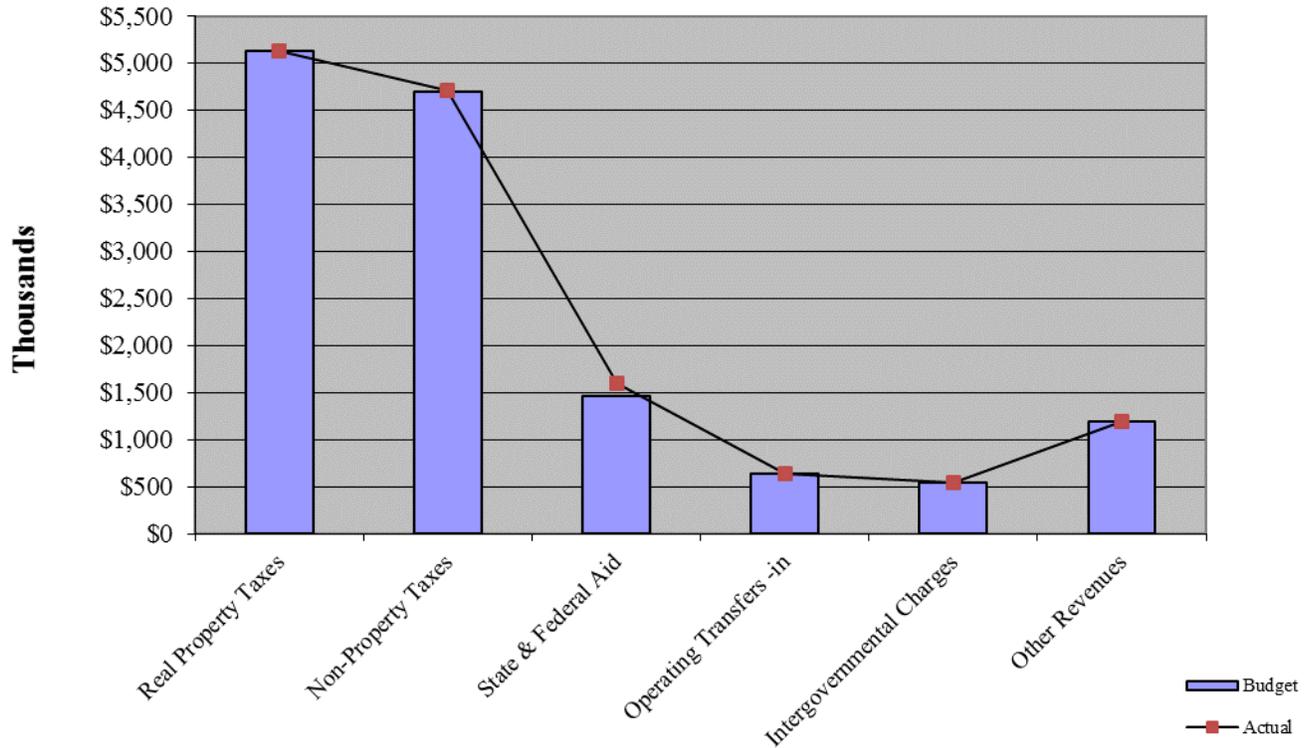
General Fund including reserves:

General fund increase in operations:	\$372,497
General fund reserves decrease in operations:	<u>\$502,386</u>
Net increase in general fund	\$874,883

General fund revenue overall had a positive variance of \$185,391 as compared to budget, of which the general fund only had a positive variance of \$155,919. The largest variances for the general fund were:

- Increase in non-property tax revenue of \$17,596 primarily due to an increase in anticipated sales tax.
- Increase in state aid due to unanticipated increase of mortgage tax of \$ 74,809 and the use of CHIPS funds to offset expenditures in the general fund in the amount of \$61765.

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

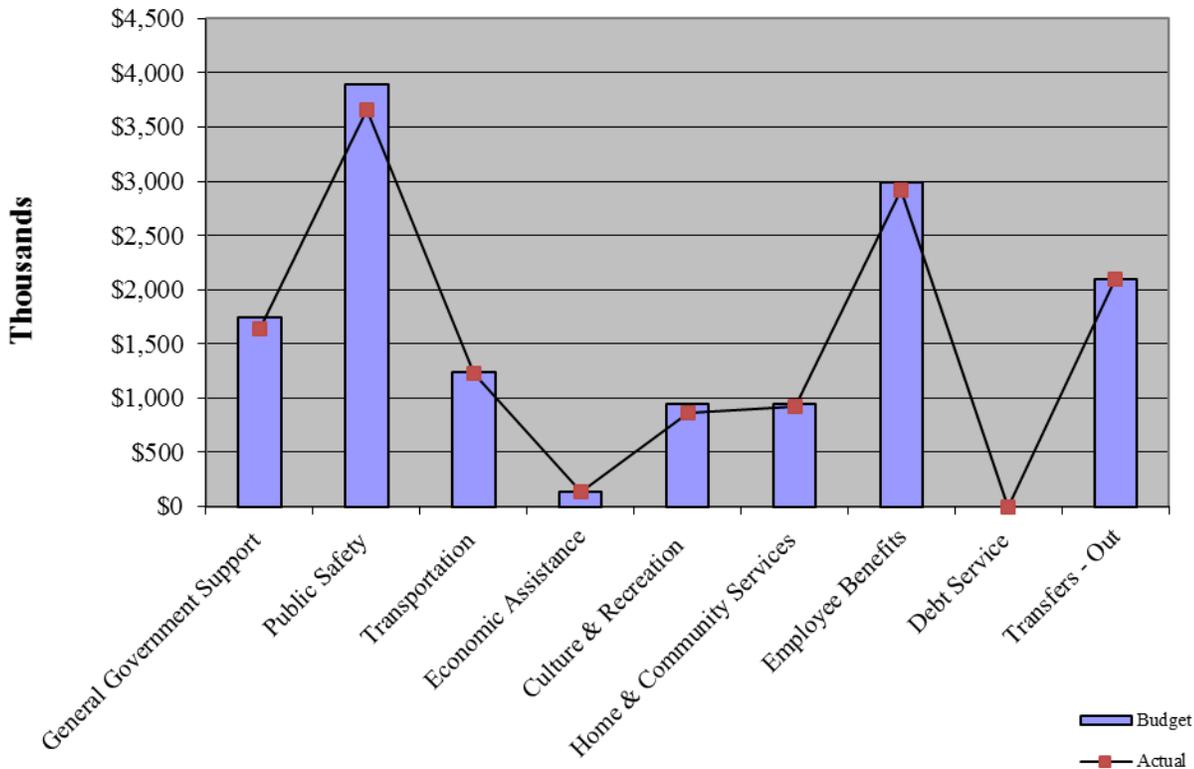


General fund expenditures reflected an overall positive variance of \$700,569 (net of encumbrances) as compared to the budget. The general fund only had a positive variance of \$697,595. The largest variances were:

- Positive operational variances in all departments totaled \$212,252 which represents 1.5% of the overall general fund budget. This was primarily due to lower than expected gas prices and other operation supplies in the amount of \$58,674; contractual budgeted saving including repairs and maintenance, professional fees in the amount of \$130,028; less than anticipated seasonal hours, overtime and benefits in the amount of \$54,930.
- Unused budget contingency in the amount of \$169,503.
- Positive variances in personnel and benefits in the amount of \$276,629 due to retirements and terminations.

General fund transfers reflected an overall positive variance of \$1,215,631 and reflect transfers from the capital reserve fund to the capital fund transfers to the Debt Service Fund for debt payment.

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



**Proprietary Funds**

The other two major “funds” of the City are the water fund and the sewer fund, which comprised 18.4% and 13.1% of the 2017 adopted City budget, respectively. The services provided by these enterprise funds are:

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

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

At the end of the current fiscal year, the City reported total net position for its enterprise funds of \$16.9 million, an increase of \$74,307 in comparison with the prior year. Of the total net position, \$9.9 million is recorded as an investment in capital assets net of related debt, \$4.4 million is restricted for capital projects, debt service, and repairs, and the remaining \$2.6 million is unrestricted.

Water Fund - This fund finished the current fiscal year with a decrease in net position of \$112,296. The unrestricted fund balance is \$1.0 million, with an amount reserved for capital expenditures, debt service, and repairs of \$1.1.

Sewer Fund - This fund finished the current fiscal year with an increase in net position of \$186,603. The unrestricted fund balance is \$1.6 million, with an amount reserved for capital expenditures, debt service, and repairs of \$3.2 million.

## GOVERNMENT-WIDE CAPITAL ASSET AND DEBT ADMINISTRATION

At December 31, 2017, the City has \$58.6 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 2016 and 2017 is reflected below:

### Capital Assets, Net of Depreciation

	December 31, 2017			December 31, 2016		
	Governmental activities	Business-type activities	Total government	Governmental activities	Business-type activities	Total government
Land and land improvements	\$ 10,518,012	\$ 183,695	\$ 10,701,707	\$ 10,686,362	\$ 164,072	\$ 10,850,434
Buildings and improvements	3,721,082	14,048,717	17,769,799	3,086,371	15,129,197	18,215,568
Machinery and equipment	3,643,112	1,774,219	5,417,331	3,347,523	1,566,279	4,913,802
Infrastructure	19,175,749	4,707,713	23,883,462	20,275,881	4,726,376	25,002,257
Construction in progress	378,038	412,874	790,912	301,128	26,409	327,537
<b>Total Capital Assets</b>	<b>\$ 37,435,993</b>	<b>\$ 21,127,218</b>	<b>\$ 58,563,211</b>	<b>\$ 37,697,265</b>	<b>\$ 21,612,333</b>	<b>\$ 59,309,598</b>

Government-Wide Capital Assets - The net decrease in capital assets during the current year amounted to \$261,272 and included the following:

- The work in progress for uncompleted projects increased \$214,448 while \$137,538 was capitalized.
- City Hall building improvements - \$854,927
- The reconstruction of sidewalks and parking lots – \$150,112
- The purchase of vehicles and equipment - \$921,539
- Infrastructure improvements - \$167,690
- Depreciation expense of \$2,432,450 was charged against the assets.

Business-Type Activities Capital Assets - The net decrease in capital assets during the current year amounted to \$481,114 and included the following:

- The work in progress for uncompleted projects increased \$386,465.
- The purchase of vehicles and equipment (net of deletions) - \$427,101
- Infrastructure improvements - \$188,890
- Depreciation expense of \$1,487,570 was charged against the assets.

### LONG-TERM DEBT

At December 31, 2017, the City had \$19.5 million in general obligation and other long-term debt outstanding as follows:

	December 31, 2017			December 31, 2016		
	Governmental activities	Business-type activities	Total government	Governmental activities	Business-type activities	Total government
Serial bonds	\$ 3,891,250	\$ 11,193,750	\$ 15,085,000	\$ 4,528,050	\$ 12,086,950	\$ 16,615,000
Compensated absences	622,309	172,543	794,852	661,632	163,261	824,893
HUD 108 - Serial bond	420,000	-	420,000	605,000	-	605,000
Other postemployment benefits	315,385	144,914	460,299	284,488	113,232	397,720
Net pension liability	2,395,925	384,534	2,780,459	3,996,005	650,341	4,646,346
<b>Total Long Term Debt</b>	<b>\$ 7,644,869</b>	<b>\$ 11,895,741</b>	<b>\$ 19,540,610</b>	<b>\$10,075,175</b>	<b>\$ 13,013,784</b>	<b>\$ 23,088,959</b>

Principal payments on serial bonds totaled \$1,715,000 for the year ending December 31, 2017.

The City is subject to a constitutional debt limit pursuant to Article VIII of the State Constitution and Title 9 Article 2 of the Local Finance Law. This debt limit is equal to 7% of the latest five-year average of the full valuation of all taxable real property within the City. The water fund debt is constitutionally excluded from the debt limit, and the sewer fund debt prior to 2016 is excluded from the debt limit pursuant to Section 124.10 of the Local Finance Law. At December 31, 2017, the City exhausted 19.6% of its constitutional debt capacity and had the authority to issue up to an additional \$38.2 million of general obligation long-term debt.

## **CREDIT RATING**

The City was issued an AA- credit rating by Standard & Poor's in 2016.

## **FUTURE FINANCIAL IMPLICATIONS**

The 2018 budget for the City of Canandaigua for general, capital, debt service, water, sewer and special revenue funds totaled \$21.0 million, (net of interfund transfers). The narrative below contains many comments from the City Manager's Budget Message concerning the major funds.

### **General Fund:**

Expenditures: The general fund expenditures showed an increase for 2018 of 5.6% over the 2017 budget.

- We budgeted an additional police officer and an increase in part-time officer hours to further the department's focus on community-based policing and to improve the effectiveness of the department.
- We also added an additional position in the fire department to help continued efforts toward increasing our volunteer ranks and to continue to improve working relationships with neighboring departments. As this was originally budgeted as a Deputy Fire Chief, the new Fire Chief has requested that this be changed to a firefighter position.
- We have converted a DPW Administrative position from part time-to fulltime. This not only addresses succession planning issue concerns, but also a need for more administrative assistance.
- New to the budget, and a major component of the budget increase, is the solar array. Although the solar array went on-line in January of 2017, it was not included in the 2017 adopted budget. In the 2018 budget, \$466,577 of expenditures and \$526,577 of revenue has been included, which results in a budgeted surplus of \$60,000. In addition to the budgetary benefits of the solar array, it covers 94% of the City's facilities electric usage which has resulted in the City's greenhouse gas emissions from its facilities being reduced by nearly 80%.
- Salaries and Wages: Increases for full and part time employees were budgeted at 2%. The City is still in negotiation with one of the four unions. Seasonal labor rates have been adjusted to reflect the new minimum wage laws.
- Medical Insurance: Medical insurance rates increased between 9%-10% depending on the benefit plan. To help offset these increases, the 2018 budget includes the mandated switch of non-union employees to a high deductible health plan. To minimize any negative impact, employee's HSA's will be funded for the full out-of-pocket minimum funded in the first year. The City will save approximately \$40,000 in the General Fund.
- Retirement costs have begun to level off as the stock market improves and new hires are covered by the new retirement Tiers V and VI. The average retirement contribution rate decreased by 2.5% for PFRS and .6% in ERS. Due to the increase in public safety positions combined with the increase in salary and wages, the PFRS retirement expense increase by 9.02% in the 2018 budget.
- Contingency was increased last year to \$207,900 due to the uncertainty of pending union negotiations. Although the pending litigation is still outstanding, we have reduced the contingency line item back to \$100,000 to account for any changes in operations.

Revenues: The budgeted growth in revenues for 2018 is 5.96%.

- The 2018 budget includes a property tax levy increase of 1.89%, which is slightly under the 1.91% maximum increase allowable under the tax cap. Due to a reassessment of property values, the resulting tax rate was reduced by 1.6%.
- The largest increase in revenues were a result of an additional \$525,577 from the sale of solar energy.
- Sales tax revenue accounts for 33% of the total revenue in the general fund and has been performing better than budgeted for 2017. Therefore, we have included a reasonable increase of 2% over the 2017 budget.

Although we have maintained our financial health despite adverse changes in the economic climate, the 2018 budget projects an appropriation from fund balance of \$475,529, which is a decrease of 3.13% over the prior year budget. We continue to review all of our service levels with City Council to determine what changes we can make to maintain a balanced budget. Initiatives that will have a future benefit in our budget are as follows:

- We are in the process of purchasing and converting our street lights to LED. It is estimated that the capital costs would be covered by electric savings for 10 years and the City would see significant savings in year 11.

**Capital and Debt:**

The City has made it a practice to maintain healthy fund balances and has made a commitment to develop dedicated reserves for our capital needs. We fund capital and debt out of the general fund in the amount of \$2.1 million. The City maintains a 10-year capital and debt plan that is continually monitored and updated. Some of projects the City Manager highlighted in his message were as follows:

- Body-worn cameras – The budget includes funding to equip the Police Department with body-worn cameras which will strengthen accountability and transparency, resolve questions following interactions between officers and the public, provide a valuable new type of evidence and assist in training.
- Dog Park – The City purchased property in 2017 for the purpose of developing a dog park. The cost of this dog park is budgeted to be funded in part from a grant and in part from community donations.

Our policy is to bond a major street projects every four years and to pay for all remaining equipment and smaller projects out of the capital reserve. In 2016 the City authorized a major project in the amount of \$5.5 million of serial bonds to renovate the Department of Public Works buildings in the amount of \$4.5 million and upgrade the electrical, mechanical and life safety systems in City Hall in the amount of \$1 million. Currently we are using City funds to pay for these capital expenditures and plan to bond the projects in the fall of 2018.

**Business-type Activities:**

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

- Water Fund - The major sources of revenue in the Water fund are from the usage rate charged to City customers and the wholesale water charged to surrounding municipalities. The City experienced a very rainy summer in 2017 which resulted in a decrease of water consumption. The biggest impact was a decrease in consumption by our wholesale customers in surrounding municipalities. The complex formula to determine the 2018 wholesale rate is dependent on prior year costs and prior year consumption. The expenditures for the water fund saw a slight increase but the water denominator decreased by 11.81%. This resulted in an 17.28% increase in the wholesale water rate over 2017. The City residents also had a rate increase of 3.0% over 2017. To balance out the fund, the 2018 budget includes appropriating \$78,250 from fund balance, a decrease of 57.25% over 2017.
- Sewer Fund – The primary revenue source in the Sewer Fund are the usage rate charged to City customer, which is based on metered water use, and revenue from the County sewer districts that send their wastewater to our plant and share in the operational costs through an intermunicipal agreement. Sewer fund expenditures will see a slight increase of 1.19% and does not call for a change in the rate charged to City residents. The budgeted deficit of \$21,528 will be funded from appropriated fund balance, which is a reduction of 47.41% over the 2017 budget.

Both funds have a healthy fund balance and we will be reviewing our rate structure for both the water and sewer funds in 2018.

The complete budget narrative by the City Manager and the 2018 Adopted Budget can be found on our website: [canandaiguanewyork.gov](http://canandaiguanewyork.gov).

**REQUESTS FOR INFORMATION**

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

JOHN D. GOODWIN  
CITY MANAGER  
TWO NORTH MAIN STREET  
CANANDAIGUA, NEW YORK 14424  
585-396-5000

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

**Statement of Net Position**

**December 31, 2017**

	<b>Governmental</b>	<b>Business-Type</b>	
<b>ASSETS</b>	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
Cash and cash equivalents	\$ 5,361,127	\$ 5,736,978	\$ 11,098,105
Accounts receivable, net	1,497,272	1,728,323	3,225,595
State and federal aid receivable	387,235	487	387,722
Prepaid items	364,815	69,671	434,486
<b>Capital assets:</b>			
Land and work in progress	4,824,440	576,946	5,401,386
Other capital assets, net of depreciation	32,611,553	20,550,272	53,161,825
<b>TOTAL ASSETS</b>	<b>\$ 45,046,442</b>	<b>\$ 28,662,677</b>	<b>\$ 73,709,119</b>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources	<b>\$ 2,560,635</b>	<b>\$ 398,890</b>	<b>\$ 2,959,525</b>
 <b>LIABILITIES</b>			
Accounts payable and other current liabilities	\$ 479,824	\$ 139,891	\$ 619,715
Accrued liabilities	230,991	58,798	289,789
<b>Noncurrent liabilities:</b>			
Due in one year	1,011,877	936,836	1,948,713
Due in more than one year	6,632,992	10,958,905	17,591,897
<b>TOTAL LIABILITIES</b>	<b>\$ 8,355,684</b>	<b>\$ 12,094,430</b>	<b>\$ 20,450,114</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources	<b>\$ 635,965</b>	<b>\$ 59,291</b>	<b>\$ 695,256</b>
 <b>NET POSITION</b>			
Net investment in capital assets	\$ 33,544,743	\$ 9,933,468	\$ 43,478,211
<b>Restricted for:</b>			
Capital reserves	1,640,199	-	1,640,199
Reserve for debt	-	28,971	28,971
Restricted other purposes	963,354	4,327,158	5,290,512
Unrestricted	2,467,132	2,618,249	5,085,381
<b>TOTAL NET POSITION</b>	<b>\$ 38,615,428</b>	<b>\$ 16,907,846</b>	<b>\$ 55,523,274</b>

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

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

**Statement of Activities**

**For the Year Ended December 31, 2017**

<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>
<b>Primary Government:</b>							
<b>Governmental Activities:</b>							
General government support	\$ 2,576,357	\$ 412,848	\$ 15,943	\$ -	\$ (2,147,566)	\$ -	\$ (2,147,566)
Public safety	5,983,498	881,764	16,988	-	(5,084,746)	-	(5,084,746)
Transportation	3,133,336	-	190,083	169,666	(2,773,587)	-	(2,773,587)
Economic assistance and development	1,643,189	-	1,502,387	-	(140,802)	-	(140,802)
Culture and recreation	1,373,827	215,906	-	-	(1,157,921)	-	(1,157,921)
Home and community services	1,469,846	663,202	221,227	-	(585,417)	-	(585,417)
Interest on long-term debt	108,943	-	-	-	(108,943)	-	(108,943)
<b>Total Governmental Activities</b>	<b>\$ 16,288,996</b>	<b>\$ 2,173,720</b>	<b>\$ 1,946,628</b>	<b>\$ 169,666</b>	<b>\$ (11,998,982)</b>	<b>\$ -</b>	<b>\$ (11,998,982)</b>
<b>Business-Type Activities:</b>							
Water fund	\$ 2,894,661	\$ 3,039,571	\$ -	\$ 19,917	\$ -	\$ 164,827	\$ 164,827
Sewer fund	2,801,975	2,649,056	-	332,388	-	179,469	179,469
<b>Total Business-Type Activities</b>	<b>\$ 5,696,636</b>	<b>\$ 5,688,627</b>	<b>\$ -</b>	<b>\$ 352,305</b>	<b>\$ -</b>	<b>\$ 344,296</b>	<b>\$ 344,296</b>
<b>Total Primary Government</b>	<b>\$ 21,985,632</b>	<b>\$ 7,862,347</b>	<b>\$ 1,946,628</b>	<b>\$ 521,971</b>	<b>\$ (11,998,982)</b>	<b>\$ 344,296</b>	<b>\$ (11,654,686)</b>
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property taxes					\$ 5,128,275	\$ -	\$ 5,128,275
Non-property taxes					4,714,950	-	4,714,950
Mortgage tax					254,908	-	254,908
Unallocated state and federal aid					1,119,304	-	1,119,304
Compensation for loss					71,205	-	71,205
Investment earnings					187,590	19,311	206,901
Miscellaneous					33,316	700	34,016
<b>Total General Revenues</b>					<b>\$ 11,509,548</b>	<b>\$ 20,011</b>	<b>\$ 11,529,559</b>
<b>Special Item and Transfers:</b>							
Transfers					\$ 290,000	\$ (290,000)	\$ -
<b>Total General Revenues and Special Item</b>					<b>\$ 11,799,548</b>	<b>\$ (269,989)</b>	<b>\$ 11,529,559</b>
Change in Net Position					\$ (199,434)	\$ 74,307	\$ (125,127)
<b>Net Position - Beginning</b>					<b>38,814,862</b>	<b>16,833,539</b>	<b>55,648,401</b>
<b>Net Position - Ending</b>					<b>\$ 38,615,428</b>	<b>\$ 16,907,846</b>	<b>\$ 55,523,274</b>

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

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

**Balance Sheet  
Governmental Funds  
December 31, 2017**

	<b>Major</b>		<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Capital Projects Fund</b>		
<b>Assets</b>				
Cash and cash equivalents	\$ 4,319,343	\$ -	\$ 1,041,784	\$ 5,361,127
Receivables, net	224,757	-	173,459	398,216
Due from other funds	960,843	-	-	960,843
Due from other governments, net	679,056	-	-	679,056
State and federal aid receivable	214,999	172,236	-	387,235
Prepaid items	361,237	-	3,578	364,815
<b>Total Assets</b>	<b>\$ 6,760,235</b>	<b>\$ 172,236</b>	<b>\$ 1,218,821</b>	<b>\$ 8,151,292</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable and other current liabilities	\$ 130,675	\$ 72,786	\$ 78,358	\$ 281,819
Accrued liabilities	219,491	-	4,259	223,750
Due to other funds	-	960,843	-	960,843
Due to other governments	181,037	-	-	181,037
Overpayments and collections in advance	-	-	16,968	16,968
<b>Total Liabilities</b>	<b>\$ 531,203</b>	<b>\$ 1,033,629</b>	<b>\$ 99,585</b>	<b>\$ 1,664,417</b>
<b>Deferred Inflows:</b>				
Deferred Inflows of Resources	\$ 73,381	\$ -	\$ 73,952	\$ 147,333
<b>Fund Balances:</b>				
Nonspendable	\$ 371,583	\$ -	\$ 3,578	\$ 375,161
Restricted	1,669,553	123,001	737,047	2,529,601
Assigned	180,183	-	304,659	484,842
Unassigned	3,934,332	(984,394)	-	2,949,938
<b>Total Fund Balances</b>	<b>\$ 6,155,651</b>	<b>\$ (861,393)</b>	<b>\$ 1,045,284</b>	<b>\$ 6,339,542</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,760,235</b>	<b>\$ 172,236</b>	<b>\$ 1,218,821</b>	

**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.	37,435,993
Interest is accrued on outstanding bonds in the statement of net position but not in the funds.	(7,241)
Long-term receivable for HUD 108 program	420,000
Accounts receivable HUD loans	73,952
Deferred tax recognition	17,871
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	(3,891,250)
HUD 108 loan payable	(420,000)
Deferred inflows	(580,455)
Deferred outflows	2,560,635
Pension liability	(2,395,925)
OPEB liability	(315,385)
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.	(622,309)
<b>Net Position of Governmental Activities</b>	<b>\$ 38,615,428</b>

**CITY OF CANANDAIGUA, ONTARIO COUNTY, NEW YORK**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2017**

	<b>Major</b>		<b>Nonmajor</b>	<b>Total</b>
	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Governmental Funds</b>	<b>Governmental Funds</b>
<b>Revenues:</b>				
Real property and tax items	\$ 5,126,747	\$ -	\$ -	\$ 5,126,747
Non-property taxes	4,714,950	-	-	4,714,950
Departmental income	814,855	-	9,000	823,855
Intergovernmental charges	528,468	-	140,800	669,268
Use of money and property	44,198	-	143,392	187,590
Licenses and permits	128,163	-	-	128,163
Fines and forfeitures	208,194	-	-	208,194
Sale of property and compensation for loss	71,205	-	-	71,205
Miscellaneous	22,403	-	195,913	218,316
Interfund revenues	344,240	-	-	344,240
State and county aid	1,592,957	169,666	1,653,648	3,416,271
Federal aid	4,269	-	190,363	194,632
<b>Total Revenues</b>	<b>\$ 13,600,649</b>	<b>\$ 169,666</b>	<b>\$ 2,333,116</b>	<b>\$ 16,103,431</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government support	\$ 1,586,306	\$ 965,361	\$ 151,346	\$ 2,703,013
Public safety	3,421,622	604,059	-	4,025,681
Transportation	1,182,864	482,264	-	1,665,128
Economic assistance and development	129,823	-	1,502,387	1,632,210
Culture and recreation	813,328	105,965	-	919,293
Home and community services	891,515	100,000	234,557	1,226,072
Employee benefits	3,336,432	-	44,349	3,380,781
<b>Debt Service:</b>				
Debt service - principal	-	-	821,800	821,800
Debt service - interest and other charges	-	-	110,684	110,684
<b>Total Expenditures</b>	<b>\$ 11,361,890</b>	<b>\$ 2,257,649</b>	<b>\$ 2,865,123</b>	<b>\$ 16,484,662</b>
Excess (deficiency) of revenue over expenditures	\$ 2,238,759	\$ (2,087,983)	\$ (532,007)	\$ (381,231)
<b>Other Financing Sources and Uses:</b>				
Transfers - in	\$ 1,177,756	\$ 1,291,632	\$ 1,250,000	\$ 3,719,388
Transfers - out	(2,541,632)	-	(887,756)	(3,429,388)
<b>Total Other Financing Sources and Uses</b>	<b>\$ (1,363,876)</b>	<b>\$ 1,291,632</b>	<b>\$ 362,244</b>	<b>\$ 290,000</b>
Net change in fund balances	\$ 874,883	\$ (796,351)	\$ (169,763)	\$ (91,231)
<b>Fund Balance - Beginning</b>	<b>5,280,768</b>	<b>(65,042)</b>	<b>1,215,047</b>	<b>6,430,773</b>
<b>Fund Balance - Ending</b>	<b>\$ 6,155,651</b>	<b>\$ (861,393)</b>	<b>\$ 1,045,284</b>	<b>\$ 6,339,542</b>

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

**CITY OF CANANDAIGUA, ONTARIO COUNTY, NEW YORK**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended December 31, 2017**

**Net Change in Fund Balances - Total Governmental Funds** \$ (91,231)

**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	\$	214,448	
Addition of assets		1,994,364	
Depreciation		(2,432,450)	
Gain/(Loss) on sale of assets		<u>(37,634)</u>	
			(261,272)

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	\$	821,800	
Receipts for Section 108 HUD bond		<u>(185,000)</u>	
			636,800

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. (120,397)

Revenues in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the funds. 1,528

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. (30,897)

(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:  
(375,029)

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. 39,323

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 1,741

**Change in Net Position of Governmental Activities** \$ (199,434)

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, 2017**

	Business-Type Activities		Total Business-Type Activities
	Sewer Fund	Water Fund	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,970,035	\$ 1,766,943	\$ 5,736,978
Accounts receivable, net	927,652	800,671	1,728,323
State and federal aid receivable	487	-	487
Prepaid items	33,937	35,734	69,671
<b>Capital assets:</b>			
Land and work in progress	123,336	453,610	576,946
Other capital assets, net of depreciation	12,273,383	8,276,889	20,550,272
<b>TOTAL ASSETS</b>	<b>\$ 17,328,830</b>	<b>\$ 11,333,847</b>	<b>\$ 28,662,677</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflow of resources	\$ 169,394	\$ 229,496	\$ 398,890
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	\$ 25,411	\$ 114,480	\$ 139,891
Accrued liabilities	16,259	42,539	58,798
<b>Noncurrent liabilities:</b>			
Due in one year	559,050	377,786	936,836
Due in more than one year	6,091,577	4,867,328	10,958,905
<b>TOTAL LIABILITIES</b>	<b>\$ 6,692,297</b>	<b>\$ 5,402,133</b>	<b>\$ 12,094,430</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources	\$ 25,176	\$ 34,115	\$ 59,291
<b>NET POSITION</b>			
Net investment in capital assets	\$ 5,978,769	\$ 3,954,699	\$ 9,933,468
<b>Restricted for:</b>			
Reserve for debt	27,335	1,636	28,971
Capital reserve	3,189,808	1,137,350	4,327,158
Unrestricted	1,584,839	1,033,410	2,618,249
<b>TOTAL NET POSITION</b>	<b>\$ 10,780,751</b>	<b>\$ 6,127,095</b>	<b>\$ 16,907,846</b>

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, 2017**

	<u>Business-Type Activities</u>		<u>Total Business-Type Activities</u>
	<u>Sewer Fund</u>	<u>Water Fund</u>	
<b><u>Operating Revenues:</u></b>			
Charges for services	\$ 2,648,531	\$ 3,020,830	\$ 5,669,361
Grants and aid	-	19,917	19,917
Other operating revenue	525	18,741	19,266
<b>TOTAL OPERATING REVENUE</b>	<b>\$ 2,649,056</b>	<b>\$ 3,059,488</b>	<b>\$ 5,708,544</b>
<b><u>Operating Expenses:</u></b>			
Salaries	\$ 542,107	\$ 741,186	\$ 1,283,293
Benefits	332,640	488,268	820,908
Purchased services	645,723	783,782	1,429,505
Depreciation	1,010,064	477,507	1,487,571
Other expenses	126,246	228,264	354,510
<b>TOTAL OPERATING EXPENSE</b>	<b>\$ 2,656,780</b>	<b>\$ 2,719,007</b>	<b>\$ 5,375,787</b>
<b>OPERATING INCOME OR (LOSS)</b>	<b>\$ (7,724)</b>	<b>\$ 340,481</b>	<b>\$ 332,757</b>
<b><u>Nonoperating Revenue (Expense):</u></b>			
Intergovernmental revenue	\$ 332,388	\$ -	\$ 332,388
Interest	6,434	3,277	9,711
Miscellaneous	700	9,600	10,300
Debt service interest	(145,195)	(175,654)	(320,849)
<b>TOTAL NONOPERATING REVENUE (EXPENSE)</b>	<b>\$ 194,327</b>	<b>\$ (162,777)</b>	<b>\$ 31,550</b>
<b>Income (Loss) Before Operating Transfers</b>	<b>\$ 186,603</b>	<b>\$ 177,704</b>	<b>\$ 364,307</b>
Transfers out (to governmental funds)	\$ -	\$ (290,000)	\$ (290,000)
<b>CHANGE IN NET POSITION</b>	<b>\$ 186,603</b>	<b>\$ (112,296)</b>	<b>\$ 74,307</b>
<b>TOTAL NET POSITION, BEGINNING</b>	<b>10,594,148</b>	<b>6,239,391</b>	<b>16,833,539</b>
<b>TOTAL NET POSITION, ENDING</b>	<b>\$ 10,780,751</b>	<b>\$ 6,127,095</b>	<b>\$ 16,907,846</b>

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

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

**Statement of Cash Flows**

**Proprietary Funds**

**For the Year Ended December 31, 2017**

	<b>Business-Type Activities</b>		<b>Total</b>
	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Business-Type Activities</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>			
Cash received for services provided	\$ 2,399,804	\$ 3,053,312	\$ 5,453,116
Cash payments to suppliers for goods and services	(876,482)	(1,008,354)	(1,884,836)
Cash payments to employees	(843,735)	(1,154,025)	(1,997,760)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 679,587</b>	<b>\$ 890,933</b>	<b>\$ 1,570,520</b>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>			
County capital contribution	\$ 332,388	\$ -	\$ 332,388
Interest expense	(145,195)	(176,313)	(321,508)
(Purchase) or sale of property and equipment	(561,149)	(441,307)	(1,002,456)
Principal payments on bonds	(521,200)	(372,000)	(893,200)
Interfund transfer	-	(290,000)	(290,000)
Other receipts	700	9,600	10,300
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>\$ (894,456)</b>	<b>\$ (1,270,020)</b>	<b>\$ (2,164,476)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>			
Interest income	\$ 6,434	\$ 3,277	\$ 9,711
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>\$ 6,434</b>	<b>\$ 3,277</b>	<b>\$ 9,711</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>\$ (208,435)</b>	<b>\$ (375,810)</b>	<b>\$ (584,245)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<b>4,178,470</b>	<b>2,142,753</b>	<b>6,321,223</b>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<b>\$ 3,970,035</b>	<b>\$ 1,766,943</b>	<b>\$ 5,736,978</b>
<b>OPERATING INCOME (LOSS)</b>	<b>\$ (7,724)</b>	<b>\$ 340,481</b>	<b>\$ 332,757</b>
<b><u>ADJUSTMENT TO RECONCILE INCOME TO NET CASH BY OPERATING ACTIVITIES -</u></b>			
Depreciation	\$ 1,010,064	\$ 477,507	\$ 1,487,571
(Increase) decrease in accounts receivable	(249,252)	(6,176)	(255,428)
(Increase) decrease in prepaid items	(248)	10,032	9,784
(Increase) decrease in deferred outflow related to pension	149,923	202,132	352,055
Increase (decrease) in accounts payable and accrued liabilities	(100,979)	30,745	(70,234)
Increase (decrease) in net pension liability	(113,581)	(152,226)	(265,807)
Increase (decrease) in deferred inflow related to pension	(8,616)	(11,562)	(20,178)
<b>TOTAL ADJUSTMENTS</b>	<b>\$ 687,311</b>	<b>\$ 550,452</b>	<b>\$ 1,237,763</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 679,587</b>	<b>\$ 890,933</b>	<b>\$ 1,570,520</b>

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

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

**Statement of Fiduciary Net Position**

**Fiduciary Funds**

**December 31, 2017**

	<b>Agency Funds</b>
	<u>                    </u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 267,804
	<u>                    </u>
<b>TOTAL ASSETS</b>	<u><u>\$ 267,804</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 1,532
PUD application fees	181,422
Tax sale surplus	71,174
Other liabilities	13,676
	<u>                    </u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 267,804</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, 2017**

**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.

( I. ) (Continued)

**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.

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.

( I. ) (Continued)

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.

2. **Non-Major Governmental Funds**

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

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

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

Watershed Program	Technology
Parks & Open Spaces	Cemetery
Community Development	

b. **Proprietary Funds**

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

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

c. **Fiduciary Funds**

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

( I. ) (Continued)

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

3. **Basis of Accounting**

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

a. **Modified Accrual**

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

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

b. **Accrual**

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

( I. ) (Continued)

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

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

1. **Cash and Investments**

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

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

Investments are stated at cost, which approximates market value.

2. **Receivables**

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

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

3. **Prepaid Items**

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

4. **Capital Assets**

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

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

( I. ) (Continued)

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

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

**5. Unearned Revenue/Overpayments**

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

**6. 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. The government may have three items that qualify for reporting in this category. First is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the City-wide Statement of Net Position. This represents the effect of the net change in the City's proportion of the collective net pension asset or liability and difference during the measurement period between the City's contributions and its proportion share of total contributions to the pension systems not included in pension expense. Lastly is the City's contributions to the pension systems (ERS and PFRS Systems) subsequent to the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City may have two items that qualify for reporting in this category. First arises only under a modified accrual basis of accounting and is reported as unavailable revenue-property taxes. The second item is related to pensions reported in the City-wide Statement of Net Position. This represents the effect of the net change in the City's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the City's contributions and its proportion share of total contributions to the pension systems not included in pension expense.

( I. ) (Continued)

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

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

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

a. **Compensatory Absences**

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

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

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

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 \$519,446 for 35 retirees and/or their surviving spouses for the year ended December 31, 2017.

8. **Encumbrances**

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

9. **Equity Classifications**

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

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

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

b. **Financial Statements –Fund Balance**

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

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

( I. ) (Continued)

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

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

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

2. **Spending policy** – Resources will generally be spent from Budgetary Appropriations first. Utilization of reserve funds will be determined based on the legal appropriation of such funds which require either the City Board and/or City voter approval. Furthermore, assigned amounts will be considered expended when the transaction for which the assignment was made does occur.

3. **Order of fund balance** – The City's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year.

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

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

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

**D. Revenues, Expenditures/Expenses**

**1. Revenues**

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



( I. ) (Continued)

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

2. **Government-Wide Financial Statements**

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

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

F. **Use of Estimates**

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

G. **New Accounting Standards**

The City has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At December 31, 2017, the City implemented the following new standards issued by GASB:

The GASB has issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 57, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which will be effective for the year ended December 31, 2017.

The GASB has issued Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*, which will be effective for the year ended December 31, 2017.

**( I. ) (Continued)**

The GASB has issued Statement 81, *Irrevocable Split-Interest Agreements*, which will be effective for the year ended December 31, 2017.

The GASB has issued Statement No. 82, *Pension Issues-an Amendment of GASB Statements No. 67, No. 68, and No. 73*, which will be effective for the year ended December 31, 2017.

**H. Future Changes in Accounting Standards**

The GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which will be effective for the year ended December 31, 2018.

The GASB has issued Statement No. 83, *Certain Asset Retirement Obligations*, which will be effective for the year ended December 31, 2019.

The GASB has issued Statement No. 84, *Fiduciary Activities*, which will be effective for the year ended December 31, 2018.

The GASB has issued Statement No. 85, *Omnibus 2017*, which will be effective for the year ended December 31, 2018.

The GASB has issued Statement No. 86, *Certain Debt Extinguishment Issues*, which will be effective for the year ended December 31, 2018.

The GASB has issued Statement No. 87, *Leases*, which will be effective for the year ended December 31, 2019.

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

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

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

**A. Budgetary Data**

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

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

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

**( I. ) (Continued)**

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

**2. Budget Basis of Accounting**

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

**3. Revenue Restrictions**

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

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

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

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

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

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

Some of the capital projects had deficit fund balances totaling \$984,394 at December 31, 2017, which is the result of the City not obtaining permanent financing for the projects before year end. The City borrowed funds from other funds in order to facilitate the cash flow for these purchases, and the permanent financing will occur at a later date. This results in the creation of a fund deficit which will remain until permanent financing (i.e., bonds, grants-in-aid, or redemption from current appropriations) is obtained.

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

**A. Cash and Cash Equivalents**

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

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

Uncollateralized	\$	-
Collateralized with securities held by the pledging financial institution		9,993,604
<b>Total</b>		<b><u>\$ 9,993,604</u></b>

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year end included \$2,529,601 within the governmental funds, \$4,356,129 in the proprietary funds, and \$267,804 in the fiduciary funds.

**B. Receivables**

Receivables at December 31, 2017 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>Governmental Funds</u>					<u>Total</u>	<u>Business Type Activities</u>		
	<u>General Fund</u>	<u>Capital Fund</u>	<u>Community Development</u>	<u>Watershed Program</u>	<u>Technology Fund</u>		<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
<b><u>Governmental Activities:</u></b>									
<b><u>Receivables -</u></b>									
Taxes Receivable	\$ 78,885	\$ -	\$ -	\$ -	\$ -	\$ 78,885	\$ -	\$ -	\$ -
Rents Receivable	-	-	-	-	-	-	242,042	683,346	925,388
Accounts Receivable	165,060	-	73,952	76,816	22,691	338,519	257,378	117,325	374,703
Allowance for Uncollectables	(19,188)	-	-	-	-	(19,188)	(29,237)	-	(29,237)
<b>Total Receivables, Net</b>	<b><u>\$ 224,757</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 73,952</u></b>	<b><u>\$ 76,816</u></b>	<b><u>\$ 22,691</u></b>	<b><u>\$ 398,216</u></b>	<b><u>\$ 470,183</u></b>	<b><u>\$ 800,671</u></b>	<b><u>\$ 1,270,854</u></b>
<b><u>State and Federal -</u></b>									
Due from State and Federal	\$ 214,999	\$ 172,236	\$ -	\$ -	\$ -	\$ 387,235	\$ 487	\$ -	\$ 487
<b>Total State and Federal</b>	<b><u>\$ 214,999</u></b>	<b><u>\$ 172,236</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 387,235</u></b>	<b><u>\$ 487</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 487</u></b>
<b><u>Other Governments -</u></b>									
Due from Other Governments	\$ 679,056	\$ -	\$ -	\$ -	\$ -	\$ 679,056	\$ 457,469	\$ -	\$ 457,469
<b><u>Long Term Receivables:</u></b>									
HUD 108 Loan Receivable	\$ -	\$ -	\$ 420,000	\$ -	\$ -	\$ 420,000	\$ -	\$ -	\$ -
<b>Total Receivables</b>	<b><u>\$ 1,118,812</u></b>	<b><u>\$ 172,236</u></b>	<b><u>\$ 493,952</u></b>	<b><u>\$ 76,816</u></b>	<b><u>\$ 22,691</u></b>	<b><u>\$ 1,884,507</u></b>	<b><u>\$ 928,139</u></b>	<b><u>\$ 800,671</u></b>	<b><u>\$ 1,728,810</u></b>

( III. ) (Continued)

C. **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 \$152,831. The City received payment in lieu of tax (PILOT) payment totaling \$45,328 to help offset the property tax reduction.

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

Interfund revenues and expenditures at December 31, 2017 were as follows:

<b><u>Fund</u></b>	<b><u>Interfund Receivables</u></b>	<b><u>Interfund Payables</u></b>	<b><u>Interfund Revenues</u></b>	<b><u>Interfund Expenditures</u></b>
General Fund	\$ 960,843	\$ -	\$ 1,177,756	\$ 2,541,632
Capital Fund	-	960,843	1,291,632	-
Debt Service Fund	-	-	1,250,000	887,756
Business Type - Water Fund	-	-	-	290,000
<b>Total</b>	<b><u>\$ 960,843</u></b>	<b><u>\$ 960,843</u></b>	<b><u>\$ 3,719,388</u></b>	<b><u>\$ 3,719,388</u></b>

Interfund receivables and payables between governmental activities are eliminated on the Statement of Net Position. The City typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are not necessarily expected to be repaid within one year.

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

( III. ) (Continued)

E. **Changes In Capital Assets**

1. **Governmental Activities**

A summary of governmental changes in capital assets follows:

<b><u>Type</u></b>	<b><u>Balance 01/01/17</u></b>	<b><u>Additions / Reclassifications</u></b>	<b><u>Deletions / Reclassifications</u></b>	<b><u>Balance 12/31/17</u></b>
<b><u>Capital assets not being depreciated:</u></b>				
Land	\$ 4,446,402	\$ -	\$ -	\$ 4,446,402
Work in progress	301,128	214,448	(137,538)	378,038
<i>Total capital assets not being depreciated</i>	<u>\$ 4,747,530</u>	<u>\$ 214,448</u>	<u>\$ (137,538)</u>	<u>\$ 4,824,440</u>
<b><u>Other capital assets:</u></b>				
Land Improvements	\$ 10,494,405	\$ 150,112	\$ -	\$ 10,644,517
Infrastructure	58,040,871	167,690	-	58,208,561
Buildings and improvements	9,065,631	854,927	-	9,920,558
Machinery and equipment	7,548,449	921,539	(116,357)	8,353,631
<i>Total other capital assets at historical cost</i>	<u>\$ 85,149,356</u>	<u>\$ 2,094,268</u>	<u>\$ (116,357)</u>	<u>\$ 87,127,267</u>
<b><u>Less accumulated depreciation for:</u></b>				
Land Improvements	\$ 4,254,445	\$ 318,462	\$ -	\$ 4,572,907
Infrastructure	37,764,990	1,267,822	-	39,032,812
Buildings and improvements	5,979,260	220,216	-	6,199,476
Machinery and equipment	4,200,926	625,950	(116,357)	4,710,519
<i>Total accumulated depreciation</i>	<u>\$ 52,199,621</u>	<u>\$ 2,432,450</u>	<u>\$ (116,357)</u>	<u>\$ 54,515,714</u>
<i>Other capital assets, net</i>	<u>\$ 32,949,735</u>	<u>\$ (338,182)</u>	<u>\$ -</u>	<u>\$ 32,611,553</u>
<b><i>Governmental activities capital assets, net</i></b>	<b><u>\$ 37,697,265</u></b>	<b><u>\$ (123,734)</u></b>	<b><u>\$ (137,538)</u></b>	<b><u>\$ 37,435,993</u></b>

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

<b><u>Governmental Activities</u></b>	<b><u>Amount</u></b>
General Government	\$ 139,553
Public Safety	373,267
Transportation	1,611,504
Economic Opportunity	10,979
Culture and Recreation	200,806
Home and Community Services	96,341
<b>Total</b>	<b><u>\$ 2,432,450</u></b>

( III. ) (Continued)

2. **Business-Type Activities**

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

<b><u>Type</u></b>	<b><u>Balance</u></b> <b><u>01/01/17</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Balance</u></b> <b><u>12/31/17</u></b>
<b><u>Capital assets not being depreciated:</u></b>				
Land	\$ 164,072	\$ -	\$ -	\$ 164,072
Work in progress	26,409	386,465	-	412,874
<i>Total capital assets not being depreciated</i>	<u>\$ 190,481</u>	<u>\$ 386,465</u>	<u>\$ -</u>	<u>\$ 576,946</u>
<b><u>Other capital assets:</u></b>				
Land Improvements	\$ 118,563	\$ -	\$ -	\$ 118,563
Infrastructure	21,329,103	188,890	-	21,517,993
Buildings and improvements	35,842,284	-	-	35,842,284
Machinery and equipment	4,123,878	427,101	-	4,550,979
<i>Total other capital assets at historical cost</i>	<u>\$ 61,413,828</u>	<u>\$ 615,991</u>	<u>\$ -</u>	<u>\$ 62,029,819</u>
<b><u>Less accumulated depreciation for:</u></b>				
Land Improvements	\$ 97,234	\$ 1,706	\$ -	\$ 98,940
Infrastructure	16,602,727	207,553	-	16,810,280
Buildings and improvements	20,734,417	1,059,150	-	21,793,567
Machinery and equipment	2,557,599	219,161	-	2,776,760
<i>Total accumulated depreciation</i>	<u>\$ 39,991,977</u>	<u>\$ 1,487,570</u>	<u>\$ -</u>	<u>\$ 41,479,547</u>
<i>Other capital assets, net</i>	<u>\$ 21,421,851</u>	<u>\$ (871,579)</u>	<u>\$ -</u>	<u>\$ 20,550,272</u>
<b><i>Governmental activities capital assets, net</i></b>	<b><u><u>\$ 21,612,332</u></u></b>	<b><u><u>\$ (485,114)</u></u></b>	<b><u><u>\$ -</u></u></b>	<b><u><u>\$ 21,127,218</u></u></b>

Depreciation expense totaling \$1,487,570 was charged to home and community services.

F. **Long-Term Debt**

At December 31, 2017 the total outstanding obligations of the City aggregated \$19,540,610 as follows:

1. **Serial Bonds**

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

( III. ) (Continued)

2. Interest Reconciliation

A summary of the long-term interest expense as of December 31, 2017 is as follows:

<b>Governmental Activities:</b>	
Interest paid	\$ 110,684
Prior year accrued interest	(8,982)
Current year accrued interest	7,241
<b>Interest expense - Governmental Activities</b>	<b>\$ 108,943</b>
<b>Business-Type Activities:</b>	
Interest paid	\$ 321,508
Prior year accrued interest	(12,534)
Current year accrued interest	11,875
<b>Interest expense - Business-Type Activities</b>	<b>\$ 320,849</b>

3. Other Long-Term Obligations

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

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

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

Net Pension Liability - represents long-term pension liability.

4. Summary of Debt

The following is a summary of obligations outstanding at December 31, 2017:

	<b>Balance</b>			<b>Balance</b>	<b>Classified As</b>	
	<b>01/01/17</b>	<b>Additions</b>	<b>Deletions</b>		<b>12/31/17</b>	<b>Current</b>
<b>Governmental Activities:</b>						
Serial Bonds	\$ 4,528,050	\$ -	\$ 636,800	\$ 3,891,250	\$ 661,300	\$ 3,229,950
HUD 108 - Serial Bonds	605,000	-	185,000	420,000	195,000	225,000
Compensated Absences	661,632	-	39,323	622,309	155,577	466,732
OPEB	284,488	30,897	-	315,385	-	315,385
Net Pension Liability	3,996,005	-	1,600,080	2,395,925	-	2,395,925
<b>Business-Type Activities:</b>						
Serial Bonds	12,086,950	-	893,200	11,193,750	893,700	10,300,050
Compensated Absences	163,261	9,282	-	172,543	43,136	129,407
OPEB	113,232	31,682	-	144,914	-	144,914
Net Pension Liability	650,341	-	265,807	384,534	-	384,534
<b>Total Obligations</b>	<b>\$ 23,088,959</b>	<b>\$ 71,861</b>	<b>\$ 3,620,210</b>	<b>\$ 19,540,610</b>	<b>\$ 1,948,713</b>	<b>\$ 17,591,897</b>

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

( III. ) (Continued)

5. **Debt Maturity Schedule**

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

<u>Purpose</u>	<u>Date</u>	<u>Interest</u>	<u>Amount Outstanding 12/31/17</u>	<u>Year of Final Maturity</u>
<b><u>Governmental Activities:</u></b>				
<b><u>General -</u></b>				
Serial Bonds	11/08	3.50% - 4.30%	\$ 34,300	12/18
Serial Bonds	8/10	2.00% - 3.40%	70,000	12/19
Serial Bonds	12/12	1.25% - 2.125%	750,000	12/26
Serial Bonds	12/15	2.00% - 2.25%	1,310,000	12/25
Serial Bonds	11/15	3.01%	1,726,950	12/27
<b><u>Community Development -</u></b>				
HUD 108 - Serial Bonds	8/01	1.32% - 2.05%	420,000	8/19
<b><u>Business-Type Activities:</u></b>				
<b><u>Water -</u></b>				
Serial Bonds	4/09	3.50% - 4.50%	1,640,000	12/28
Serial Bonds	8/10	2.00% - 3.40%	70,000	12/19
Serial Bonds	12/12	1.25% - 2.50%	260,000	12/31
Serial Bonds	12/15	2.00% - 2.25%	550,000	12/25
Serial Bonds	11/15	3.01%	2,255,800	12/46
<b><u>Sewer -</u></b>				
NYS EFC Bonds	7/13	0.721% - 4.50%	580,000	1/23
Serial Bonds	11/08	3.50% - 4.30%	700	12/18
Serial Bonds	12/12	1.25% - 2.50%	4,830,000	12/31
Serial Bonds	12/15	2.00% - 2.25%	510,000	12/25
Serial Bonds	11/15	3.01%	497,250	12/27
<b>Total</b>			<b><u>\$ 15,505,000</u></b>	

6. The following table summarizes the City's future debt service requirements as of December 31, 2017:

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Bonds</u>	<u>Interest</u>	<u>Bonds</u>	<u>Interest</u>
2018	\$ 856,300	\$ 95,387	\$ 893,700	\$ 296,432
2019	874,600	77,570	905,400	275,553
2020	612,750	59,476	872,250	255,207
2021	623,600	47,221	876,400	5,653
2022	284,000	34,749	906,000	215,651
2023-27	1,060,000	73,197	3,610,000	780,328
2028-32	-	-	2,120,000	333,500
2033-37	-	-	365,000	165,712
2038-42	-	-	365,000	98,544
2043-46	-	-	280,000	28,000
<b>Total</b>	<b><u>\$ 4,311,250</u></b>	<b><u>\$ 387,600</u></b>	<b><u>\$ 11,193,750</u></b>	<b><u>\$ 2,454,580</u></b>

( III. ) (Continued)

7. In prior years, the City defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. \$4,365,000 of bonds outstanding are considered defeased.

8. **Deferred Outflow of Resources**

The City has the following deferred outflow of resources:

	<b><u>Governmental</u></b>	<b><u>Proprietary</u></b>	<b><u>Total</u></b>
Pension	\$ 2,560,635	\$ 398,890	\$ 2,959,525
<b>Total</b>	<b><u>\$ 2,560,635</u></b>	<b><u>\$ 398,890</u></b>	<b><u>\$ 2,959,525</u></b>

9. **Deferred Inflow of Resources**

The City has the following deferred inflow of resources:

	<b><u>Governmental</u></b>	<b><u>Proprietary</u></b>	<b><u>Total</u></b>
Prepaid taxes	\$ 55,510	\$ -	\$ 55,510
Pension	580,455	59,291	639,746
<b>Total</b>	<b><u>\$ 635,965</u></b>	<b><u>\$ 59,291</u></b>	<b><u>\$ 695,256</u></b>

G. **Fund Balances/Net Position**

1. **Fund Balances**

a. **Nonspendable**

The City has the following nonspendable funds:

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

b. **Restricted**

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

1. **Governmental Funds**

a. **Insurance Reserve** – Established to provide for deductibles and uninsured claims. The balance at December 31, 2017 is \$27,155.

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, 2017 is \$1,640,199.

( III. ) (Continued)

c. **General Reserve** – Represents amounts held in reserve by contributors for a specific purpose. The balance at December 31, 2017 is \$2,199.

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, 2017 is \$22,152.

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.

c. **Assigned**

The City has the following assigned funds:

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

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

Management has determined that amounts in excess of \$21,000 are considered significant, the City does not have any significant encumbrances.

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

( III. ) (Continued)

d. **Unassigned**

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

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

<b>FUND BALANCE:</b>	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Debt Service Fund</b>	<b>Special Revenue Funds</b>	<b>Total</b>
<b><u>Nonspendable -</u></b>					
Inventory	\$ 10,346	\$ -	\$ -	\$ -	\$ 10,346
Prepaid items	361,237	-	-	3,578	364,815
<b>Total Nonspendable</b>	<b>\$ 371,583</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,578</b>	<b>\$ 375,161</b>
<b><u>Restricted -</u></b>					
Capital reserves	\$ 1,640,199	\$ -	\$ -	\$ -	\$ 1,640,199
Insurance reserve	27,155	-	-	-	27,155
Debt reserve	-	-	22,152	-	22,152
Capital improvements	-	123,001	-	-	123,001
Special districts -					
Community Development Fund	-	-	-	511,649	511,649
Cemetery Fund	-	-	-	32,791	32,791
Parks and Open Spaces Fund	-	-	-	63,082	63,082
Canandaigua Lake Watershed Council	-	-	-	107,373	107,373
General reserve	2,199	-	-	-	2,199
<b>Total Restricted</b>	<b>\$ 1,669,553</b>	<b>\$ 123,001</b>	<b>\$ 22,152</b>	<b>\$ 714,895</b>	<b>\$ 2,529,601</b>
<b><u>Assigned -</u></b>					
Appropriated for taxes	\$ 103,946	\$ -	\$ -	\$ -	\$ 103,946
Kershaw Park Reserve	52,702	-	-	-	52,702
Public safety	5,244	-	-	-	5,244
Transportation	3,278	-	-	-	3,278
Culture and recreation	3,813	-	-	-	3,813
Home and community service	11,200	-	-	-	11,200
Technology Fund	-	-	-	304,659	304,659
<b>Total Assigned</b>	<b>\$ 180,183</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 304,659</b>	<b>\$ 484,842</b>
<b><u>Unassigned</u></b>	<b>\$ 3,934,332</b>	<b>\$ (984,394)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,949,938</b>
<b>TOTAL FUND BALANCE</b>	<b>\$ 6,155,651</b>	<b>\$ (861,393)</b>	<b>\$ 22,152</b>	<b>\$ 1,023,132</b>	<b>\$ 6,339,542</b>

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

( III. ) (Continued)

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

Total appropriated fund balance	\$	103,946
Nonspendable fund balance		<u>371,583</u>
<b>Appropriated for Taxes</b>	<b>\$</b>	<b><u><u>475,529</u></u></b>

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

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

	<b><u>Total</u></b>
Debt	\$ 22,152
Watershed	107,373
Parks & Open Spaces	63,082
Cemetery	32,791
Community Development	511,649
Capital Improvement	123,001
Insurance Reserve	27,155
Other	<u>76,151</u>
<b>Total Net Position - Restricted for Other Purposes</b>	<b>\$ <u><u>963,354</u></u></b>

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

A. **General Information About Pension Plan**

1. **Plan Description**

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

( IV. ) ( Continued )

2. **Benefits Provided**

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

*Tier 1 and 2*

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

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

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

*Tier 3, 4, 5*

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

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

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

**( IV. ) (Continued)**

*Tier 6*

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

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

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

*Special Plans*

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

*Ordinary Disability Benefits*

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

*Accidental Disability Benefits*

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

*Ordinary Death Benefits*

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

( IV. ) ( Continued )

*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.

**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:

<b>Prepayment</b>			
<b><u>Due Date</u></b>		<b><u>ERS</u></b>	<b><u>PFRS</u></b>
12/15/2017	\$	556,844	\$ 640,643
12/15/2016	\$	538,374	\$ 609,334
12/15/2015	\$	607,902	\$ 617,316

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, 2017, the City reported a liability of \$2,780,459 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of 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.

( IV. ) ( Continued )

At December 31, 2017, the City's proportion was 0.0125921 percent for the ERS, and 0.0770643 percent for the PFRS.

For the year ended December 31, 2017 the City recognized pension expense of \$1,625,814. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>		<b>Deferred Inflows of Resources</b>	
	<b><u>ERS</u></b>	<b><u>PFRS</u></b>	<b><u>ERS</u></b>	<b><u>PFRS</u></b>
Differences between expected and actual experience	\$ 29,649	\$ 209,535	\$ 179,673	\$ 275,974
Changes of assumptions	404,219	786,910	-	-
Net difference between projected and actual earnings on pension plan investments	236,330	238,551	-	-
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	138,748	17,468	2,762	181,337
<b>SubTotal</b>	<b>\$ 808,946</b>	<b>\$ 1,252,464</b>	<b>182,435</b>	<b>457,311</b>
City's contributions subsequent to the measurement date	417,634	480,481	-	-
<b>Grand Total</b>	<b>\$ 1,226,580</b>	<b>\$ 1,732,945</b>	<b>\$ 182,435</b>	<b>\$ 457,311</b>

	<b>Deferred Outflows of Resources</b>						
	<b>Governmental</b>		<b>Total</b>	<b>Proprietary</b>		<b>Total</b>	<b>Grand</b>
	<b><u>PFRS</u></b>	<b><u>ERS</u></b>	<b><u>Governmental</u></b>	<b><u>Water</u></b>	<b><u>Sewer</u></b>	<b><u>Proprietary</u></b>	<b><u>Total</u></b>
Differences between expected and actual experience	\$ 209,535	\$ 20,013	\$ 229,548	\$ 5,544	\$ 4,092	\$ 9,636	\$ 239,184
Changes of assumptions	786,910	272,848	1,059,758	75,589	55,782	131,371	1,191,129
Net difference between projected and actual earnings on pension plan investments	238,551	159,522	398,073	44,194	32,614	76,808	474,881
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	17,468	93,655	111,123	25,946	19,147	45,093	156,216
<b>SubTotal</b>	<b>\$ 1,252,464</b>	<b>\$ 546,038</b>	<b>\$ 1,798,502</b>	<b>\$ 151,273</b>	<b>\$ 111,635</b>	<b>\$ 262,908</b>	<b>\$ 2,061,410</b>
City's contributions subsequent to the measurement date	480,481	281,652	762,133	78,223	57,759	135,982	898,115
<b>Grand Total</b>	<b>\$ 1,732,945</b>	<b>\$ 827,690</b>	<b>\$ 2,560,635</b>	<b>\$ 229,496</b>	<b>\$ 169,394</b>	<b>\$ 398,890</b>	<b>\$ 2,959,525</b>

( IV. ) (Continued)

	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	\$ 275,974	\$ 121,279	\$ 397,253	\$ 33,599	\$ 24,795	\$ 58,394	\$ 455,647
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	181,337	1,865	183,202	516	381	897	184,099
<b>Grand Total</b>	<b>\$ 457,311</b>	<b>\$ 123,144</b>	<b>\$ 580,455</b>	<b>\$ 34,115</b>	<b>\$ 25,176</b>	<b>\$ 59,291</b>	<b>\$ 639,746</b>

\$898,115 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. 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>Amount</u>
2018	\$ 549,205
2019	549,205
2020	490,413
2021	(189,224)
Thereafter	22,065
<b>Total</b>	<b>\$ 1,421,664</b>

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, 2017	March 31, 2017
Actuarial valuation date	April 1, 2016	April 1, 2016
Interest rate	7.00%	7.00%
Salary scale	3.80%	4.50%
Decrement tables	April 1, 2010- March 31, 2015 System's Experience	April 1, 2010- March 31, 2015 System's Experience
Inflation rate	2.50%	2.50%
COLA's	1.30%	1.30%

( IV. ) ( Continued )

For ERS, annuitant mortality rates are based on Society of Actuaries Scale MP-2014 System's experience with adjustments for mortality improvements based on MP-2017.

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:

<b>Long Term Expected Rate of Return</b>	
	<b><u>ERS</u></b>
Measurement date	March 31, 2017
<b><u>Asset Type -</u></b>	
Cash	-0.25%
Inflation-index bonds	1.50%
Domestic equity	4.55%
International equity	6.35%
Real estate	5.80%
Alternative investments	0.00%
Domestic fixed income securities	0.00%
Global fixed income securities	0.00%
Bonds/mortgages	1.31%
Short-term	0.00%
Private equity	7.75%
Absolute return strategies	4.00%
Opportunistic portfolios	5.89%
Real assets	5.54%

2. **Discount Rate**

The discount rate used to calculate the total pension liability was 7% for ERS. 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.

( IV. ) ( Continued )

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 7% for ERS, 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 (6% for ERS) or 1-percentagepoint higher (8% for ERS) than the current rate :

	<b>1% Decrease <u>(6%)</u></b>	<b>Current Assumption <u>(7%)</u></b>	<b>1% Increase <u>(8%)</u></b>
Employer's proportionate share of the net pension asset/(liability)	\$ (8,307,039)	\$ (2,780,459)	\$ 1,872,490

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:

	<b>(In Thousands)</b>	
	<b><u>ERS</u></b>	<b><u>PFRS</u></b>
Measurement date	March 31, 2017	March 31, 2017
Employers' total pension liability	\$ 177,400,586	\$ 31,670,483
Plan net position	168,004,363	29,597,831
Employers' net pension asset/(liability)	<b><u>\$ (9,396,223)</u></b>	<b><u>\$ (2,072,652)</u></b>
Ration of plan net position to the employers' total pension asset/(liability)	94.70%	93.50%

V. **Other Postemployment Benefits**

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

The Government Accounting Standard Board has issued Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions" which requires the accrual of these liabilities. The City has implemented this statement as of January 1, 2009. The cost to the City of providing health insurance benefits to retirees amounted to \$536,741 during the year ended December 31, 2017.

( V. ) (Continued)

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

*Funding Policy.* The obligation of the plan members, employers and other entities, are established by action of the City pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members varies depending on the applicable agreement. The employer currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the City.

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

*Annual OPEB Cost and Net OPEB Obligation.* The City's annual other postemployment (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), and amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation by governmental activities:

**A. Annual OPEB Cost at December 31, 2017**

	<u>City-Wide</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Annual required contribution (ARC)	\$ 570,483	\$ 494,104	\$ 76,379
Interest on OPEB obligation	12,529	10,709	1,820
Adjustment to ARC	(13,530)	(11,565)	(1,965)
<b>OPEB Expense</b>	<b><u>\$ 569,482</u></b>	<b><u>\$ 493,248</u></b>	<b><u>\$ 76,234</u></b>

( V. ) (Continued)

**B. Reconciliation of Net OPEB Obligation at December 31, 2017**

	<u>City-Wide</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net OPEB obligation at beginning of year	\$ 397,720	\$ 284,488	\$ 113,232
OPEB expense	569,482	493,248	76,234
Net OPEB contributions made during the year	(536,742)	(462,351)	(74,391)
Excess business-type contributions	29,839	-	29,839
<b>Net OPEB Obligation at the End of the Year</b>	<b><u>\$ 460,299</u></b>	<b><u>\$ 315,385</u></b>	<b><u>\$ 144,914</u></b>
Percentage of expense contributed	<u>94.09%</u>	<u>93.57%</u>	<u>97.40%</u>

**C. Number of Participants as of December 2017**

	<u>City-Wide</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Active employees	32	27	5
Retired employees	28	25	3
<b>Total Employes</b>	<b><u>60</u></b>	<b><u>52</u></b>	<b><u>8</u></b>

*Funded Status and Funding Progress.* As of December 31, 2015, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$8,344,920, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$8,344,920. The covered payroll (annual payroll of active employees covered by the plan) was \$6,926,304, and the ratio of the UAAL to the covered payroll was 120.48%.

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

In the December 31, 2015, actuarial valuation, the entry age normal method was used. The valuation is based on a discount rate of 4.0%, salary scale of 3.0% and long-term inflation rate assumption of 2.2%. The discount rate, salary scale and inflation rate assumed for the 2009 year valuation were 5.0%, 4.0%, and 3.0%, respectively. The valuation incorporates the plan change to require retiree contributions as outlined in the summary of plan provisions. The retiree contributions apply to employees covered under the current labor agreements and range from 5% to 15% of plan medical premium costs.

**VI. Deferred Compensation Plan:**

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

## **VII. Risk Management**

### **A. General Information**

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

### **B. Insurance Reserve**

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

There were no estimated accrued claims for the years ended December 31, 2017 and 2016 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 \$27,155 at December 31, 2017.

### **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, 2017, the City of Canandaigua, Ontario County, New York incurred premiums or contribution expenditures totaling \$212,152 which were collected through the County's tax levy.

## **VIII. Commitments and Contingencies**

### **A. Litigation**

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

( VIII. ) (Continued)

**B. Grants**

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

**IX. Lease Agreements**

**A. System Site Lease Agreement**

On May 8, 2015 the City entered into a system site lease agreement to lease approximately ten (10) acres of land for solar panel use. The City will receive a one-time payment of \$1 for the lease of this property over the twenty-five year term of this agreement. The commercial operation date of the solar panels was January 1, 2017.

**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, 2017. As of December 31, 2017 the city had a solar credit balance totaling \$62,180.

**X. Rental of Real Property**

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

**A. Cellular Towers**

The total rental income received for the year ended December 31, 2017 totaled \$141,212 which is reported in the Technology Fund.

**B. Muar House**

The total rental income received for the year ended December 31, 2017 totaled \$13,200 which is reported in the General Fund.

**C. West Lake Road**

The total rental income received for the year ended December 31, 2017 totaled \$9,600 which is reported in the Water Fund.

**D. Solar Farm**

The total rental income received for the year ended December 31, 2017 totaled \$21,806 which is reported in the General Fund.

**Required Supplemental Information**  
**CITY OF CANANDAIGUA, ONTARIO COUNTY, NEW YORK**  
**Schedule of Funding Progress**  
**of Post Employment Benefit Plan**  
**(Unaudited)**  
**For the Year Ended December 31, 2017**

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1)/(2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Active Members Covered Payroll	(6) UAAL As a Percentage of Covered Payroll (4) / (5)
December 31, 2011	\$ -	\$ 6,440,875	0.00%	\$ 6,440,875	\$ 5,470,667	117.73%
2012	\$ -	\$ 5,692,006	0.00%	\$ 5,692,006	\$ 5,050,414	112.70%
2013	\$ -	\$ 5,692,006	0.00%	\$ 5,692,006	\$ 5,050,414	112.70%
2014	\$ -	\$ 5,677,864	0.00%	\$ 5,677,864	\$ 6,560,614	86.54%
2015	\$ -	\$ 8,344,920	0.00%	\$ 8,344,920	\$ 5,431,623	153.64%
2016	\$ -	\$ 8,344,920	0.00%	\$ 8,344,920	\$ 6,983,187	119.50%
2017	\$ -	\$ 8,344,920	0.00%	\$ 8,344,920	\$ 6,926,304	120.48%

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, 2017**

<b>NYSERS Pension Plan</b>			
	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Proportion of the net pension liability (assets)	0.0125921%	0.0120560%	0.0122275%
Proportionate share of the net pension liability (assets)	\$ 1,183,184	\$ 1,935,021	\$ 413,076
Covered-employee payroll	\$ 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	31.466%	54.086%	11.317%
Plan fiduciary net position as a percentage of the total pension liability	94.70%	90.70%	97.90%

<b>NYSPPRS Pension Plan</b>			
	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Proportion of the net pension liability (assets)	0.0770643%	0.0915745%	0.0740655%
Proportionate share of the net pension liability (assets)	\$ 1,597,275	\$ 2,711,325	\$ 203,872
Covered-employee payroll	\$ 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	57.413%	100.791%	7.397%
Plan fiduciary net position as a percentage of the total pension liability	93.50%	90.20%	99.00%

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

**Required Supplemental Information**  
**CITY OF CANANDAIGUA, ONTARIO COUNTY, NEW YORK**  
**Schedule of City Contributions**  
**(Unaudited)**  
**For the Year Ended December 31, 2017**

<b>NYSERS Pension Plan</b>			
	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Contractually required contributions	\$ 538,374	\$ 607,902	\$ 693,834
Contributions in relation to the contractually required contribution	<u>(538,374)</u>	<u>(607,902)</u>	<u>(693,834)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 3,760,142	\$ 3,577,704	\$ 3,650,025
Contributions as a percentage of covered-employee payroll	14.32%	16.99%	19.01%

<b>NYSPFRS Pension Plan</b>			
	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Contractually required contributions	\$ 609,334	\$ 617,316	\$ 619,951
Contributions in relation to the contractually required contribution	<u>(609,334)</u>	<u>(617,316)</u>	<u>(619,951)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,782,060	\$ 2,690,048	\$ 2,756,062
Contributions as a percentage of covered-employee payroll	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**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget (Non GAAP Basis) and Actual - General and Major Special Revenue Fund Types**  
**(Unaudited)**  
**For the Year Ended December 31, 2017**

	<b>GENERAL FUND</b>				
	<b>Original Budget</b>				
	<b>(Incl. Carryover Encumbrances)</b>	<b>Budget (Amended)</b>	<b>Actual</b>	<b>Encumbrances</b>	<b>Variance</b>
<b>Revenues:</b>					
Real property and tax items	\$ 5,128,158	\$ 5,128,158	\$ 5,126,747	\$ -	\$ (1,411)
Non-property taxes	4,697,354	4,697,354	4,714,950	-	17,596
Departmental income	423,357	828,698	814,855	-	(13,843)
Intergovernmental charges	515,882	517,918	528,468	-	10,550
Use of money and property	31,783	53,590	44,198	-	(9,392)
Licenses and permits	104,450	108,505	128,163	-	19,658
Fines and forfeitures	214,200	216,222	208,194	-	(8,028)
Sale of property and compensation for loss	34,250	44,048	71,205	-	27,157
Miscellaneous	11,715	15,865	22,403	-	6,538
Interfund revenues	344,240	344,240	344,240	-	-
State and county aid	1,444,622	1,460,660	1,592,957	-	132,297
Federal aid	-	-	4,269	-	4,269
<b>Total Revenues</b>	<b>\$ 12,950,011</b>	<b>\$ 13,415,258</b>	<b>\$ 13,600,649</b>	<b>\$ -</b>	<b>\$ 185,391</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government support	\$ 1,846,509	\$ 1,853,396	\$ 1,586,306	\$ -	\$ 267,090
Public safety	3,611,043	3,651,747	3,421,622	5,244	224,881
Transportation	1,191,720	1,196,925	1,182,864	3,278	10,783
Economic assistance and development	128,690	129,824	129,823	-	1
Culture and recreation	870,767	902,476	813,328	3,813	85,335
Home and community services	513,999	920,938	891,515	11,200	18,223
Employee benefits	3,436,072	3,430,688	3,336,432	-	94,256
<b>Total Expenditures</b>	<b>\$ 11,598,800</b>	<b>\$ 12,085,994</b>	<b>\$ 11,361,890</b>	<b>\$ 23,535</b>	<b>\$ 700,569</b>
Excess (deficiency) of revenue over expenditures	\$ 1,351,211	\$ 1,329,264	\$ 2,238,759	\$ (23,535)	\$ 885,960
<b>Other Financing Sources and Uses:</b>					
Transfers - in	\$ 290,000	\$ 290,000	\$ 1,177,756	\$ -	\$ 887,756
Transfers - out	(2,784,455)	(2,869,507)	(2,541,632)	-	327,875
<b>Total Other Financing Sources and Uses</b>	<b>\$ (2,494,455)</b>	<b>\$ (2,579,507)</b>	<b>\$ (1,363,876)</b>	<b>\$ -</b>	<b>\$ 1,215,631</b>
Net change in fund balances	\$ (1,143,244)	\$ (1,250,243)	\$ 874,883	\$ (23,535)	\$ 2,101,591
<b>Fund Balance - Beginning</b>	<b>5,280,768</b>	<b>5,280,768</b>	<b>5,280,768</b>	<b>-</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 4,137,524</b>	<b>\$ 4,030,525</b>	<b>\$ 6,155,651</b>	<b>\$ (23,535)</b>	<b>\$ 2,101,591</b>

**Notes to Required Supplemental Information:**

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

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

**Combining Balance Sheet  
Nonmajor Governmental Funds**

**December 31, 2017**

	<b>Debt Service Fund</b>	<b>Watershed Program Fund</b>	<b>Technology Fund</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets</b>			
Cash and cash equivalents	\$ 22,287	\$ 63,324	\$ 322,766
Receivables, net	-	76,816	22,691
Prepaid items	-	3,578	-
<b>Total Assets</b>	<u>\$ 22,287</u>	<u>\$ 143,718</u>	<u>\$ 345,457</u>
 <b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable and other current liabilities	\$ 135	\$ 30,685	\$ 40,798
Accrued liabilities	-	2,082	-
Overpayments and collections in advance	-	-	-
<b>Total Liabilities</b>	<u>\$ 135</u>	<u>\$ 32,767</u>	<u>\$ 40,798</u>
 <b>Deferred Inflows of Resources:</b>			
Deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 <b>Fund Balances:</b>			
Nonspendable	\$ -	\$ 3,578	\$ -
Restricted	22,152	107,373	-
Assigned	-	-	304,659
<b>Total Fund Balances</b>	<u>\$ 22,152</u>	<u>\$ 110,951</u>	<u>\$ 304,659</u>
 <b>Total Liabilities and Fund Balances</b>	<u>\$ 22,287</u>	<u>\$ 143,718</u>	<u>\$ 345,457</u>

<b>Park &amp; Open Spaces Fund</b>	<b>Community Development Fund</b>	<b>Cemetery Fund</b>	<b>Total Nonmajor Governmental Funds</b>
\$ 63,082	\$ 537,534	\$ 32,791	\$ 1,041,784
-	73,952	-	173,459
-	-	-	3,578
<u>\$ 63,082</u>	<u>\$ 611,486</u>	<u>\$ 32,791</u>	<u>\$ 1,218,821</u>
\$ -	\$ 6,740	\$ -	\$ 78,358
-	2,177	-	4,259
-	16,968	-	16,968
<u>\$ -</u>	<u>\$ 25,885</u>	<u>\$ -</u>	<u>\$ 99,585</u>
\$ -	\$ 73,952	\$ -	\$ 73,952
\$ -	\$ -	\$ -	\$ 3,578
63,082	511,649	32,791	737,047
-	-	-	304,659
<u>\$ 63,082</u>	<u>\$ 511,649</u>	<u>\$ 32,791</u>	<u>\$ 1,045,284</u>
<u>\$ 63,082</u>	<u>\$ 611,486</u>	<u>\$ 32,791</u>	<u>\$ 1,218,821</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, 2017**

	<b>Debt Service Fund</b>	<b>Watershed Program Fund</b>	<b>Technology Fund</b>
<b>Revenues:</b>			
Departmental income	\$ -	\$ -	\$ -
Intergovernmental charges	-	140,800	-
Use of money and property	1,433	120	141,697
Miscellaneous	-	-	-
State and county aid	-	151,261	-
Federal aid	-	-	-
<b>Total Revenues</b>	<b>\$ 1,433</b>	<b>\$ 292,181</b>	<b>\$ 141,697</b>
<b>Expenditures:</b>			
<b>Current:</b>			
General government support	\$ 787	\$ -	\$ 150,559
Economic assistance and opportunity	-	-	-
Home and community services	-	191,818	-
Employee benefits	-	44,349	-
<b>Debt Service:</b>			
Debt service - principal	636,800	-	-
Debt service - interest and other charges	99,771	-	-
<b>Total Expenditures</b>	<b>\$ 737,358</b>	<b>\$ 236,167</b>	<b>\$ 150,559</b>
Excess (deficiency) of revenue over expenditures	\$ (735,925)	\$ 56,014	\$ (8,862)
<b>Other Financing Sources and Uses:</b>			
Transfers - in	\$ 1,250,000	\$ -	\$ -
Transfers - out	(887,756)	-	-
<b>Total Other Financing Sources and Uses</b>	<b>\$ 362,244</b>	<b>\$ -</b>	<b>\$ -</b>
Net change in fund balances	\$ (373,681)	\$ 56,014	\$ (8,862)
<b>Fund Balance - Beginning</b>	<b>395,833</b>	<b>54,937</b>	<b>313,521</b>
<b>Fund Balance - Ending</b>	<b>\$ 22,152</b>	<b>\$ 110,951</b>	<b>\$ 304,659</b>

(See Independent Auditors' Report)

<b>Park &amp; Open Spaces Fund</b>	<b>Community Development Fund</b>	<b>Cemetery Fund</b>	<b>Total Nonmajor Governmental Funds</b>
\$ 9,000	\$ -	\$ -	\$ 9,000
-	-	-	140,800
90	37	15	143,392
-	195,913	-	195,913
-	1,502,387	-	1,653,648
-	190,363	-	190,363
<u>\$ 9,090</u>	<u>\$ 1,888,700</u>	<u>\$ 15</u>	<u>\$ 2,333,116</u>
\$ -	\$ -	\$ -	\$ 151,346
-	1,502,387	-	1,502,387
-	42,739	-	234,557
-	-	-	44,349
-	185,000	-	821,800
-	10,913	-	110,684
<u>\$ -</u>	<u>\$ 1,741,039</u>	<u>\$ -</u>	<u>\$ 2,865,123</u>
<u>\$ 9,090</u>	<u>\$ 147,661</u>	<u>\$ 15</u>	<u>\$ (532,007)</u>
\$ -	\$ -	\$ -	\$ 1,250,000
-	-	-	(887,756)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 362,244</u>
\$ 9,090	\$ 147,661	\$ 15	\$ (169,763)
53,992	363,988	32,776	1,215,047
<u>\$ 63,082</u>	<u>\$ 511,649</u>	<u>\$ 32,791</u>	<u>\$ 1,045,284</u>