

**AUDITED  
BASIC FINANCIAL STATEMENTS**

# **TOWN OF BATAVIA, NEW YORK**

---

**DECEMBER 31, 2019**

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

The Honorable Members of the Town Board  
Town of Batavia, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Batavia, New York (the Town), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Town'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 Town'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, each major fund, and the aggregate remaining fund information of the Town, as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As stated in Note 1, the Town implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*.



## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed on the table of contents, 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relate 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 Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2020 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*Freed Maxick CPAs, P.C.*

Batavia, New York  
April 10, 2020



**TOWN OF BATAVIA, NEW YORK**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2019**

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	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 9,812,376
Cash and cash equivalents - restricted	488,882
Receivables	1,472,296
Due from federal and state	194,160
Due from other governments	932,843
Prepaid items	251,089
Capital assets not being depreciated	8,104,046
Capital assets, net of accumulated depreciation	<u>13,279,035</u>
Total assets	<u>34,534,727</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred pension outflows	<u>381,689</u>
Total deferred outflows of resources	<u>381,689</u>
<b>LIABILITIES</b>	
Accounts payable	828,230
Accrued interest payable	147,381
Accrued liabilities	48,230
Customer deposits	10,250
Bond anticipation notes payable	5,229,500
Noncurrent liabilities:	
Due and payable within one year	170,009
Due and payable after one year	<u>6,205,050</u>
Total liabilities	<u>12,638,650</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred pension inflows	<u>214,979</u>
Total deferred inflows of resources	<u>214,979</u>
<b>NET POSITION</b>	
Net investment in capital assets	11,128,383
Restricted for:	
Repairs	67,729
Debt service	103,914
Parks acquisition/improvements	56,235
Economic development	73,454
Capital projects	809,591
Unrestricted	<u>9,823,481</u>
Total net position	<u>\$ 22,062,787</u>

See notes to basic financial statements.

**TOWN OF BATAVIA, NEW YORK  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 1,962,285	\$ 396,455	\$ -	\$ -	(1,565,830)
Public safety	1,465,457	5,892	-	-	(1,459,565)
Health	2,523	-	-	-	(2,523)
Transportation	1,324,752	14,000	-	146,181	(1,164,571)
Economic assistance and opportunity	242,532	-	235,551	-	(6,981)
Culture and recreation	49,650	-	731,999	-	682,349
Home and community services	3,819,458	4,183,365	50,000	49,265	463,172
Interest on debt	353,371	-	-	-	(353,371)
Total governmental activities	\$ 9,220,028	\$ 4,599,712	\$ 1,017,550	\$ 195,446	(3,407,320)
General revenues:					
Real property taxes					2,497,475
Real property tax items					52,836
Non-property taxes					2,549,883
Interest earnings					230,774
State aid not restricted for a specific purpose					302,545
Other miscellaneous revenues					474,054
Total general revenues					6,107,567
Change in net position					2,700,247
Net position - beginning					19,362,540
Net position - ending					\$ 22,062,787

See notes to basic financial statements.

**TOWN OF BATAVIA, NEW YORK  
BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2019**

	General	Capital Projects	Special Revenue			Nonmajor Debt Service	Total Governmental Funds
			Highway - Townwide	Water	Sewer		
<b>ASSETS</b>							
Cash and cash equivalents	\$ 5,424,498	\$ 50,036	\$ 1,061,230	\$ 1,468,282	\$ 1,808,330	\$ -	\$ 9,812,376
Cash and cash equivalents- restricted	-	401,302	-	-	-	87,580	488,882
Receivables	81,217	-	39,979	873,490	477,610	-	1,472,296
Due from other funds	414,475	-	239,458	144,335	176,327	-	974,595
Due from federal and state	4,077	176,083	14,000	-	-	-	194,160
Due from other governments	675,377	-	-	-	-	-	675,377
Prepaid items	117,878	86,626	21,751	16,214	8,620	-	251,089
Total assets	<u>\$ 6,717,522</u>	<u>\$ 714,047</u>	<u>\$ 1,376,418</u>	<u>\$ 2,502,321</u>	<u>\$ 2,470,887</u>	<u>\$ 87,580</u>	<u>\$ 13,868,775</u>
<b>LIABILITIES</b>							
Accounts payable	\$ 31,941	\$ 128,438	\$ 6,428	\$ 483,209	\$ 178,214	\$ -	\$ 828,230
Accrued liabilities	31,404	-	6,065	6,950	3,811	-	48,230
Customer deposits	-	-	-	10,250	-	-	10,250
Due to other funds	-	735,137	-	239,458	-	-	974,595
Bond anticipation notes payable	-	5,229,500	-	-	-	-	5,229,500
Total liabilities	<u>63,345</u>	<u>6,093,075</u>	<u>12,493</u>	<u>739,867</u>	<u>182,025</u>	<u>-</u>	<u>7,090,805</u>
<b>FUND BALANCES (DEFICIT)</b>							
Nonspendable	117,878	86,626	21,751	16,214	8,620	-	251,089
Restricted	129,689	-	759,205	46,554	87,895	87,580	1,110,923
Assigned	1,008,310	-	582,969	1,699,686	2,192,347	-	5,483,312
Unassigned (deficit)	5,398,300	(5,465,654)	-	-	-	-	(67,354)
Total fund balances (deficit)	<u>6,654,177</u>	<u>(5,379,028)</u>	<u>1,363,925</u>	<u>1,762,454</u>	<u>2,288,862</u>	<u>87,580</u>	<u>6,777,970</u>
Total liabilities and fund balances (deficit)	<u>\$ 6,717,522</u>	<u>\$ 714,047</u>	<u>\$ 1,376,418</u>	<u>\$ 2,502,321</u>	<u>\$ 2,470,887</u>	<u>\$ 87,580</u>	

See notes to basic financial statements.

**TOWN OF BATAVIA, NEW YORK**  
**BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)**  
**DECEMBER 31, 2019**

	<u>Total Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Net Position (page 3) are different because:	
Total fund balances - governmental funds (page 5)	\$ 6,777,970
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	21,383,081
Due from other governments associated with a long-term liability for landfill post closure costs	257,466
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Serial bonds payable	(5,426,500)
Compensated absences	(146,876)
Landfill post closure liability	(343,288)
Net pension liability	(458,395)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(147,381)
Deferred outflows and inflows are not assets or liabilities of the current period and therefore are not reported in the funds:	
Deferred outflows related to pensions	381,689
Deferred inflows related to pensions	(214,979)
Net position of governmental activities	<u>\$ 22,062,787</u>

See notes to basic financial statements.

**TOWN OF BATAVIA, NEW YORK  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT) –  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General	Capital Projects	Highway - Townwide	Special Revenue			Nonmajor Debt Service	Total Governmental Funds
				Water	Sewer	Fire District		
<b>REVENUES</b>								
Real property taxes	\$ 1,030,000	\$ -	\$ -	\$ 345,008	\$ 77,680	\$ 1,044,787	\$ -	\$ 2,497,475
Real property tax items	52,836	-	-	-	-	-	-	52,836
Non-property taxes	2,549,883	-	-	-	-	-	-	2,549,883
Departmental income	3,137	-	-	2,743,783	1,439,582	-	-	4,186,502
Intergovernmental charges	196,847	-	14,000	-	-	-	-	210,847
Use of money and property	108,081	608	23,747	64,220	33,951	-	167	230,774
Fines and permits	202,363	-	-	-	-	-	-	202,363
Sale of property and compensation for loss	7,788	-	40,139	15,193	-	-	-	63,120
Federal sources	235,551	781,264	-	-	-	-	-	1,016,815
State sources	302,545	50,000	146,181	-	-	-	-	498,726
Miscellaneous local sources	182,737	23,232	4,968	197,261	6,034	-	-	414,232
Total revenues	4,871,768	855,104	229,035	3,365,465	1,557,247	1,044,787	167	11,923,573
<b>EXPENDITURES</b>								
Current:								
General government	1,360,171	-	972	13,259	6,168	-	-	1,380,570
Public safety	337,949	-	-	-	-	1,044,787	-	1,382,736
Health	2,097	-	-	-	-	-	-	2,097
Transportation	86,338	-	893,302	-	-	-	-	979,640
Economic assistance and opportunity	242,532	-	-	-	-	-	-	242,532
Culture and recreation	36,984	-	-	-	-	-	-	36,984
Home and community services	114,126	-	-	2,168,016	871,220	-	-	3,153,362
Employee benefits	709,264	-	112,154	88,786	49,803	-	-	960,007
Capital outlay:								
General government	-	85,657	-	-	-	-	-	85,657
Culture and recreation	-	1,013,683	-	-	-	-	-	1,013,683
Home and community services	-	144,310	-	-	-	-	-	144,310
Debt service:								
Principal	-	-	-	84,100	23,000	-	-	107,100
Interest	6,856	41,890	2,460	207,532	91,538	-	-	350,276
Total expenditures	2,896,317	1,285,540	1,008,888	2,561,693	1,041,729	1,044,787	-	9,838,954

See notes to basic financial statements.

**TOWN OF BATAVIA, NEW YORK**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT) --**  
**GOVERNMENTAL FUNDS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	General	Capital Projects	Highway - Townwide	Special Revenue			Nonmajor Debt Service	Total Governmental Funds
				Water	Sewer	Fire District		
Excess (deficit) of revenues over expenditures	1,975,451	(430,436)	(779,853)	803,772	515,518	-	167	2,084,619
<b>OTHER FINANCING SOURCES (USES)</b>								
Interfund transfer in	-	292,045	942,149	848	-	-	-	1,235,042
Interfund transfer out	(992,149)	(848)	(33,062)	(79,478)	(129,505)	-	-	(1,235,042)
Bond proceeds	-	182,000	-	-	-	-	-	182,000
Total other financing sources (uses)	(992,149)	473,197	909,087	(78,630)	(129,505)	-	-	182,000
Net change in fund balances	983,302	42,761	129,234	725,142	386,013	-	167	2,266,619
Fund balances (deficit) - beginning	5,670,875	(5,421,789)	1,234,691	1,037,312	1,902,849	-	87,413	4,511,351
Fund balances (deficit) - ending	\$ 6,654,177	\$ (5,379,028)	\$ 1,363,925	\$ 1,762,454	\$ 2,288,862	\$ -	\$ 87,580	\$ 6,777,970

See notes to basic financial statements.

**TOWN OF BATAVIA, NEW YORK**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES (DEFICIT) OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENTS OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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Amounts reported for governmental activities in the Statement of Activities (page 4) are different because:

Net change in fund balances - total governmental funds (page 8)	\$	2,266,619
Governmental funds report capital outlays as expenditures. However in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$1,463,161) and donated land (\$18,500) exceeded depreciation (\$881,305) in the current period.		600,356
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trades) is to decrease net position.		(21,798)
Change in the proportionate share of the net deferred inflows and outflows reported in the Statement of Net Position during the measurement period between the Town's contributions and its proportionate share to the total contributions to the pension systems subsequent to the measurement date do not provide for or require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		203,888
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when paid.		(3,095)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has an effect on net position. Additionally, in the Statement of Activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of the financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:		
Repayment of serial bonds	\$	107,100
Issuance of serial bonds		(182,000)
Change in compensated absences		(23,415)
Change in landfill liability, net of receivable		3,130
Change in net pension liability		(250,538)
		<u>(345,723)</u>
Change in net position of governmental activities	\$	<u><u>2,700,247</u></u>

See notes to basic financial statements.



**TOWN OF BATAVIA, NEW YORK**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**DECEMBER 31, 2019**

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	<u>Custodial Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ <u>4,398</u>
Total assets	\$ <u><u>4,398</u></u>
<b>NET POSITION</b>	
Restricted for:	
Bail Deposits	<u>4,398</u>
Total net position	\$ <u><u>4,398</u></u>

See notes to basic financial statements.

**TOWN OF BATAVIA, NEW YORK**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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	<u>Custodial Funds</u>
<b>ADDITIONS</b>	
Bail deposits	\$ <u>1,004</u>
Total additions	<u>1,004</u>
Net increase in fiduciary net position	1,004
Net position - beginning, as restated (Note 4)	<u>3,394</u>
Net position - ending	<u><u>\$ 4,398</u></u>

See notes to basic financial statements.

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**TOWN OF BATAVIA, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Town of Batavia (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

**A. DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. Governmental activities normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

**B. REPORTING ENTITY**

The Town reports related organizations under the guidance of the Governmental Accounting Standards Board. The Standards define the primary government and redefines and establishes the criteria for which potential component units are included in the reporting entity. The Standards 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.

The accompanying basic financial statements include only the operations of the Town, since management has determined that there are no other organizations that meet the criteria for inclusion in the reporting entity of the Town.

**C. BASIS OF PRESENTATION**

**1. GOVERNMENT-WIDE FINANCIAL STATEMENTS**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**2. FUND FINANCIAL STATEMENTS**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities fund balance, revenues and expenditures. Funds are organized into 2 major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental categories.

General Fund - the principal operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

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

Highway-Townwide Fund - used to account for revenues and expenditures for highway purposes.

Water Fund - used to account for revenues and expenditures for water source and supply.

**TOWN OF BATAVIA, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

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Sewer Fund - used to account for operations for sewer collection and treatment.

Fire District Fund - used to account for revenues and expenditures for fire protection purposes only.

Other Fund Types:

Fiduciary Fund – is used to account for certain trust funds and other custodial funds. Custodial Funds report fiduciary activities not held in trust. These activities are not included in the government-wide financial statements because their resources do not belong to the Town and are not available for use.

Custodial Fund – This fund is used to account for bail deposits for court.

During the course of operations the Town has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

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

**D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

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

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

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

**TOWN OF BATAVIA, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

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**E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE**

**1. CASH AND CASH EQUIVALENTS**

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

**2. RESTRICTED CASH AND CASH EQUIVALENTS**

Certain assets are classified on the balance sheet as restricted because their use is limited. The proceeds of bond or bond anticipation note (BAN) sales can only be used for the stated purpose of the borrowing and are restricted specifically for that purpose.

**3. PREPAID ITEMS**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**4. RECEIVABLES**

Receivables are carried at their net realizable value. Receivables are written-off as uncollectible after the likelihood of payment is considered remote by management. Generally accepted accounting principles require the establishment of an allowance for uncollectible receivables, however, no allowance for uncollectible receivables has been provided since management believes that such allowance would not be material.

**5. CAPITAL ASSETS**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in governmental activities in the government-wide financial statements.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the Town chose to include all such items regardless of their acquisition date or amount. The Town was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the Town constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Contributed fixed assets are recorded at fair value at the date received.

Land and construction in progress are not depreciated. However, the Town has determined that all land with acquisition of donated fair value that exceeds \$2,500 will be capitalized. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings and improvements	\$ 20,000	straight-line	5-40 years
Infrastructure	50,000	straight-line	10-50 years
Machinery and equipment	2,500	straight-line	5-15 years
Vehicles	2,500	straight-line	5-10 years

**TOWN OF BATAVIA, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

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Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

**6. INSURANCE**

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, personal injury liability, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Settled claims from these risks has not exceeded commercial insurance coverage for the past three fiscal years.

**7. LANDFILL CLOSURE AND POST CLOSURE CARE COSTS**

The Town has been identified by the United States Environmental Protection Agency (EPA) as a responsible party which can be held liable for a portion of the long-term maintenance and operation of a landfill site in the Town of Batavia.

The cost for the long-term maintenance and operation of the landfill has been estimated to be \$343,288 as of December 31, 2019. Pursuant to agreements between the Town of Batavia and the City of Batavia, the share of the liability for the operation and maintenance costs are 25% and 75%, respectively. As of December 31, 2019 a liability representing the entire cost has been recorded in the government-wide statements. A due from other governments representing the City's share of this liability, in the amount of \$257,466, has also been recorded in the government-wide statements as an asset.

**8. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Town only has one item that qualifies for reporting in this category. This is related to pensions reported in the government-wide Statement of Net Position. This represents the effect of the net change in the Town's proportion of the collective net pension liability and the difference during the measurement period between the Town's contributions and its proportional share of total contributions to the pension system not included in pension expense. Lastly, the Town's contributions to the pension system subsequent to the measurement date. See details of deferred pension outflows in Note 3.D.

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 Town has only one type of item that qualifies for reporting in this category. This is related to pensions reported in the government-wide Statement of Net Position. This represents the effect of the net change in the Town's proportion of the collective net pension liability and difference during the measurement periods between the Town's contributions and its proportional share of total contributions to the pension system not included in pension expense. See details of deferred pension inflows in Note 3.D.

**9. LONG-TERM LIABILITIES**

All long-term liabilities to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term liabilities consist of serial bonds payable, landfill post closure costs, compensated absences and net pension liability.

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



#### **10. NET POSITION FLOW ASSUMPTION**

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the Town's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

#### **11. FUND BALANCE FLOW ASSUMPTIONS**

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

It is the Town's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

#### **12. FUND BALANCE POLICIES**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision-making authority. The Town Board is the highest level of decision-making authority for the Town that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as committed. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

### **F. REVENUES AND EXPENDITURES/EXPENSES**

#### **1. PROGRAM REVENUES**

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**TOWN OF BATAVIA, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

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**2. PROPERTY TAXES**

Property taxes attach as an enforceable lien on real property and are levied as of December 15<sup>th</sup> and become a lien on January 1<sup>st</sup>. Taxes are collected during the period of January 1<sup>st</sup> through March 31<sup>st</sup>. The unpaid taxes are then turned over to Genesee County for enforcement. Any such taxes remaining unpaid at the year-end are relieved as County taxes in the subsequent year.

**3. COMPENSATED ABSENCES**

The Town's labor agreements and rules and regulations provide for sick and vacation leave. Upon retirement certain eligible employees qualify for paid medical and dental insurance premiums and/or payment for fractional values of unused sick leave. These payments are budgeted annually.

Consistent with GASB Statement No. 16, Accounting for Compensated Absences, an accrual for accumulated sick leave is included in compensated absences at year-end. The compensated absences liability is calculated based on the contractually negotiated rates in effect at year-end.

Compensated absences for governmental fund type employees are reported as a fund liability and as an expenditure in the government-wide financial statements. A portion of the compensated absences liability recognized is attributed to the value of sick leave converted to pay the employees' share of postemployment health insurance premiums. The compensated absences liability for the Governmental funds at the year-end totaled \$146,876. A liability for those amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Payment of compensated absences recorded in the government-wide financial statements is dependent upon many factors; therefore timing of future payments are not readily determinable. However, management believes that sufficient resources will be made available for the payment of compensated absences when such payments become due.

**G. USE OF ESTIMATES IN PREPARATION OF FINANCIAL STATEMENTS**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**H. ACCOUNTING PRONOUNCEMENTS**

During the fiscal year ended December 31, 2019, the Town has implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. The primary objective of Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported.

The Town has evaluated the provisions of GASB Statement No. 83, *Certain Asset Retirement Obligations*, Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*, and Statement No. 90, *Majority Equity Interests-an Amendment of GASB Statements No. 14 and 61*, which became effective for the fiscal year ended December 31, 2019, and determined that they have no significant impact on the Town's financial statements.

The following are GASB Statements that have been issued recently and are currently being evaluated, by the Town, for their potential impact in future years.

- Statement No. 87, *Leases*, which will be effective for the year ending December 31, 2020.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective for the year ending December 31, 2020.
- Statement No. 91, *Conduit Debt Obligations*, which will be effective for the year ending December 31, 2021.
- Statement No. 92, *Omnibus 2020*, which will be effective for the year ending December 31, 2021.

**TOWN OF BATAVIA, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

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**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. DEFICIT FUND EQUITY**

At December 31, 2019, the capital projects fund, a major fund, has a deficit fund balance of \$5,379,028. It is not unusual for a capital projects fund, especially one that finances capital projects mainly by borrowings, to report a deficit. The reason for the deficit in this case is that the Town issued bond anticipation notes (BANS), which do not qualify for treatment as a long-term liability.

Accordingly, the BANS are reported as a fund liability in the capital projects fund balance sheet (rather than an inflow on the statement of revenues, expenditures, and changes in fund balances (deficit)). When the cash from the BANS are spent, expenditures are reported and fund balance is reduced. Because the BANS are the main source of resources for the fund, the result is an overall fund deficit. This deficit will be eliminated as resources are obtained (e.g., from revenues, long-term debt issuances, and transfers in) to make the scheduled debt service principal and interest payments on the BANS.

**B. LEGAL COMPLIANCE - BUDGETS**

Budgets and Budgetary Accounting – The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- No later than October 5<sup>th</sup>, the Town Supervisor submits a tentative budget to the Town Board for the fiscal year commencing the following January 1<sup>st</sup>. The tentative budget includes proposed expenditures and the proposed means of financing for all funds except Capital Projects and the Fiduciary Fund.
- After public hearings are conducted to obtain taxpayer comments, no later than November 20<sup>th</sup>, the Town Board adopts the budget. Appropriations established by the budget constitute a limitation on expenditures which may be incurred.
- All modifications of the budget must be approved by the Town Board and all appropriations lapse at fiscal year end.

**NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS**

**A. DEPOSITS AND INVESTMENTS**

The Town's investment policies are governed by State statutes. In addition, the Town has its own written investment policy. Town monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Town Supervisor is authorized to use interest bearing demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and obligations of the State of New York and its localities.

Collateral is required for demand deposits and certificates of deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts, and obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organizations.

The Town's aggregate bank balances were fully collateralized at December 31, 2019.

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 yearend includes \$401,302 in the Capital Fund from unexpended bond proceeds and \$87,580 in the Debt Service Fund for future debt payments.

**TOWN OF BATAVIA, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

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Investment and Deposit Policy

The Town follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Town Supervisor.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The Town's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Town's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The Town's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts.
- Certificates of deposit.
- Obligations of the United States Treasury and United States agencies.
- Obligations of New York State and its localities.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the Town's investment and deposit policy, all deposits of the Town including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 102% of the aggregate amount of deposits. The Town restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by New York State and its localities.
- Obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organizations.

**B. RECEIVABLES**

Significant revenues accrued by the Town at December 31, 2019 include the following:

General Fund:

Genesee County - Sales tax	\$	614,038
Genesee County - Fuel Farm		25,614
City of Batavia		35,725
Total due from other governments		<u>675,377</u>

State and federal receivables		4,077
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Miscellaneous receivables		81,217
Total	\$	<u><u>760,671</u></u>

Capital Fund:

Ellicott Trail - Federal	\$	159,965
Miscellaneous		16,118
Total - Federal and state receivables	\$	<u><u>176,083</u></u>

**TOWN OF BATAVIA, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

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Highway-Townwide Fund:

New York State DEC - Flood Control	\$	14,000
Total State and federal receivables		<u>14,000</u>
Auctions international		39,560
Miscellaneous receivables		<u>419</u>
Total accounts receivable		<u>39,979</u>
Total	\$	<u><u>53,979</u></u>

Water Fund:

Water rents receivable	\$	119,045
Unbilled receivable		745,745
Miscellaneous		<u>8,700</u>
Total	\$	<u><u>873,490</u></u>

Sewer Fund:

Sewer rents receivable	\$	64,604
Unbilled receivable		<u>413,006</u>
Total	\$	<u><u>477,610</u></u>

**C. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2019, was as follows:

	Balance 01/01/19	Increases	Decreases	Balance 12/31/19
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 912,600	\$ 18,500	\$ -	\$ 931,100
Construction work in progress	<u>5,936,085</u>	<u>1,236,861</u>	<u>-</u>	<u>7,172,946</u>
Total capital assets not being depreciated	<u>6,848,685</u>	<u>1,255,361</u>	<u>-</u>	<u>8,104,046</u>
Capital assets being depreciated:				
Buildings	2,813,041	-	-	2,813,041
Improvements	310,083	-	-	310,083
Vehicles & equipment	3,092,201	226,300	149,938	3,168,563
Infrastructure	<u>16,603,944</u>	<u>-</u>	<u>-</u>	<u>16,603,944</u>
Total capital assets, being depreciated	<u>22,819,269</u>	<u>226,300</u>	<u>149,938</u>	<u>22,895,631</u>

**TOWN OF BATAVIA, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

	Balance 01/01/19	Increases	Decreases	Balance 12/31/19
Less accumulated depreciation:				
Buildings	1,521,223	81,691	-	1,602,914
Improvements	304,018	1,615	-	305,633
Vehicles & equipment	2,076,424	201,679	128,140	2,149,963
Infrastructure	4,961,766	596,320	-	5,558,086
Total accumulated depreciation	8,863,431	881,305	128,140	9,616,596
Total capital assets being depreciated, net	13,955,838	(655,005)	21,798	13,279,035
Governmental activities capital assets, net	\$ 20,804,523	\$ 600,356	\$ 21,798	\$ 21,383,081

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

General government	\$ 46,410
Public safety	14,423
Transportation	249,402
Culture and recreation	6,175
Home and community services	564,895
Total depreciation expense - governmental activities	\$ 881,305

**D. PENSION OBLIGATION**

***New York State and Local Employees' Retirement System (ERS)***

Plan Description

The Town participates in the New York State and Local Employees' Retirement System (ERS), which is referred to as New York State and Local Retirement System (the System). This is a cost-sharing multiple-employer defined benefit retirement system. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (NYSRSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Town also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, 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, NY 12244.

Funding Policy

The System is noncontributory, except for employees who joined the ERS after July 27, 1976 who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 10, 2010 (ERS) who generally contribute three percent (3%) to three and one half percent (3.5%) of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the system's fiscal year ending March 31<sup>st</sup>.

**TOWN OF BATAVIA, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2019, the Town reported the following liability for its proportionate share of the net pension liability to the System. The net pension liability was measured as of March 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2018. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS System in reports provided to the Town.

Measurement date	03/31/19
Net pension liability	\$ 458,395
Town's portion of the Plan's total net pension liability	0.0064697 %
Change in proportion since the prior measurement date	0.0000294
Pension expense at December 31, 2019	\$ 270,247

At December 31, 2019, the Town's reported deferred outflows of resources and deferred inflows of resources related to pensions arose from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 90,268	\$ 30,771
Change of assumptions	115,222	-
Net difference between projected and actual earnings on pension plan investments	-	117,649
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	9,375	66,559
Town's contributions subsequent to the measurement date	<u>166,824</u>	<u>-</u>
Total	<u>\$ 381,689</u>	<u>\$ 214,979</u>



**TOWN OF BATAVIA, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

The Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended March 31:

2020	\$ 68,118
2021	(107,362)
2022	(17,708)
2023	56,838
2024	-
Thereafter	-

Actuarial Assumptions

The total pension liability as of the March 31, 2019, was determined by using an actuarial valuation as of April 1, 2018, with update procedures used to roll forward the total pension liability to March 31, 2019. The actuarial valuation used the following actuarial assumptions:

Inflation	2.5 %
Salary increases	3.8
Investment rate of return (net of investment expense, including inflation)	7.0
Cost of living adjustments	1.3

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. The actuarial assumptions used in the April 1, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long-term expected 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 return, net of investment expenses 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 the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2019, are summarized below:

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Asset Class:		
Domestic equity	36.0 %	4.6 %
International equity	14.0	6.4
Private equity	10.0	7.5
Real estate	10.0	5.6
Absolute return strategies	2.0	3.8
Opportunistic funds/portfolio	3.0	5.7
Real assets	3.0	5.3
Bonds and mortgages	17.0	1.3
Cash	1.0	(0.3)
Inflation-indexed bonds	4.0	1.3
Total	<u>100.0 %</u>	

**TOWN OF BATAVIA, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

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Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the 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.

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

The following tables presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Town's proportionate share of the net pension liability/(asset)	\$ 2,004,175	\$ 458,395	\$ (840,170)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2019, were as follows:

	(Dollars in Thousands)
Employers' total pension liability	\$ 189,803,429
Plan net position	182,718,124
Employers' net pension liability	\$ <u>7,085,305</u>
Ratio of plan net position to the employers' total pension liability	96.3%

Prepays to the Pension Plan

Employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Prepaid retirement contributions as of December 31, 2019, represent the employer contribution for the period of January 1, 2020 through March 31, 2020, of the retirement invoice for the plan year April 1, 2019 through March 31, 2020. Prepaid retirement contributions as of December 31, 2019, amounted to \$55,608.

**TOWN OF BATAVIA, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**E. RISK MANAGEMENT**

***Worker's Compensation Plan***

The Town is a participant in the Genesee County Self-Insurance Workers' Compensation Plan (the Plan). The Plan was established under the provisions of Workers' Compensation Law of the State of New York and is administered and sponsored by its predominant participant, Genesee County. The Plan provides the Town the opportunity to participate in a cooperative program for providing workers' compensation benefits to its employees.

The Town is one of 49 participants in the Plan. Eligible participants may become members upon filing with the Executive Secretary of the Plan a certified copy of the resolution of the prospective member's governing board electing participation in the Plan on or before July 15<sup>th</sup>. Voluntary withdrawal from the Plan is effective only once annually. Withdrawal from the Plan is effective at the end of the current operating year upon filing with the Executive Secretary of the Plan a certified copy of the resolution of the member's governing board electing to withdraw from the Plan on or before July 15<sup>th</sup>. Upon withdrawal the participant shall pay, in a lump sum or in installments, an equitable share of the outstanding liabilities of the Plan as of the date of withdrawal, as determined by the Plan administrator. Contributions to the Plan are determined annually based on claim payment experience and real property tax assessments.

No refunds or assessments, other than periodic premiums, are charged to the participant organizations, except in the case where the Plan's assets are not sufficient to meet liabilities. In that instance, a special assessment may be assessed against the participant organizations.

The Plan has established reserve liabilities which provide for current claim expenses. At December 31, 2019, the Plan did not provide sufficient information to disclose the funding status or future claim liabilities for the Town of Batavia.

**F. SHORT-TERM DEBT**

The purpose of all of the short-time borrowings is to provide resources for various capital construction or improvement projects. The form of financing used in all cases was bond anticipation notes (BANs). The amounts issued for governmental activities are accounted for in the capital projects fund.

State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date, if not completely repaid. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

The schedule below details the changes in short-term capital borrowings during the year ended December 31, 2019:

	Original Issue Date	Interest Rate	Balance 01/01/19	Issues	Redemptions	Balance 12/31/19
<b>Governmental Activities</b>						
Construction of improvements within the West Saile Drive Sewer Improvement area and highway equipment	2013	2.47 %	\$ 234,120	\$ -	\$ 234,120	\$ -
Construction of improvements within the Townline Water District, various Sewer Improvement areas, Ellicott Pedestrian Trail Project and highway equipment	2015	2.75 %	5,476,500	-	247,000	5,229,500
Total			\$ 5,710,620	\$ -	\$ 481,120	\$ 5,229,500

**TOWN OF BATAVIA, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**G. LONG-TERM LIABILITIES**

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Town. General obligation bonds outstanding at December 31, 2019, are as follows:

<b>Governmental Activities</b>					
Issue Description	Original Issue Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding Balance 12/31/19
General obligation bonds					
Hartshorn/Hopkins/Pearl Roads	2004	\$ 547,800	4.38 %	2041	\$ 424,500
Lover's Lane	2007	139,000	4.50	2045	117,000
Ellicott/Townline Road	2008	219,000	4.13	2046	186,000
Wilkinson Road	2009	202,000	4.25	2046	171,000
Putnam/Shepard Road	2009	373,000	1.13	2046	316,000
Pearl Street	2009	130,000	4.13	2046	110,000
Rose Road	2010	226,000	2.38	2048	190,000
Alexander Pike Road	2010	886,000	2.38	2048	741,000
Creek & East Road	2015	721,000	2.13	2053	669,000
West Main Street Sewer	2015	1,222,000	2.00	2053	1,134,000
Pratt Road Water District	2016	516,000	1.88	2054	487,000
Southwest Water District	2018	710,000	2.75	2056	699,000
Highway Equipment/West Saile Drive	2019	182,000	1.89	2026	182,000
Total					<u>\$ 5,426,500</u>

Legal Debt Margin

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

Changes in Long-Term Liabilities

Changes in the Town's long-term liabilities for the year ended December 31, 2019, are as follows:

	Balance 01/01/19	Additions	Reductions	Balance 12/31/19	Due Within One Year
<b>Governmental Activities</b>					
Bonds payable:					
General obligation bonds	\$ 5,351,600	\$ 182,000	\$ 107,100	\$ 5,426,500	\$ 149,600
Other liabilities:					
Landfill post closure care costs *	355,807	-	12,519	343,288	5,721
Compensated absences	123,461	30,577	7,162	146,876	14,688
Net pension liability **	207,857	250,538	-	458,395	-
Total	<u>\$ 6,038,725</u>	<u>\$ 463,115</u>	<u>\$ 126,781</u>	<u>\$ 6,375,059</u>	<u>\$ 170,009</u>

\* The change in this liability varies from year to year based on the present value of the remaining post closure care costs.

\*\* Additions to net pension liability are shown net of reductions

The Town had authorized but unissued debt totaling \$3,256,800 as of December 31, 2019. The authorized debt is for the following purposes: Construction for the Ellicott Trail Project for \$1,992,000, Sewer District No. 2 & West Main St Road District for \$390,706, Improvements for North Commerce Sewer Improvement Area for \$347,294, Batavia Bethany Townline Road Water District for \$126,800, and Capital Improvement Project for the Agri-Business Park Sewer Improvement Area for \$400,000.

**TOWN OF BATAVIA, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

The debt service requirements for the Town's bonds are as follows:

Year ending December 31,	Bonds	
	Principal	Interest
2020	\$ 149,600	\$ 145,361
2021	139,100	142,101
2022	141,600	138,676
2023	146,200	135,113
2024	148,800	131,359
2025-2029	717,300	596,363
2030-2034	779,300	492,235
2035-2039	902,500	370,863
2040-2044	949,100	234,274
2045-2049	788,000	111,270
2050-2054	506,000	37,874
2055-2056	59,000	2,444
Total	<u>\$ 5,426,500</u>	<u>\$ 2,537,933</u>

**Compensated Absences**

As explained in Note 1, the Town records the value of governmental type compensated absences. The annual budgets of the respective funds of which the employees' payroll is recorded provide funding for these benefits as they become payable throughout the year. Payments by the Town to liquidate compensated absences are typically from the funds in which the individuals are employed. These operating funds include General, Sewer, Water, and Highway funds. Since the payment of compensated absences is dependent upon many factors, the timing of future payments is not readily determinable. While the payments of compensated absences are dependent upon many factors, the Town has estimated that \$14,688 for the governmental activities will be due within one year.

**Net Pension Liability**

The Town reported a liability of \$458,395 in the governmental activities for the year ended December 31, 2019, for its proportionate share of the net pension liability for the New York State and Local Employees' Retirement System. Refer to Note 3.D for additional information related to the Town's net pension liability. Payments by the Town for retirement contributions are typically from funds in which the individuals are employed. These operating funds include General, Sewer, Water, and Highway funds.

**H. NET POSITION AND FUND BALANCE**

**NET POSITION**

The government wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net investment in capital assets – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and debt used to fund capital asset purchases reduce the balance in this category. The following presents a reconciliation of capital assets (net of accumulated depreciation), to net investment in capital assets:

Capital assets, net of accumulated depreciation	\$ 21,383,081
Bonds payable used for capital assets	(5,426,500)
BANs used for capital assets	(5,229,500)
Unspent BAN proceeds	401,302
Net investment in capital assets	<u>\$ 11,128,383</u>

**TOWN OF BATAVIA, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

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Restricted net position – This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Restricted net position are consistent with restricted fund balance balances at December 31, 2019.

Unrestricted net position – This category represents net position of the Town not restricted for any project or other purpose.

**FUND BALANCE**

In the governmental fund financial statements there are five classifications of fund balance:

Nonspendable – represents amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balances maintained by Town at December 31, 2019, include:

- Prepaid items – represents amounts prepaid to the retirement system and other miscellaneous items that are applicable to future accounting periods. This balance is nonspendable as the asset does not represent an available resource.

Restricted – represents amounts with constraints placed on the use of resources and are either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

- Restricted for capital projects – represents funds to be used for construction, reconstruction and/or acquisition of capital improvements and equipment.
- Restricted for debt service – represents funds set aside for the repayment of debt obligations.
- Restricted for parks acquisition/improvements – represents funds set aside for the purchase of greens space parklands and improvements to the parks.
- Restricted for economic development – represents funds to be used for economic development within the Town.
- Restricted for repairs – represent funds set aside for repairs.

Committed – represents amounts that are subject to a purpose constraint imposed by a formal action of the Town's highest level of decision-making authority. As of December 31, 2019, the Town had no committed fund balances.

Assigned – represents amounts that are constrained by the Town's intent to be used for the specified purposes noted below, but are neither restricted nor committed.

- Assigned to subsequent years' expenditure – represents available fund balance being appropriated to meet expenditure requirements in the 2020 fiscal year.
- Assigned to specific use – represents fund balance within the special revenue funds that is assigned for a specific purpose. The assignment's purpose relates to each fund's operations and represents amounts within funds that are not restricted or committed.

Unassigned – represents all amounts not included in other spendable classifications. The General fund is the only fund that would report a positive amount in unassigned fund balance. Residual deficit amounts of other governmental funds would also be reported as unassigned.

**TOWN OF BATAVIA, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

Detail of Fund Balances

As of December 31, 2019, fund balances were classified as follows:

	General	Capital Projects	Highway-Townwide	Water	Sewer	Nonmajor Debt Service	Total
<u>Nonspendable:</u>							
Prepaid items	\$ 117,878	\$ 86,626	\$ 21,751	\$ 16,214	\$ 8,620	\$ -	\$ 251,089
<u>Restricted:</u>							
Parks acquisition/ improvements	56,235	-	-	-	-	-	56,235
Economic development	73,454	-	-	-	-	-	73,454
Debt service	-	-	-	16,334	-	87,580	103,914
Repairs	-	-	-	30,220	37,509	-	67,729
Capital projects	-	-	759,205	-	50,386	-	809,591
<u>Assigned:</u>							
Subsequent years' expenditures	1,008,310	-	-	-	-	-	1,008,310
Highway-Townwide Fund	-	-	582,969	-	-	-	582,969
Water Fund	-	-	-	1,699,686	-	-	1,699,686
Sewer Fund	-	-	-	-	2,192,347	-	2,192,347
<u>Unassigned:</u>							
General Fund	5,398,300	-	-	-	-	-	5,398,300
Capital Projects Fund	-	(5,465,654)	-	-	-	-	(5,465,654)
Total	\$ 6,654,177	\$ (5,379,028)	\$ 1,363,925	\$ 1,762,454	\$ 2,288,862	\$ 87,580	\$ 6,777,970

**I. INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances as of December 31, 2019, is as follows:

***Due from/to other funds:***

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Capital	\$ 414,475
Highway-Townwide	Water	239,458
Water	Capital	144,335
Sewer	Capital	176,327
Total		\$ 974,595

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These amounts also include balances of working capital loans made to the capital projects fund for capital projects which the Town expects to permanently finance. There is also an outstanding interfund loan balances from the Highway-Townwide Fund to the Water Fund in the amount of \$216,200 and \$23,258 being repaid over the next 22 and 9 years, respectively.

**J. INTERFUND TRANSFERS**

The composition of interfund transfers as of December 31, 2019, is as follows:

***Interfund transfers:***

	Transfer in:		
	Highway	Capital	Water
Transfer out:			
General	\$ 942,149	\$ 50,000	\$ -
Capital	-	-	848
Highway	-	33,062	-
Water	-	79,478	-
Sewer	-	129,505	-
Total	\$ 942,149	\$ 292,045	\$ 848



**TOWN OF BATAVIA, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

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During the year, transfers are used to move general fund resources to provide an annual subsidy to the Highway-Townwide Fund and to close out the Capital project HM - Creek Road Water District in the 2019 year.

**K. JOINT VENTURES**

There is a joint venture between the Towns of Batavia, Elba, Oakfield and Stafford to construct, operate and maintain a joint water distribution system referred to as the Townline Water Project. The water distribution system construction was completed in 2016, and is jointly owned by all four Towns. Equity interest for each Town is based upon certain percentages relating to the number of units within each respective Town. The Townline Water Project does not issue its own set of financial statements and the activity is not encompassed in the Town financial statements. The Towns have entered into the following Intermunicipal Agreements related to this joint venture:

“Intermunicipal Agreement for the Ownership, Engineering, Design, Construction and Financing for the Townline Water Project”

“Intermunicipal Agreement for Operation and Maintenance for Water Facilities for the Townline Water Project”

**L. INTERMUNICIPAL AGREEMENTS**

The Town currently has intermunicipal agreements for operation and maintenance of water distribution systems and for the green genesee/smart genesee project.

In addition, the Town has several intermunicipal agreements for shared services such as assessments; renting, exchanging or lending of highway machinery, tools and equipment; providing a specific service; and the maintenance of machinery and equipment.

**M. CONTINGENCIES**

**Assessments** – The Town is a defendant in various litigation under Article 7 of the Real Property Tax Law of the State of New York to review tax assessments. While the Town vigorously defends assessments, the likelihood of success is on a case by case basis, and is dependent upon various factors including market values and appraised amounts. Management believes that the level of potential losses on these cases, if any, would be immaterial and no provisions have been made within the financial statements.

**Grants** – In the normal course of operations, the Town receives grant funds from various federal and state agencies. The disbursement of funds received under these programs generally requires compliance with terms and conditions that are specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowable expenditures resulting from such audits could become a liability of the Town. While the amount of expenditures, if any, which may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

**N. TAX ABATEMENTS**

The Genesee Industrial Economic Development Agency d/b/a Genesee County Economic Development Corporation (the Agency), created by Chapter 565 of the Laws of 1970 of the State of New York pursuant to Title I of Article 18-A of General Municipal Law of the State of New York (collectively “the Act”), has eighteen real property tax abatement agreements with various businesses in the Town under Section 412-a of the New York State Real Property Tax Law and Section 874 of the Act for the purpose of economic development in the Town.

Generally, these agreements provide for a 100 percent abatement of real property taxes in exchange for a payment in lieu of taxes (PILOT) based on the requirements noted in said individual agreements. Should the property owner not comply with the policies and laws as set forth in each agreement, the PILOT will discontinue as outlined in each agreement.

**TOWN OF BATAVIA, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

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As a result of these tax abatement agreements, for the year ended December 31, 2019, the Town's total tax revenues were reduced by \$83,095.

Copies of the agreements may be obtained from Teressa Morasco, Town Clerk, 3833 West Main Street Road, Batavia, NY 14020, [www.townofbatavia.com](http://www.townofbatavia.com)

**O. CONSTRUCTION COMMITMENTS**

The Town has active construction project relating to the Ellicott Trail Project. The Town is committed to a funding amount of \$80,995 for the project.

**NOTE 4 – RESTATEMENT OF NET POSITION**

For the fiscal year ended December 31, 2019, the Town implemented GASB 84, *Fiduciary Activities*. The implementation of Statement No. 84 resulted in the reporting of net position in the fiduciary fund.

Net position - beginning, as previously stated	\$ -
GASB Statement No. 84 implementation	<u>3,394</u>
Net position - beginning of year, as restated	<u>\$ 3,394</u>

**NOTE 5 - SUBSEQUENT EVENTS**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The Town's management has assessed these events and the impact of these restrictions and closures related to the Town's operations. As of the date of these financial statements and as these events continue to unfold management believes there will be an impact related to sales and mortgage tax that the Town will receive in 2020. Management believes that these tax revenues will be lower in 2020 than anticipated in the adopted 2020 budget. Management has assessed the financial condition and the potential impact on revenues and has determined that the Town has assets and fund balances to absorb this potential decrease in revenues for 2020.

Subsequent to the year end the Town received notification from the New York State Department of Environmental Conservation (DEC) for the Bigelow Creek Economic Development and Resiliency Project with project budget of \$510,172. The DEC will reimburse the Town for 50% of the project (\$255,172) and the Town will provide in kind services for the matching portion of the grant.

Management has evaluated subsequent events through April 10, 2020 which is the date the financial statements are available for issuance and have determined, with exception to the events noted in the above paragraphs related to the impact on revenues and the DEC project, that there are no subsequent events that require disclosure under generally accepted accounting principles.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**TOWN OF BATAVIA, NEW YORK  
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY –  
EMPLOYEES' RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS\***

	Year Ended December 31,					
	2014	2015	2016	2017	2018	2019
Measurement date	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
Town's proportion of the net pension liability	0.0061067%	0.0061067%	0.0062705%	0.0062217%	0.0064403%	0.0064697%
Town's proportionate share of the net pension liability	\$ 275,952	\$ 206,298	\$ 1,006,426	\$ 584,604	\$ 207,857	\$ 458,395
Town's covered payroll	\$ 1,383,936	\$ 1,306,864	\$ 1,477,320	\$ 1,577,806	\$ 1,629,043	\$ 1,636,675
Town's proportionate share of the net pension liability as a percentage of its covered payroll	20%	16%	68%	37%	13%	28%
Plan fiduciary net position as a percentage of the total pension liability	97.2%	97.9%	90.7%	94.7%	94.7%	96.3%

\* This Schedule is intended to show information for ten years. Additional years will be included as they become available.

**TOWN OF BATAVIA, NEW YORK**  
**SCHEDULE OF THE TOWN'S PENSION CONTRIBUTIONS – EMPLOYEES' RETIREMENT SYSTEM**  
**LAST 10 FISCAL YEARS**  
**FOR THE YEAR ENDED DECEMBER 31,**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Contractually required contribution	\$ 106,833	\$ 221,998	\$ 195,326	\$ 219,621	\$ 285,348	\$ 220,869	\$ 207,576	\$ 220,926	\$ 225,559	\$ 220,670
Contributions in relation to the contractually required contribution	106,833	221,998	195,326	219,621	285,348	220,869	207,576	220,926	225,559	220,670
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 1,240,861	\$ 1,168,543	\$ 1,202,464	\$ 1,353,924	\$ 1,552,084	\$ 1,601,085	\$ 1,547,696	\$ 1,597,758	\$ 1,629,732	\$ 1,748,873
Contributions as a percentage of covered payroll	9%	19%	16%	16%	18%	14%	13%	14%	14%	13%

The notes to the required supplementary information are an integral part of this schedule.

**TOWN OF BATAVIA, NEW YORK**  
**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Real property taxes	\$ 1,080,000	\$ 1,080,000	\$ 1,082,836	\$ 2,836
Non-property tax items	2,057,800	2,057,800	2,549,883	492,083
Departmental income	2,100	2,100	3,137	1,037
Intergovernmental charges	169,000	169,000	196,847	27,847
Use of money and property	7,340	7,340	108,081	100,741
Fines and permits	148,000	148,000	202,363	54,363
Sale of property and compensation for loss	50,000	50,000	7,788	(42,212)
State sources	53,560	165,272	302,545	137,273
Federal sources	-	235,551	235,551	-
Miscellaneous local sources	110,500	110,500	182,737	72,237
	<u>3,678,300</u>	<u>4,025,563</u>	<u>4,871,768</u>	<u>846,205</u>
Total revenues				
<b>EXPENDITURES</b>				
Current:				
General government	1,755,354	1,846,888	1,360,171	486,717
Public safety	366,779	366,779	337,949	28,830
Health	3,752	3,752	2,097	1,655
Transportation	103,733	103,733	86,338	17,395
Economic assistance and opportunity	77,800	313,351	242,532	70,819
Culture and recreation	73,274	73,274	36,984	36,290
Home and community services	217,087	233,905	114,126	119,779
Employee benefits	737,372	740,732	709,264	31,468
Debt service:				
Interest	-	6,856	6,856	-
	<u>3,335,151</u>	<u>3,689,270</u>	<u>2,896,317</u>	<u>792,953</u>
Total expenditures				
Excess of revenues over expenditures	343,149	336,293	1,975,451	1,639,158
<b>OTHER FINANCING USES</b>				
Interfund transfer out	(942,149)	(992,149)	(992,149)	-
	<u>(942,149)</u>	<u>(992,149)</u>	<u>(992,149)</u>	<u>-</u>
Total other financing uses				
Net change in fund balance*	(599,000)	(655,856)	983,302	1,639,158
Fund balance - beginning	5,670,875	5,670,875	5,670,875	-
Fund balance - ending	<u>\$ 5,071,875</u>	<u>\$ 5,015,019</u>	<u>\$ 6,654,177</u>	<u>\$ 1,639,158</u>

\* The net change in fund balance is included in the budget as an appropriation (i.e., spenddown) of fund balance.

**TOWN OF BATAVIA, NEW YORK**  
**BUDGETARY COMPARISON SCHEDULE FOR THE HIGHWAY-TOWNWIDE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Intergovernmental charges	\$ 14,000	\$ 14,000	\$ 14,000	\$ -
Use of money and property	70	70	23,747	23,677
Sale of property and compensation for loss	31,000	31,000	40,139	9,139
State sources	127,200	146,182	146,181	(1)
Miscellaneous local sources	6,361	6,361	4,968	(1,393)
	<u>178,631</u>	<u>197,613</u>	<u>229,035</u>	<u>31,422</u>
Total revenues				
<b>EXPENDITURES</b>				
Current:				
General government	-	972	972	-
Transportation	957,234	949,784	893,302	56,482
Employee benefits	88,546	114,006	112,154	1,852
Debt service:				
Interest	2,000	2,909	2,460	449
	<u>1,047,780</u>	<u>1,067,671</u>	<u>1,008,888</u>	<u>58,783</u>
Total expenditures				
Excess (deficit) of revenues over expenditures	(869,149)	(870,058)	(779,853)	90,205
<b>OTHER FINANCING SOURCES</b>				
Interfund transfer in	942,149	942,149	942,149	-
Interfund transfer out	(73,000)	(81,063)	(33,062)	48,001
	<u>869,149</u>	<u>861,086</u>	<u>909,087</u>	<u>48,001</u>
Total other financing sources				
Net change in fund balance*	-	(8,972)	129,234	138,206
Fund balance - beginning	<u>1,234,691</u>	<u>1,234,691</u>	<u>1,234,691</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,234,691</u>	<u>\$ 1,225,719</u>	<u>\$ 1,363,925</u>	<u>\$ 138,206</u>

\* The net change in fund balance is included in the budget as an appropriation (i.e., spenddown) of fund balance.



**TOWN OF BATAVIA, NEW YORK  
BUDGETARY COMPARISON SCHEDULE FOR THE WATER AND SEWER FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Water Fund				Sewer Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>								
Real property taxes	\$ 344,199	\$ 344,199	\$ 345,008	\$ 809	\$ 77,680	\$ 77,680	\$ 77,680	\$ -
Departmental income	2,282,000	2,434,335	2,743,783	309,448	1,138,432	1,256,427	1,439,582	183,155
Use of money and property	800	800	64,220	63,420	1,100	1,100	33,951	32,851
Sale of property and compensation for loss	-	6,493	15,193	8,700	-	-	-	-
Miscellaneous local sources	13,801	13,801	197,261	183,460	4,969	4,969	6,034	1,065
Total revenues	2,640,800	2,799,628	3,365,465	565,837	1,222,181	1,340,176	1,557,247	217,071
<b>EXPENDITURES</b>								
Current:								
General government	13,000	13,260	13,259	1	9,600	7,885	6,168	1,717
Home and community services	2,186,260	2,315,431	2,168,016	147,415	928,285	1,039,015	871,220	167,795
Employee benefits	79,843	94,275	88,786	5,489	52,056	52,056	49,803	2,253
Debt service:								
Principal	203,900	95,021	84,100	10,921	136,579	23,000	23,000	-
Interest	157,797	207,546	207,532	14	95,661	91,540	91,538	2
Total expenditures	2,640,800	2,725,533	2,561,693	163,840	1,222,181	1,213,496	1,041,729	171,767
Excess of revenues over expenditures	-	74,095	803,772	729,677	-	126,680	515,518	388,838
<b>OTHER FINANCING USES</b>								
Interfund transfer in	-	-	848	848	-	-	-	-
Interfund transfer out	-	(79,478)	(79,478)	-	-	(130,270)	(129,505)	765
Total other financing uses	-	(79,478)	(78,630)	848	-	(130,270)	(129,505)	765
Net change in fund balance*	-	(5,383)	725,142	730,525	-	(3,590)	386,013	389,603
Fund balance - beginning	1,037,312	1,037,312	1,037,312	-	1,902,849	1,902,849	1,902,849	-
Fund balance - ending	\$ 1,037,312	\$ 1,031,929	\$ 1,762,454	\$ 730,525	\$ 1,902,849	\$ 1,899,259	\$ 2,288,862	\$ 389,603

\* The net change in fund balance is included in the budget as an appropriation (i.e., spenddown) of fund balance.

The notes to the required supplementary information are an integral part of this schedule.

**TOWN OF BATAVIA, NEW YORK**  
**BUDGETARY COMPARISON SCHEDULE FOR THE FIRE DISTRICT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Real property taxes	\$ <u>1,044,787</u>	\$ <u>1,044,787</u>	\$ <u>1,044,787</u>	\$ <u>-</u>
Total revenues	<u>1,044,787</u>	<u>1,044,787</u>	<u>1,044,787</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	<u>1,044,787</u>	<u>1,044,787</u>	<u>1,044,787</u>	<u>-</u>
Total expenditures	<u>1,044,787</u>	<u>1,044,787</u>	<u>1,044,787</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

The notes to the required supplementary information are an integral part of this schedule.

**TOWN OF BATAVIA, NEW YORK**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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**NOTE 1 - BUDGETARY BASIS OF ACCOUNTING**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general fund and the special revenue funds (highway-townwide fund, sewer fund, water fund, and fire district fund). Budgetary comparison schedules are presented for the general fund and for each major special revenue fund, however, budgetary information for the nonmajor funds is not considered required supplementary information and, therefore, is not presented. The capital projects fund is appropriated on a project-length basis and the debt service fund does not have an appropriated budget due to the nature of the fund.

The appropriated budget is prepared by fund, function, and department. The Town's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Town Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

**NOTE 2 - FACTORS AFFECTING TRENDS IN PENSIONS**

The Town's proportionate share of the net pension liability of the pension systems is significantly dependent on the performance of the stock market and the funds that the retirement system invests in. In addition to this factor the discount factor has varied from 7.5% to 7.0% over the past four years.

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## **FEDERAL FINANCIAL ASSISTANCE**

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**TOWN OF BATAVIA, NEW YORK**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

<b>Federal Grantor/Pass-Through Grantor Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Pass-through to Subrecipients</b>	<b>Total Federal Expenditures</b>
<b><u>U.S. Department of Agriculture</u></b>				
<b><u>Direct Program</u></b>				
Water and Waste Disposal Systems for Rural Communities	10.760	----	\$ -	\$ 47,065
Total US. Department of Agriculture			-	47,065
<b><u>U.S. Department of Housing and Urban Development</u></b>				
<b><u>Passed through New York State Office of Community Renewal</u></b>				
Community Development Block Grant	14.228	83ED886-17	-	235,551
Total US. Housing and Urban Development			-	235,551
<b><u>Department of Transportation</u></b>				
<b><u>Passed through New York State Department of Transportation</u></b>				
<b><u>Highway Planning and Construction Cluster</u></b>				
Highway Planning and Construction	20.205	4760.79	-	738,680
Total Highway Planning and Construction Cluster			-	738,680
Total US. Department of Transportation			-	738,680
<b>Total Expenditures of Federal Awards</b>			<b>\$ -</b>	<b>\$ 1,021,296</b>

See notes to the Schedule of Expenditures of Federal Awards.

**TOWN OF BATAVIA, NEW YORK**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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**NOTE 1 - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of the federal financial assistance program administered by the Town of Batavia (the Town), an entity as defined in Note 1 to the Town's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Federal awards received directly from federal agencies as well as federal awards passed through from other government agencies are included in the Schedule, if applicable. Because the Schedule presents only a selected portion of the operations of the Town, it is not intended and does not present the financial position, changes in net position, or cash flows of the Town.

**NOTE 2 - BASIS OF ACCOUNTING**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain expenditures are not allowable or are limited as to reimbursement. The amounts reported as federal expenditures were obtained from the Town's financial reporting system, which is the source of the Town's basic financial statements.

**NOTE 3 – INDIRECT COST**

The Town has elected not to use the 10-percent de minimis indirect cost rate allowable under the Uniform Guidance.



## **INTERNAL CONTROL AND COMPLIANCE**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**INDEPENDENT AUDITOR'S REPORT**

The Honorable Members of the Town Board  
Town of Batavia, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Batavia, New York (the Town), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated April 10, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our testing disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Freed Maxick CPAs, P.C.*

Batavia, New York  
April 10, 2020



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL  
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**INDEPENDENT AUDITOR'S REPORT**

To the Town Board  
Town of Batavia  
Batavia, New York

**Report on Compliance for Each Major Federal Program**

We have audited the Town of Batavia, New York's (the Town) compliance with the types of compliance requirements described in *OMB Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended December 31, 2019. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.



## **Report on Internal Control Over Compliance**

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Freed Maxick CPAs, P.C.*

Batavia, New York  
April 10, 2020

**TOWN OF BATAVIA, NEW YORK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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**I. SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes      X no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes      X none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes      X no

***Federal Awards***

Internal control over major federal programs:

- Material weakness(es) identified? \_\_\_\_\_ yes      X no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes      X none reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes      X no

Identification of major federal programs:

CFDA Number(s)

Name of Federal Program or Cluster

20.205

Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes      X no

**II. FINANCIAL STATEMENT FINDINGS**

There were no financial statement findings noted for the fiscal year ended December 31, 2019.

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no federal award findings or questioned costs noted for the fiscal year ended December 31, 2019.

**TOWN OF BATAVIA, NEW YORK  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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**I. FINANCIAL STATEMENT FINDINGS**

There were no financial statement findings noted for the fiscal year ended December 31, 2018.

**II. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no federal award findings or questioned costs noted for the fiscal year ended December 31, 2018.



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