

CITY OF LOCKPORT, NEW YORK

**Financial Statements as of
December 31, 2015
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

CITY OF LOCKPORT, NEW YORK

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INDEPENDENT AUDITOR'S REPORT

September 27, 2016

To the Members of City Council of
City of Lockport, 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 City of Lockport, New York (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Opinions

In our opinion, based on our audit, 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 City, as of December 31, 2015, 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.

Change in Accounting Principle

As discussed in Note 3 to the financial statements, in 2015, the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinions are not modified with respect to this matter.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules of funding progress, contributions-pension plans, and proportionate share of the net pension liability (asset) 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.

CITY OF LOCKPORT, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 (UNAUDITED)

INTRODUCTION

This discussion and analysis includes an overall review of the City's financial activities for the year ended December 31, 2015. It is important to note that as of February 2014, the City began operating under a new administration which includes a new Mayor and Budget Director. Financial controls have been extremely tightened with oversight openly accepted from the Office of The State Comptroller. In addition, the City engaged a consultant to assist in the development of the FY 2014 and FY 2015. In the fall of 2014, the City also restructured the Finance and Accounting Office to create a Director of Finance and Staff Accountant position in lieu of a Chief Accountant position to better manage the day-to-day accounting, provide accurate and timely reports and provide better management of staff. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the City's financial position and results of activities.

Management's Discussion and Analysis (MD&A) is an element of required supplementary information specified in the Governmental Accounting Standard Board (GASB) Statement No. 34 - Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments.

FINANCIAL HIGHLIGHTS

Overall, net position decreased by \$7,229,404. This was primarily related to increases in liability of post-employment benefits due to health insurance for City retirees.

The City had an increase of approximately \$1.4 million in fund balances between the General, Water, Sewer and Refuse funds. In addition, the City increased its balance within the Debt Reserve Fund by approximately \$900,000 to a total of approximately \$1.5 million. While the City did not meet budgeted revenue in the General, Water or Sewer funds, controlled expenditures well below those budgeted still allowed for each of these funds to end the year in surplus.

In 2014, the City obtained deficit funding from New York State, in the amount of \$3.945 million to cover losses within the general, water, sewer, and refuse funds. In addition the City had applied to, and been accepted into the recently enacted NYS Financial Restructuring Board for Local Governments program to assist the City in the development of a long-range financial recovery plan. The Board has made recommendations to the City on methods to improve its fiscal stability, management, and the delivery of public services and is providing funding to implement these recommendations. The newly appointed Director of Finance, as Budget Officer, developed a 2016 City Budget for consideration by the Mayor and City Council take contained no further reductions in staffing, maintained the level of City services afforded to its constituents and proposed a modest 1.8% increase in the real property tax rate. This Budget was submitted to the New York State Comptroller's Office for their review and approval pursuant to the requirements of State legislation governing City's under the NYS Financial Restructuring Board program. Both the State Comptroller's Office and the City Council accepted and approved the 2016 Budget as drafted by the Budget Officer. In addition, the Director of Finance has provided regular reports on the City's financial performance against the General, Water, Sewer and Refuse funds to the State Comptroller's Office and the City Council and regular cash budgets and cash flow analysis reports to the City Council.

OVERVIEW OF THE FINANCIAL STATEMENTS

Using this Annual Report

This annual report consists of a series of financial statements and the notes to those statements. The financial statements are organized so that the reader can understand the City as a financial whole.

Two statements portray information about the City as an entire operating entity with a broad overview of finances similar to a private sector business. The focus of these statements is a long-term view. Fund financial statements provide the next level of detail. These statements provide a detailed look at the most significant governmental activity at the fund level. The fund statements show how services were financed in the short term as well as what remains for future spending. The remaining statement provides financial information about activities for which the City acts solely as an agent for the benefit of those outside the government.

Reporting on the City as a Whole (City-wide)

There are two statements that present an aggregate view of the City: the Statement of Net Position and the Statement of Activities. Both of these City-wide financial statements distinguish functions of the City defined as governmental activities. These are activities principally supported by property taxes, sales tax, capital grants and contributions, and other intergovernmental revenues such as state and federal grants, along with charges for services and sales.

Statement of Net Position - presents information on all of the City's assets and liabilities using the accrual basis of accounting, with the difference reported as net position. The most important aspect of accrual accounting is that all of the year's revenues and expenses are reported regardless of when cash is received or paid. Increases or decreases in net position serve as a useful indicator of whether the financial position is improving or deteriorating.

Statement of Activities - presents information showing how net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, there may be revenues and expenses reported in this statement for items that will result in cash flows in future fiscal periods.

Reporting on the City's Most Significant Funds (Fund Level)

Governmental Funds

The governmental funds financial statements provide detail at the fund level, which is in contrast to the previously described City-wide reporting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. The City uses fund accounting in its financial records to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds are used to account for most of the same functions reported as governmental activities in the City-wide financial statements. However, the governmental funds financial statements focus on how money flows in and out of the funds and the balances remaining at the end of the fiscal year available for future spending. The funds are reported using the modified accrual basis of accounting that measures cash and all other financial assets that can be readily converted to cash. Therefore, these statements provide a detailed short-term view of City operations and the services it can provide.

There are relationship differences between the governmental funds and governmental activities reported in the Statement of Net Position and the Statement of Activities. These differences are the result of two distinct bases of accounting (accrual versus modified-accrual) and have been reconciled within the financial statements.

The City's financial statements provide detailed information about the funds. Under the GASB definition of major versus nonmajor funds, the City's major funds have been presented separately with the other funds grouped together as nonmajor and presented in total in one column.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fiduciary Funds

The City is an agent, or fiduciary, for assets that belong to others, such as performance deposits and payroll and other third party withholdings. The City is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. These activities have been excluded from the City's other financial statements because the assets cannot be used to finance City operations.

Notes to Basic Financial Statements

The notes to the financial statements follow the City-wide and fund financial statements in the report. They complement the financial statements by describing pertinent details as of year-end and other changes that occurred during the fiscal year. The notes are essential to a full understanding of the financial information provided in the statements.

Required Supplementary Information

This information further explains and supports the financial statements and includes budgetary comparisons of the general fund and other major operating funds.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Statements of Net Position

The largest portion of the City's total assets (78% at 2015 and 74% at 2014) represents its net investment in capital assets (land, buildings, improvements, machinery and equipment). Liabilities consist primarily of long-term debt. The City uses these capital assets to provide services and, as such, these assets are not available for future use. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

Restricted net position represents amounts required by law to be used for a specific purpose and include reserves for future capital projects and funds restricted for future debt service. These funds can only be used for expenditures for their respective purpose.

Unrestricted net position may be used to fund City programs in the next fiscal year. However, this does not mean that the City has significant surplus resources available to pay its bills next year. Rather, it is the result of having long-term commitments that are less than currently available resources.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (Continued)

	Governmental Activities	
	<u>2015</u>	<u>2014</u>
ASSETS:		
Current assets	\$ 15,752,260	\$ 20,205,474
Capital assets	<u>56,384,502</u>	<u>58,488,055</u>
Total assets	<u>72,136,762</u>	<u>78,693,529</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>2,474,725</u>	<u>-</u>
LIABILITIES:		
Current liabilities	13,751,474	19,335,454
Due within one year	1,239,406	804,171
Due in more than one year	<u>45,170,960</u>	<u>37,381,729</u>
Total liabilities	<u>60,161,840</u>	<u>57,521,354</u>
DEFERRED INFLOWS OF RESOURCES	<u>214,435</u>	<u>-</u>
NET POSITION:		
Net investment in capital assets	44,740,695	49,371,612
Restricted	3,761,793	1,566,940
Unrestricted	<u>(34,267,276)</u>	<u>(29,766,377)</u>
Total net position	<u>\$ 14,235,212</u>	<u>\$ 21,172,175</u>

The current assets of the City decreased significantly primarily due to a reduction in cash (\$4 million) and the reduction of capital assets (\$2.2 million) through the sale of a building to Niagara County. Changes in long term liability reflected a decrease in bond anticipation notes by approximately \$5 million, and an increase in Other Post-Employment benefits by approximately \$8 million as well as the implementation of reporting under GASB 68.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (Continued)

Statements of Activities

The primary revenue stream for the City's programs is local property taxes, State Aid, and sharing of sales tax from Niagara County and New York State. Taxes and related items represent 56% of total revenues (54% in 2014). Charges for services, approximating 28% of total revenues (26% in 2014), consist mainly of parking tickets, permits and City Clerk fees. Additional sources of income include sale of property, tourism, and utility tax.

Program expenses include an allocable share of employee benefits and depreciation on capital assets for each category presented. Interest expense is not allocated. The most significant category of expense is public safety at approximately 46% of total expenses in 2015 (48% in 2014), consisting principally of the City's police and fire departments. Total expenses increased by \$664 thousand (1.7%) primarily due to increased highway maintenance and increased debt service due to the deficit refinancing bonds.

	Governmental Activities		Percentage Change
	2015	2014	
Program revenue:			
Charges for services	\$ 9,545,644	\$ 8,779,031	8.7%
Operating grants	815,370	1,152,853	-29.3%
Capital grants	1,068,292	963,528	10.9%
General revenue:			
Property taxes	12,244,749	11,398,345	7.4%
Other taxes	6,348,340	6,712,775	-5.4%
Other general revenue	<u>3,468,022</u>	<u>4,500,292</u>	-22.9%
Total revenue	<u>33,490,417</u>	<u>33,506,824</u>	
Program expenses:			
General governmental support	4,486,017	4,503,284	-0.4%
Public safety	18,868,192	19,390,458	-2.7%
Health	2,026	1,605	26.2%
Transportation	5,954,647	3,652,075	63.0%
Economic assistance and opportunity	151,753	143,837	5.5%
Culture and recreation	880,716	1,016,597	-13.4%
Home and community services	9,930,135	11,088,386	-10.4%
Debt service	<u>446,335</u>	<u>221,015</u>	101.9%
Total expenses	<u>40,719,821</u>	<u>40,017,257</u>	1.8%
Change in net position	<u>\$ (7,229,404)</u>	<u>\$ (6,510,433)</u>	

The City's operating grants decreased due to fewer grant awards by the State and Federal governments.

The reduction in public safety costs were due to decreases in wages and benefit costs while the increase in transportation expenses were attributable to highway system improvements, primarily funded through State grants and aid.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (Continued)

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

General Fund

The General Fund is the City's main operating fund. This fund is used to account for all City operations that are not financed by a special revenue source. It includes all general City offices, police, justice courts, recreation, safety inspection, other general services and self-insurance.

The General Fund experienced an increase in fund balance of approximately \$910,000 for 2015, primarily due to spending less in public safety, transportation and employee benefits than budgeted.

Community Development Fund

The Community Development Fund is a special revenue fund supported by money from the U.S. Department of Housing and Urban Development. The fund balance slightly increased by approximately \$4,716 in 2015.

Capital Projects Funds

Used to account for financial resources to be used for the acquisition or construction of major capital facilities. This fund has multiple projects ongoing. The City is in the process of continuing the implementation of a capital improvement plan.

Water Fund

The City's water fund is a special revenue fund, used to account for the City's water services provided to taxpayers. This fund experienced an increase of fund balance of approximately \$60,000 for the year ended 2015.

Sewer Fund

The City's sewer fund is a special revenue fund, used to account for sewer services provided to taxpayers. The fund balance for this fund increased approximately \$161,000 mainly due to generated expenses being less than budgeted.

Refuse Fund

The City's refuse fund accounts for garbage services provided to tax payers. The fund had an increase in fund balance of approximately \$213,000 for the year ended 2015. This was mainly due to the receipt of a State grant reimbursing the City for costs associated with the implementation of the City's recycling program.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for and the payment of interest and principal on, general governmental obligations. This fund increased \$900,000 to a total of approximately \$1.5 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

While revenues were less than that budgeted, expenses were controlled to be far less than those budgeted resulting in a surplus at year's end. Actual expenditures were less than budgeted by approximately \$1.4 million. The largest budgetary variances were those for public safety, transportation and employee benefits, \$135,000, \$286,000 and \$730,000 respectively.

Amendments to the budget occur throughout the year for a variety of reasons. These include reserves for encumbrances from prior year's unexpended purchase orders which are added to the current year budget at time of closing of the prior year, grants or other forms of financial aid which were received during the year but not anticipated in the original budget, appropriations of fund balances needed to offset unanticipated and unavoidable expenditures, and transfers of appropriations among object classes within department budgets to address particular requirements not anticipated at the level of object class totals within each department. The reserve for encumbrances on prior year purchase orders are added to the budget as part of the annual financial closing process.

CAPITAL ASSETS

Capital assets, net of depreciation, are as follows:

	Governmental Activities	
	<u>2015</u>	<u>2014</u>
Land	\$ 3,173,000	\$ 3,173,000
Construction in process	2,978,439	3,333,384
Buildings and improvements	66,441,247	68,665,345
Machinery and equipment	7,022,249	6,938,532
Transportation network	4,920,486	4,920,486
Water and sewer network	10,544,045	10,544,045
Vehicles	4,408,904	4,408,904
Accumulated depreciation	<u>(43,103,868)</u>	<u>(43,495,641)</u>
Totals	<u>\$ 56,384,502</u>	<u>\$ 58,488,055</u>

Net capital assets decreased by approximately \$2.1 million during the current year. This primarily reflects the sale of a building to Niagara County.

Debt

A summary of the City's outstanding obligations are:

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Serial Bonds	\$ 8,105,934	\$ 8,935,000
Other post employment benefits	29,439,358	21,541,522
Compensated absences	2,958,338	2,866,290
Net pension liability	1,477,859	2,088,373
Workers compensation	4,079,143	4,419,472
Health insurance liability	227,461	242,173
Installment debt	<u>122,273</u>	<u>181,443</u>
 Total debt	 <u>\$ 46,410,366</u>	 <u>\$ 40,274,273</u>

At December 31, 2015, the City has total long-term debt outstanding of \$46,410,366, of which \$1.2 million is estimated to be payable within the next year. The City has pledged its full faith and credit for the serial bonds that are outstanding. The remainders of the City's outstanding obligations arise out of contractual or other legal obligations. The majority arises from obligations for other post-employment benefits (Health Insurance in Retirement) of \$29,439,358.

FACTORS BEARING ON THE CITY'S FUTURE

Health insurance costs continue to place an inordinate burden on the City's budgets. All of the City's employees receive 100% of their health care coverage for themselves, their spouses and their children under the age of 26 at no cost to the employee under collective bargaining agreements. Retirees of the City also receive health care coverage for themselves, their spouses and their children under the age of 26 at no cost to the retiree for the life of the retiree. The City is slowly making headway with its Unions to have employees begin to contribute toward their health insurance benefits both as current employees and retirees.

Retirement costs for employees as mandated by New York State Local Employees Retirement System and the New York State Police & Fire Retirement System, while slowly declining, are projected to remain at levels well above the average over the past 10 years.

The City has had cash flow issues within recent years. On June 16, 2014 the State Assembly of the State of New York approved deficit financing for the City, not to exceed \$5,350,000. A deficit financing bond was issued in the amount of \$3.945 million to eliminate current and prior fund deficits that were created due to poor fiscal management in the prior years. Along with the reorganization of services and the deficit funding available, the City has been better able to fund services to its constituents. The City will begin payments on principle and interest in earnest in FY 2016.

CONTACT FOR CITY'S FINANCIAL MANAGEMENT

This report is designed for those interested parties to provide a general overview of the City's finances. Questions concerning any information within this report or requests for additional information should be addressed to the Office of the City Treasurer or the Director of Finance, One Locks Plaza, City of Lockport, New York 14094.

CITY OF LOCKPORT, NEW YORK

STATEMENT OF NET POSITION DECEMBER 31, 2015

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 1,882,607
Cash - restricted	3,749,518
Other receivables	2,492,435
Due from Federal and State governments	189,654
Loans receivable	2,825,144
Taxes receivable, net	2,900,395
Due from other funds	10,228
Due from other governments	832,013
Prepaid expenses	670,266
Other assets	<u>200,000</u>

Total current assets 15,752,260

NON-CURRENT ASSETS:

Capital assets, net	<u>56,384,502</u>
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Total assets 72,136,762

DEFERRED OUTFLOWS OF RESOURCES

Pension related	<u>2,474,725</u>
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LIABILITIES

CURRENT LIABILITIES:

Accounts payable	990,608
Accrued liabilities	620,156
Due to other governments	1,860,295
Unearned revenue	2,919,815
Bond anticipation notes	<u>7,360,600</u>

Total current liabilities 13,751,474

LONG-TERM LIABILITIES:

Due within one year	1,239,406
Due in more than one year	<u>45,170,960</u>

Total long-term liabilities 46,410,366

Total liabilities 60,161,840

DEFERRED INFLOWS OF RESOURCES

Pension related	<u>214,435</u>
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NET POSITION

Net investment in capital assets	44,740,695
Restricted	3,761,793
Unrestricted	<u>(34,267,276)</u>

Total net position \$ 14,235,212

The accompanying notes are an integral part of these statements.

CITY OF LOCKPORT, NEW YORK

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Governmental Activities</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>		
PRIMARY GOVERNMENT:						
Governmental activities -						
General governmental support	\$ 4,486,017	559,051	\$ 67,442	\$ 14,603	\$ (3,844,921)	
Public health	2,026	3,775	-	-	1,749	
Public safety	18,868,192	80,315	318,036	-	(18,469,841)	
Transportation	5,954,647	28,914	151,686	1,011,009	(4,763,038)	
Economic assistance and opportunity	151,753	-	-	-	(151,753)	
Culture and recreation	880,716	16,091	18,368	-	(846,257)	
Home and community services	9,930,135	8,857,498	259,838	42,680	(770,119)	
Interest on long-term debt	446,335	-	-	-	(446,335)	
Total governmental activities	\$ 40,719,821	\$ 9,545,644	\$ 815,370	\$ 1,068,292	(29,290,515)	
GENERAL REVENUES AND TRANSFERS:						
					12,244,749	
Real property taxes and real property tax items					6,348,340	
Nonproperty tax items					15,574	
Use of money and property					5,291	
Sale of property and compensation for loss					2,816,578	
State aid not received for a specific purpose					630,579	
Other revenues					<u>22,061,111</u>	
Total general revenues and transfers					<u>22,061,111</u>	
Change in net position					<u>(7,229,404)</u>	
Net position - beginning of year, as previously reported					21,172,175	
Cumulative effect of change in accounting principle (Note 3)					<u>292,441</u>	
Net position - beginning of year, as restated					<u>21,464,616</u>	
Net position - end of year					<u>\$ 14,235,212</u>	

The accompanying notes are an integral part of these statements.

CITY OF LOCKPORT, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	<u>General</u>	<u>Community Development</u>	<u>Capital Projects</u>	<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>	<u>Debt Service</u>	<u>Total</u>
ASSETS								
Cash and cash equivalents	\$ 1,192,742	\$ -	\$ -	\$ 249,785	\$ 377,753	\$ 62,327	\$ -	\$ 1,882,607
Cash - restricted	1,067,941	49,013	1,095,810	-	-	-	1,536,754	3,749,518
Due from Federal and State governments	76,775	26,002	86,877	-	-	-	-	189,654
Due from other governments	636,858	-	35,740	-	159,415	-	-	832,013
Loans receivable	-	2,374,391	-	-	-	-	-	2,374,391
Taxes receivable, net	2,900,395	-	-	-	-	-	-	2,900,395
Other receivables	112,158	-	-	1,040,285	819,144	520,848	-	2,492,435
Other assets	200,000	-	-	-	-	-	-	200,000
Prepaid expenditures	561,869	-	-	66,005	42,392	-	-	670,266
Due from other funds	<u>246,253</u>	<u>-</u>	<u>-</u>	<u>41,050</u>	<u>-</u>	<u>-</u>	<u>12,275</u>	<u>299,578</u>
Total assets	<u>\$ 6,994,991</u>	<u>\$ 2,449,406</u>	<u>\$ 1,218,427</u>	<u>\$ 1,397,125</u>	<u>\$ 1,398,704</u>	<u>\$ 583,175</u>	<u>\$ 1,549,029</u>	<u>\$ 15,590,857</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
LIABILITIES:								
Accounts payable	\$ 378,819	\$ 26,002	\$ 200,798	\$ 109,645	\$ 95,403	\$ 179,941	\$ -	\$ 990,608
Accrued liabilities	437,916	-	-	54,660	49,589	-	-	542,165
Due to other funds	-	107,912	53,325	128,113	-	-	-	289,350
Due to other governments	1,860,295	-	-	-	-	-	-	1,860,295
Bond anticipation notes	-	-	7,360,600	-	-	-	-	7,360,600
Unearned revenue	<u>94,671</u>	<u>2,374,391</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,469,062</u>
Total liabilities	<u>2,771,701</u>	<u>2,508,305</u>	<u>7,614,723</u>	<u>292,418</u>	<u>144,992</u>	<u>179,941</u>	<u>-</u>	<u>13,512,080</u>
DEFERRED INFLOWS OF REOUSRCES:								
Deferred property taxes	994,562	-	-	-	-	-	-	994,562
Deferred fees for service	<u>-</u>	<u>-</u>	<u>-</u>	<u>376,814</u>	<u>239,950</u>	<u>159,626</u>	<u>-</u>	<u>776,390</u>
Total deferred inflows of resources	<u>994,562</u>	<u>-</u>	<u>-</u>	<u>376,814</u>	<u>239,950</u>	<u>159,626</u>	<u>-</u>	<u>1,770,952</u>
FUND BALANCES:								
Nonspendable	561,869	-	-	66,005	42,392	-	-	670,266
Restricted	1,067,941	49,013	1,095,810	-	-	-	1,549,029	3,761,793
Assigned	413,852	-	-	661,888	971,370	243,608	-	2,290,718
Unassigned	<u>1,185,066</u>	<u>(107,912)</u>	<u>(7,492,106)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,414,952)</u>
Total fund balances	<u>3,228,728</u>	<u>(58,899)</u>	<u>(6,396,296)</u>	<u>727,893</u>	<u>1,013,762</u>	<u>243,608</u>	<u>1,549,029</u>	<u>307,825</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,994,991</u>	<u>\$ 2,449,406</u>	<u>\$ 1,218,427</u>	<u>\$ 1,397,125</u>	<u>\$ 1,398,704</u>	<u>\$ 583,175</u>	<u>\$ 1,549,029</u>	<u>\$ 15,590,857</u>

The accompanying notes are an integral part of these statements.

CITY OF LOCKPORT, NEW YORK

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION DECEMBER 31, 2015

Total fund balance - governmental funds		\$	307,825
Total net position reported for governmental activities in the statement of net position is different because:			
Capital assets used in governmental activities are not current financial resources and; therefore, are not reported in the funds.			
	Cost of capital assets	99,488,370	
	Accumulated depreciation	<u>(43,103,868)</u>	
			56,384,502
Compensated absences are not reported in the funds under fund accounting, but are expensed in the statement of activities as the liability is incurred.			
			(2,958,338)
Revenue related to the tax levy is recognized when earned in the statement of activities, but recorded as a deferred inflow of resources in the fund statements if collection is anticipated to exceed sixty days after year-end.			
			994,562
Revenue related to the service billings is recognized when earned in the statement of activities, but recorded as unearned revenue in the fund statements if collection is anticipated to exceed sixty days after year-end.			
			776,390
Accrued interest on long-term debt, including serial bonds, is an expense in the funds when paid, but a liability in the statement of net position when incurred.			
			(77,991)
Deferred outflows/inflows of resources related to pensions are applicable to future periods and; therefore are not reported in the funds.			
	Deferred outflow - pension related		2,474,725
	Deferred inflow - pension related		(214,435)
Net pension obligations are not due and payable in the current period and; therefore are not reported in the funds.			
	Net pension liability		(1,477,859)
Long-term debt, including serial bonds, other postemployment benefits, and the workers compensation and health insurance liability are not due and payable in the current period and; therefore, are not reported as fund liabilities.			
	Serial bonds	(8,105,934)	
	Installment debt	(122,273)	
	Other postemployment benefits	(29,439,358)	
	Workers compensation and health insurance	<u>(4,306,604)</u>	
			(41,974,169)
Total net position of governmental activities		\$	<u>14,235,212</u>

The accompanying notes are an integral part of these statements.

CITY OF LOCKPORT, NEW YORK

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General</u>	<u>Community Development</u>	<u>Capital Projects</u>	<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>	<u>Debt Service</u>	<u>Total</u>
REVENUES:								
Real property taxes and tax items	\$ 12,287,031	\$ -	\$ -	\$ -	\$ -	\$ 18,900	\$ -	\$ 12,305,931
Nonproperty tax items	6,348,340	-	-	-	-	-	-	6,348,340
Interdepartmental charges	56,569	-	-	-	637,660	-	-	694,229
Departmental income	279,770	-	-	3,714,488	3,138,322	1,282,685	-	8,415,265
Use of money and property	13,742	25	987	153	146	111	410	15,574
Licenses and permits	196,115	-	-	-	-	-	-	196,115
Fines and forfeitures	192,362	-	-	-	-	-	-	192,362
Sale of property and compensation for loss	3,148	-	-	1,498	420	225	-	5,291
Miscellaneous	449,794	32,951	90,411	39,650	759	-	17,014	630,579
State aid	3,097,584	-	1,068,292	-	-	195,673	-	4,361,549
Federal aid	275,623	63,068	-	-	-	-	-	338,691
Total revenues	23,200,078	96,044	1,159,690	3,755,789	3,777,307	1,497,594	17,424	33,503,926
EXPENDITURES:								
General governmental support	2,609,449	-	-	52,410	45,784	-	-	2,707,643
Public health	2,026	-	-	-	-	-	-	2,026
Public safety	8,065,075	-	-	-	-	-	-	8,065,075
Transportation	1,492,793	-	-	-	-	-	-	1,492,793
Economic assistance and opportunity	151,753	-	-	-	-	-	-	151,753
Culture and recreation	368,265	-	-	-	-	-	-	368,265
Home and community services	361,522	91,328	-	1,957,627	1,984,311	1,091,087	-	5,485,875
Employee benefits	8,332,089	-	-	1,243,006	984,614	-	-	10,559,709
Capital outlay	-	-	2,191,941	-	-	-	-	2,191,941
Debt service -								
Principal	785,170	-	79,066	335,300	479,500	176,000	-	1,855,036
Interest	171,889	-	-	107,476	121,933	17,595	-	418,893
Total expenditures	22,340,031	91,328	2,271,007	3,695,819	3,616,142	1,284,682	-	33,299,009
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	860,047	4,716	(1,111,317)	59,970	161,165	212,912	17,424	204,917
OTHER FINANCING SOURCES AND USES:								
Forgiveness of debt								
BANs redeemed from appropriations	-	-	966,800	-	-	-	-	966,800
Operating transfers - in	58,739	-	8,000	-	-	-	890,286	957,025
Operating transfers - out	(8,000)	-	(949,025)	-	-	-	-	(957,025)
Total other financing sources and uses	50,739	-	25,775	-	-	-	890,286	966,800
CHANGE IN FUND BALANCE	910,786	4,716	(1,085,542)	59,970	161,165	212,912	907,710	1,171,717
FUND BALANCE - beginning of year	2,317,942	(63,615)	(5,310,754)	667,923	852,597	30,696	641,319	(863,892)
FUND BALANCE - end of year	\$ 3,228,728	\$ (58,899)	\$ (6,396,296)	\$ 727,893	\$ 1,013,762	\$ 243,608	\$ 1,549,029	\$ 307,825

The accompanying notes are an integral part of these statements.

CITY OF LOCKPORT, NEW YORK

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2015

Net changes in fund equity - Total governmental funds	\$ 1,171,717
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position.	1,403,774
Depreciation is not recorded as a expenditure in the governmental funds, but is recorded in the statement of activities.	(1,245,849)
Losses on the disposal of capital assets are recorded in the statement of activities, but not in the governmental funds.	(2,261,478)
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position.	888,236
Property tax revenue is recorded to the extent it is received within 60 days of year-end for governmental funds, but in the statement of activities, this revenue is recorded as earned when the tax levy is issued.	(61,182)
Revenue related to service billings is recorded to the extent it is received within 60 days of year-end for governmental funds, but in the statement of activities, this revenue is recorded as earned when the services are billed.	47,673
The change in postemployment benefits, compensated absences, and workers compensation liability do not require the use of current financial resources and; therefore, are not reported as expenditures in the governmental funds.	(7,634,843)
Government funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employer contributions is reported as pension expense:	
Pension contributions	2,681,062
Cost of benefits earned, net of employee contributions	(2,191,072)
Interest is accrued on the outstanding bonds on the statement of net position but is not recorded as an expenditure when paid in the government funds.	<u>(27,442)</u>
Change in net position - Governmental activities	<u>\$ (7,229,404)</u>

CITY OF LOCKPORT, NEW YORK

**STATEMENT OF NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2015**

	Private Purpose <u>Trust</u>	<u>Agency</u>
ASSETS:		
Cash	\$ -	\$ 49,306
Cash - restricted	<u>62,119</u>	<u>679,999</u>
Total assets	<u>62,119</u>	<u>729,305</u>
LIABILITIES:		
Due to other funds	-	10,228
Agency liabilities	<u>-</u>	<u>719,077</u>
Total current liabilities	<u>-</u>	<u>\$ 729,305</u>
NET POSITION:		
Held in trust for private purposes	<u>62,119</u>	
Total net position	<u>\$ 62,119</u>	

The accompanying notes are an integral part of these statements.

CITY OF LOCKPORT, NEW YORK

**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Private Purpose <u>Trust</u>
ADDITIONS:	
Interest and earnings	\$ <u> 30</u>
CHANGE IN NET POSITION	30
NET POSITION - beginning of year	<u> 62,089</u>
NET POSITION - end of year	<u><u> \$ 62,119</u></u>

The accompanying notes are an integral part of these statements.

CITY OF LOCKPORT, NEW YORK

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background

The basic financial statements of the City of Lockport, New York (the City) 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 City's accounting policies are described below.

Financial Reporting Entity

The City is a unit of local government created by the State of New York. The City operates under provisions of New York State law and with authority vested by those statutes and under the provisions of the City Charter adopted by the City Common Council. The City provides services and facilities in the areas of police and fire, highway, culture and recreation, refuse, sanitary sewer service, and water service. The City Common Council is the legislative body responsible for overall operations. The Mayor serves as Chief Executive and Officer of the City. The City Treasurer serves as the Chief Fiscal Officer.

The County of Niagara, New York, is a unit of local government, whose boundaries include the City. Public education is provided by an independent school district within the City, the Lockport City School District.

The City reports related organizations under the guidance of the GASB. The Standards define the primary government, and redefine and establish 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. Based on the criteria under the Standards, there are no entities that should be included on the financial statements of the City.

Basis of Presentation

Government-Wide Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds and aggregate non-major funds). The Statement of Net Position and the Statement of Activities presents financial information about the reporting government as a whole. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operation or capital) grants while the capital grants column reflects capital-specific grants.

The Statement of Activities presents a comparison between direct expenses and direct revenues for each function of the City's governmental activities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Government-Wide Financial Statements (Continued)

Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Direct revenues include charges paid by the recipients of goods or services offered by the City, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as direct revenues, including all taxes, are presented as general revenues.

The government-wide focus is on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

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 equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five (5) percent of the corresponding total for all governmental and enterprise funds combined.

Major Governmental Funds

The City reports all of its funds as major governmental funds:

- **General Fund** - the principal operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- **Community Development Fund** - this is used to account for the various programs of financial assistance (principally federal aid) for urban development. Community Development administers programs directly, as well as acting as a conduit to pass through funds to sub-recipients whose goal is also to benefit the community.
- **Capital Projects Fund** - used to account for and report financial resources to be used in the acquisition, construction or renovation of major capital facilities.
- **Water Fund** - used to account for the receipts and disbursements from providing water services to City residents.
- **Sewer Fund** - used to account for the receipts and disbursements from providing sewer services to City residents.
- **Refuse Fund** - used to account for the receipts and disbursements from providing garbage removal services to City residents.
- **Debt Service Fund** – This fund is used to account for the financial resources accumulated for payment of future principal and interest on long-term indebtedness for all funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds (Trust and Agency Funds)

Fiduciary Fund Types include Private Purpose Trust Funds and Agency Funds. The Private Purpose Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governments.

Private Purpose Trust Funds are accounted for on the accrual basis. Agency Funds are custodial in nature (assets equal liabilities) and generally are accounted for on the cash basis, which approximates the accrual basis of accounting.

Basis of Accounting/Measurement Focus

The Government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

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

Property Taxes

The City property taxes are levied in December of each year, based on the assessed valuation as of the preceding July 1. On January 1 of each year, property taxes become a lien on property.

Tax payments are due and payable during the first week in February, after which it becomes delinquent and interest and penalties accrue. The City also bills for re-levied sewer, water and refuse user charges.

The State Constitution limits the amount that may be raised by the City tax levy on real estate in any fiscal year to two percent (2%) of the last five-year average full valuation of taxable real estate of the City plus (1) the amounts required for principal and interest on all capital indebtedness, and (2) current appropriations for certain capital purposes. The City is responsible for collection of delinquent City school taxes. In the event that school taxes are not collected from the City's re-levy, the City is obligated to remit taxes in full to the school district.

A provision for uncollectible taxes is estimated based on historical collection experience.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations.

Open encumbrances are reported within the fund balance category from which their spending authorization has been recorded since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

Budgetary Basis of Accounting

The budgets are adopted annually on a cash basis, which is non-GAAP. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year. The City is not legally required to adopt a budget for the miscellaneous special revenue fund. Therefore, budget comparison information for this fund is not included in the City's financial statements. Budgetary controls are established for the capital projects fund through ordinances as adopted by the City Council authorizing individual contracts, which remain in effect for the life of the project.

Cash and Cash Equivalents

The City'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.

Restricted Cash

Certain assets are classified on the balance sheet as restricted because their use is limited. The proceeds of bond sales can only be used for the stated purpose of the borrowing.

Accounts Receivable

Accounts receivable, with the exception of taxes receivable, are shown gross, with uncollectible amounts recognized under the direct write-off method. Generally accepted accounting principles require the establishment of an allowance for doubtful accounts; however, no allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

Taxes Receivable

The City accounts for taxes receivable at outstanding billed amounts, net of an allowance for uncollectible taxes. Accounts for which no payments have been received for one year are considered delinquent and further collection efforts are begun. After all collection efforts are exhausted, the account is written off. As of December 31, 2015, the allowance for uncollectible taxes is \$226,629 , which is estimated based on historical collection experience.

Loans Receivable

The City manages loans given in relation to their Community Development program. These loans are under the restrictions of the Housing and Urban Development guidelines as part of the HOME and CDBG programs.

Prepaid Expenditures

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Due to/from Other Funds

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.”

The amounts reported on the Statement of Net Position for due to and due from other funds represents amounts due between different fund types (governmental and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type.

Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual cost is unavailable, except for donated assets which are recorded at their estimated fair value at the date of donation. Prior to January 1, 1980, governmental funds' infrastructure assets were not capitalized. The City elected to retroactively report only major general infrastructure assets acquired, significantly reconstructed or that received significant improvements in fiscal years ending after December 31, 1979. Capital assets are reported at actual cost for acquisitions subsequent to January 1, 2003.

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:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 35,000	Straight-line	100 years
Water distribution network	\$ 35,000	Straight-line	25 - 100 years
Machinery, vehicles and equipment	\$ 35,000	Straight-line	10 - 25 years
Transportation network	\$ 35,000	Straight-line	10 - 75 years
Sanitary sewer network	\$ 35,000	Straight-line	25 - 100 years

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

Unearned Revenue

Unearned revenue arises when potential revenues do not meet both the measurable and available criteria for recognition in the current period. This occurs when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the City has legal claim to resources, the liability for revenue received in advance is removed and revenue is recognized.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations

All long-term liabilities to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of serial bonds payable, installment purchase debt, compensated absences and other postemployment benefits.

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

Compensated Absences

The City labor agreements and City Council rules and regulations provide for sick and vacation leave. Upon retirement, certain eligible employees are entitled to payment for accumulated vacation and sick leave and unused compensatory absences at various rates subject to certain maximum limitations.

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

Postemployment Benefits

The City provides health insurance coverage for certain retired employees and their spouses who have met the minimum eligibility criteria as established under the respective collective bargaining agreement or City Council rules. The City made no provision for recognizing the cost of postemployment benefits which may eventually be paid to employees who have not yet retired, on the governmental funds statements. On the government-wide statements, these amounts attributable to past service have been recorded as a liability.

Deferred Outflows and Inflows of Resources

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

In addition to liabilities, the Statement of Net position will sometimes report a separate section for deferred inflow of resources. This separate financial statement element, deferred inflow of resources, represents an increase in net position/fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

Interfund Transfers

The operations of the City give rise to certain transactions between funds, including transfers of expenditures and revenues to provide services and construct assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position - Government-Wide Financial Statements

The government-wide financial statement displays net position in three components as follows:

- **Net investment in capital assets**
Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bond anticipation notes, bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted net position**
Consists of net assets with constraints on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- **Unrestricted net position**
All other net assets that do not meet the definition of “restricted” or “net investment in capital assets.”

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Balances - Fund Financial Statements

The governmental fund financial statements present fund balances according to classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable Fund Balances**
These are amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- **Restricted Fund Balances**
These are amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- **Committed Fund Balances**
These are amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through resolutions approved by the City Council, prior to the end of the year. The City currently has no committed fund balance.
- **Assigned Fund Balances**
These are amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The City’s policy is that the assignment of fund balances is at the discretion of the Mayor, subject to the majority vote of the City Council.
- **Unassigned Fund Balances**
These are all other spendable amounts.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances - Fund Financial Statements (Continued)

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

Use of Estimates

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

Labor Relations

Most City employees are represented by collective bargaining units with the balance of employees governed by City Council rules and regulations.

2. STEWARDSHIP

Budget Policies

The City adopts an annual formal budget for the General, Water, Refuse and Sewer Funds, on a basis consistent with generally accepted accounting principles; except that encumbrances are treated as budgeted expenditures in the year a commitment to purchase occurs. All unencumbered appropriations lapse at the end of the fiscal year. Budgetary comparisons presented in this report are on the budgetary basis and represent the budget as modified.

Capital Projects Fund appropriations are not included in the City's annual budget. Instead appropriations are approved through a City Council resolution at the project's inception and lapse upon termination of the project.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to September 1, each department submits to the Director of Finance their departmental estimates of expenditures and revenue for the ensuing fiscal year.
- b. The Board of Estimate and Apportionment meets to review estimates and make recommendations to the Mayor and Director of Finance.
- c. Prior to October 15, the Mayor submits to the Common Council a proposed budget.
- d. A public hearing is conducted to obtain taxpayer comments.
- e. The Common Council has the power to delete, reduce, increase or add expenditure items to the budget, except as it relates to the city indebtedness or the estimate of revenue and within the strictures of maintaining a balanced budget.
- f. Prior to November 30, the budget is legally adopted through passage or a resolution by the Common Council.

2. STEWARDSHIP (Continued)

Revenue Restrictions

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

Fund Balance

The Community Development fund has a deficit fund balance of \$58,899. This is due to amounts the fund owes back to the general fund for expenditures in the prior years and will be reduced when amounts are repaid.

The Capital Projects fund has a deficit fund balance of \$6,396,296. This is primarily due to the bond anticipation notes that have been issued and will be reduced when the notes are converted to long-term debt.

3. CHANGE IN ACCOUNTING PRINCIPLE

The City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and GASB Statement No. 71*. Statement No. 68 and Statement No. 71 established accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of Statement No. 68 and Statement No. 71, as well as for non-employer governments that have a legal obligation to contribute to those plans. Accordingly, Beginning Net Position and Net Pension Liability (Asset) on the Statement of Net Position was adjusted as noted in the following table:

	Government - Wide Statement of Net Position		
	Net Pension Liability	Deferred Outflows	Net Position
Balance at December 31, 2014, as previously reported	\$ -	\$ -	\$ 21,172,175
Restatement of beginning balance - Adoption of GASB Statement No. 68			
Contributions subsequent to measurement date	-	2,380,814	2,380,814
NYS Employees' Retirement System Plan	(1,123,250)	-	(1,123,250)
NYS Police and Firefighters' Retirement System Plan	(965,123)	-	(965,123)
	<u>(2,088,373)</u>	<u>2,380,814</u>	<u>292,441</u>
Balance at December 31, 2014, as restated	\$ <u>(2,088,373)</u>	\$ <u>2,380,814</u>	\$ <u>21,464,616</u>

4. CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents and Investments

The City's investment policies are governed by State statutes. In addition, the City has its own written investment policy. City monies must be deposited in FDIC insured commercial banks or trust companies located within the State.

Collateral is required for demand and time deposits and certificates of deposit 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 municipalities and school districts.

Investment and Deposit Policy

The City 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 Treasurer of the City.

The following deposits held with one financial institution represent five percent or more of the City's total cash and cash equivalents at December 31, 2015:

M&T Bank	<u>\$6,504,414</u>
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Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The City'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 City'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 City'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 the 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 City's investment and deposit policy, all deposits of the City including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIA) shall be secured by a pledge of securities with an aggregate value equal to 102% of the aggregate amount of deposits. The City 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 the New York State and its localities.

4. CASH AND CASH EQUIVALENTS (Continued)

Custodial Credit Risk (Continued)

At December 31, 2015, the bank balance of the City's cash and cash equivalents of its primary government, including Internal Service Funds and Fiduciary Funds, was exposed to custodial credit risk as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash, including trust funds	\$ 6,532,994	\$ 6,423,549
Collateralized with securities held by the pledging financial institution's trust department or agent in the County's name	\$ 6,099,034	
Covered by FDIC insurance	<u>528,580</u>	
Total	<u>\$ 6,627,614</u>	

5. RECEIVABLES

Major revenues accrued by the City at December 31, 2015 include the following:

<u>Fund</u>	<u>Balance</u>
General	
Due from other governments -	
Sales tax	\$ 590,574
Other fees and fines	46,284
State and federal receivables	76,775
Other receivables	<u>112,158</u>
	<u>\$ 825,791</u>
Water	
Water billings	<u>\$ 1,040,285</u>
Sewer	
Sewer billings	\$ 819,144
Due from other governments	<u>159,415</u>
	<u>\$ 978,559</u>
Refuse	
Refuse billings	<u>\$ 520,848</u>
Community Development	
State and federal receivables	<u>\$ 26,002</u>
Capital Projects	
State and federal receivables	\$ 86,877
Due from other governments	<u>35,740</u>
	<u>\$ 122,617</u>

5. RECEIVABLES (Continued)

Loans Receivable

The loans receivable recorded in the Community Development Fund represent amounts owed to the City relating to the U.S. Department of Housing and Urban Development Community Development loan program. Loans outstanding as of December 31, 2015 were as follows:

Community Development Fund:

Loans - Community Development	\$	140,537
Loans - Home ownership		1,267,473
Loans - Rental Rehab		21,875
Loans - Deferred other		556,729
Loans - Home loans DHCR		274,449
Loans - Low Income		113,328
	\$	<u>2,374,391</u>

Taxes Receivable, net

The taxes receivable, net recorded in the General Fund represents amounts owed to the City relating to real property taxes were as follows at December 31, 2015:

City taxes receivable - current	\$	1,251,382
City taxes receivable - overdue		681,918
Installment sales agreements		145,193
School taxes receivable		<u>1,048,531</u>
Total taxes		3,127,024
Less: Allowance for uncollectable taxes		<u>(226,629)</u>
Total taxes receivable, net	\$	<u>2,900,395</u>

Interfund Receivables, Payables, Revenues and Expenses

To improve cash management, all City disbursements are made from a consolidated account in the general fund. Also, the cash balances of certain capital funds are consolidated to maximize investment return. Both of these cash management practices, as well as normal delays in processing interfund transfers and reimbursements, are the main reason why interfund receivables and payables exist. These receivables and payables are short term in nature and are typically repaid in less than one year.

Transfers among funds are provided for as part of the annual budget process. They facilitate annual contributions from the operating budget to capital projects funds and the debt service fund. They also facilitate contributions from the special revenue fund to capital projects funds.

5. RECEIVABLES (Continued)

Interfund receivables, payables and transfers as of and for the year ended December 31, 2015 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payables</u>	<u>Operating Transfers-in</u>	<u>Operating Transfers-out</u>
General Fund	\$ 246,253	\$ -	\$ 58,739	\$ 8,000
Community Development	-	107,912	-	-
Water Fund	41,050	128,113	-	-
Sewer Fund	-	-	-	-
Refuse Fund	-	-	-	-
Capital Projects Fund	-	53,325	8,000	949,025
Debt Service Fund	12,275	-	890,286	-
Agency Fund	-	10,228	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 299,578</u>	<u>\$ 299,578</u>	<u>\$ 957,025</u>	<u>\$ 957,025</u>

6. CAPITAL ASSETS

Capital asset activity for the City for the year ended December 31, 2015 was as follows:

	Balance <u>1/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	Balance <u>12/31/15</u>
Capital assets, not being depreciated:					
Land	\$ 3,173,000	\$ -	\$ -	\$ -	\$ 3,173,000
Construction - in - progress	<u>3,333,384</u>	<u>1,362,001</u>	<u>-</u>	<u>(1,716,946)</u>	<u>2,978,439</u>
Total capital assets, not being depreciated	<u>6,506,384</u>	<u>1,362,001</u>	<u>-</u>	<u>(1,716,946)</u>	<u>6,151,439</u>
Capital assets, being depreciated					
Buildings and improvements	68,665,345	-	(3,899,100)	1,675,002	66,441,247
Machinery and equipment	6,938,532	41,773	-	41,944	7,022,249
Transportation network	4,920,486	-	-	-	4,920,486
Water and sewer network	10,544,045	-	-	-	10,544,045
Vehicles	<u>4,408,904</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,408,904</u>
Total capital assets, being depreciated	<u>95,477,312</u>	<u>41,773</u>	<u>(3,899,100)</u>	<u>1,716,946</u>	<u>93,336,931</u>
Less accumulated depreciation:					
Buildings and improvements	(29,498,380)	(616,923)	1,637,622	-	(28,477,681)
Machinery and equipment	(4,671,978)	(221,735)	-	-	(4,893,713)
Transportation network	(4,553,414)	(21,869)	-	-	(4,575,283)
Water and sewer network	(2,000,988)	(104,500)	-	-	(2,105,488)
Vehicles	<u>(2,770,881)</u>	<u>(280,822)</u>	<u>-</u>	<u>-</u>	<u>(3,051,703)</u>
Total accumulated depreciation	<u>(43,495,641)</u>	<u>(1,245,849)</u>	<u>1,637,622</u>	<u>-</u>	<u>(43,103,868)</u>
Total capital assets, being depreciated, net	<u>51,981,671</u>	<u>(1,204,076)</u>	<u>(2,261,478)</u>	<u>1,716,946</u>	<u>50,233,063</u>
Governmental activities capital assets, net	<u>\$ 58,488,055</u>	<u>\$ 157,925</u>	<u>\$ (2,261,478)</u>	<u>\$ -</u>	<u>\$ 56,384,502</u>

Depreciation expense was charged to functions as follows:

General government support	\$ 194,698
Public safety	109,789
Transportation	213,197
Culture and recreation	48,110
Home and community	<u>680,055</u>
	<u>\$ 1,245,849</u>

7. SHORT-TERM DEBT

The City may issue revenue anticipation notes (RAN) or tax anticipation notes (TAN), in anticipation of the receipt of certain revenue. These notes are recorded as a liability in the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

The City may issue bond anticipation notes (BAN) in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

Short-term liability balances and activity for the year are summarized below:

	Beginning <u>Balance</u>	<u>Issued</u>	<u>Redeemed</u>	Ending <u>Balance</u>
BAN maturing 5/28/15 at 1.00%	\$ 8,118,800	\$ -	\$ 8,118,800	\$ -
BAN maturing 5/26/16 at 1.08%	-	2,500,000		2,500,000
BAN maturing 5/26/16 at 2.00%	<u>-</u>	<u>4,860,600</u>	<u>-</u>	<u>4,860,600</u>
 Total	 <u>\$ 8,118,800</u>	 <u>\$ 7,360,600</u>	 <u>\$ 8,118,800</u>	 <u>\$ 7,360,600</u>

8. PENSION PLAN

Plan Description

The City participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS) and the Public Employees' Group Life Insurance Plan (collectively, the Systems). These are cost-sharing multiple-employer, public employee retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

Funding Policies

Membership, benefits, and employer and employee obligations to contribute are described in the NYSRSSL using the tier concept. Pension legislation established tier membership by the date a member last joined the Retirement System. They are as follows:

- Tier 1 - Those persons who last became members of the System before July 1, 1973.
- Tier 2 - Those persons who last became members on or after July 1, 1973, but before July 27, 1976.
- Tier 3 - Generally those persons who are State correction officers who last became members on or after July 27, 1976, and all others who last became members on or after July 27, 1976, but before September 1, 1983.
- Tier 4 - Generally, except for correction officers, those persons who last became members on or after September 1, 1983.
- Tier 5 - Those persons who last became members of the System on or after January 1, 2010.
- Tier 6 - Those persons who last became members of the System on or after April 1, 2012.

Contributions

The Systems are noncontributory for the employee who joined prior to July 27, 1976. For employees who joined the Systems after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the Systems more than ten years are no longer required to contribute. For employees who joined after January 1, 2010, employees in the Systems contribute 3% of their salary throughout their active membership. The Comptroller certifies the rates expressed as proportions of members' payroll annually which are used in computing the contributions required to be made by employers to the pension accumulation fund. Employees who join on or after April 1, 2012 will contribute 3% of their reportable salary. Beginning April 1, 2013, the contribution rate for Tier 6 members will vary based on each member's annual compensation varying between 3-6%.

The City is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

	<u>ERS</u>	<u>PFRS</u>
2015	\$ 995,757	\$ 1,685,305
2014	\$ 1,249,912	\$ 1,924,506
2013	\$ 1,282,317	\$ 2,322,234

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

8. PENSION PLAN (Continued)

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

At December 31, 2015, the City reported a net pension liability of \$839,728 and \$638,131 for its proportionate share of the ERS and PFRS net pension liability, respectively. The net pension liability was measured as of March 31, 2015, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of The City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2015, The City's proportionate share was .0248569% and .2318289% for NYSERS and PFRS, respectively, which was unchanged from its proportionate share measured at December 31, 2014.

For the year ended December 31, 2015, The City recognized pension expense of \$2,193,303. At December 31, 2015, The City reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
ERS		
Differences between expected and actual experience	\$ 26,881	\$ -
Net difference between projected and actual earnings on pension plan investments	-	-
	145,850	-
Changes in proportion and differences between the City's contributions and proportionate share of contributions	-	69,927
Contributions subsequent to the measurement date	746,818	-
Total	<u>\$ 919,549</u>	<u>\$ 69,927</u>
	Deferred Outflows of Resources	Deferred Inflows of Resources
PFRS		
Differences between expected and actual experience	\$ 76,955	\$ -
Net difference between projected and actual earnings on pension plan investments	-	-
	214,242	-
Changes in proportion and differences between the City's contributions and proportionate share of contributions	-	144,508
Contributions subsequent to the measurement date	1,263,979	-
Total	<u>\$ 1,555,176</u>	<u>\$ 144,508</u>

The City recognized \$746,818 and \$1,263,979 as a deferred outflow of resources related to ERS and PFRS, respectively resulting from contributions made subsequent to the measurement date at March 31, 2015 that will be recognized as a reduction of the net pension liability in the year ended December 31, 2016.

8. PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense for ERS and PFRS, respectively:

Plan's Year Ended March 31:	
2016	\$ 25,701
2017	25,701
2018	25,701
2019	25,701
2020	-
Thereafter	-
	<u>\$ 102,804</u>

Plan's Year Ended March 31:	
2016	\$ 40,050
2017	40,050
2018	40,050
2019	40,050
2020	(13,511)
Thereafter	-
	<u>\$ 146,689</u>

Actuarial Assumptions

The total pension liability at March 31, 2015 was determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2015. The total pension liability for the March 31, 2014 measurement date was determined by using an actuarial valuation as of April 1, 2014.

The actuarial valuation used the following actuarial assumptions for both the NYSERS and PFRS:

Actuarial cost method	Entry age normal
Inflation	2.70%
Salary scale	4.9% indexed by service
Projected COLAs	1.4% compounded annually
Decrements	Developed from the Plan's 2010 experience study of the period April 1, 2005 through March 31, 2010
Mortality improvement	Society of Actuaries Scale MP-2014
Investment Rate of Return	7.5% compounded annually, net of investment expenses

Long-term Rate of Return

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expect future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance.

8. PENSION PLAN (Continued)

Long-term Rate of Return (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015 are summarized below:

Asset Type	Target Allocations in %	Long-Term expected real rate of return in %
Domestic Equity	38	7.30
International Equity	13	8.55
Private Equity	10	11.00
Real Estate	8	8.25
Absolute Return	3	6.75
Opportunistic Portfolio	3	8.60
Real Asset	3	8.65
Bonds & Mortgages	18	4.00
Cash	2	2.25
Inflation-Indexed Bonds	2	4.00
	<u>100%</u>	

Discount Rate

The discount rate used to calculate the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Plan's 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 presents The City's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what The City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%) than the current rate:

	1% Decrease 6.50%	Current Discount 7.50%	1% Increase 8.50%
ERS Proportionate Share of Net pension liability (asset)	<u>\$ 5,597,152</u>	<u>\$ 839,728</u>	<u>\$ (3,176,717)</u>
	1% Decrease 6.50%	Current Discount 7.50%	1% Increase 8.50%
PFRS Proportionate Share of net pension liability (asset)	<u>\$ 8,496,381</u>	<u>\$ 638,131</u>	<u>\$ (5,947,557)</u>

8. PENSION PLAN (Continued)

Pension Plan Fiduciary Net Position (000's)

The components of the current-year net pension liability of the employers as of March 31, 2015 for ERS and PFRS respectively follow:

ERS

Total pension liability	\$ 164,591,504
Net position	<u>(161,213,259)</u>
Net pension liability (asset)	<u>\$ 3,378,245</u>
ERS net position as a percentage of total pension liability	-97.9%

PFRS

Total pension liability	\$ 28,474,417
Net position	<u>(28,199,157)</u>
Net pension liability (asset)	<u>\$ 275,260</u>
PFRS net position as a percentage of total pension liability	-99.0%

9. OTHER POSTEMPLOYMENT BENEFIT PLAN

Plan Description

The City administers the City of Lockport Retiree Medical, Dental and Life Insurance Plan (the Plan) as a single-employer defined benefit Other Postemployment Benefit plan (OPEB). The Plan provides for continuation of medical benefits for all retirees and their spouses and can be amended by action of the City subject to applicable collective bargaining and employment agreements. The City currently has 186 retirees eligible to receive benefits under the Plan at December 31, 2015. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Funding Policy

The obligations of the plan members, employers and other entities are established by action of the City pursuant to applicable collective bargaining and employment agreements. The City currently provides health insurance for all of its active and retired employees and their spouses and children under the age of 26 at no cost to the employees or retirees. Surviving spouses and children under the age of 26 of a deceased employee or retiree can continue to participate but must pay 100% of the premium.

The City currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The amount paid by the City during 2015 was \$1,537,741. The cost of administering the Plan is paid by the City.

9. OTHER POSTEMPLOYMENT BENEFIT PLAN (Continued)

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost is calculated based on the Annual Required Contribution (ARC) of the employer, an amount actuarially determined in accordance with generally accepted accounting principles. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and the City's net OPEB obligation to the Plan at December 31, 2015:

Annual required contribution	\$ 9,775,319
Interest	870,806
Adjustment	<u>(1,210,548)</u>
Annual OPEB cost (expense)	9,435,577
Contributions made	<u>(1,537,741)</u>
Increase in net OPEB obligation	7,897,836
Net OPEB obligation - beginning of year	<u>21,541,522</u>
Net OPEB obligation - end of year	<u>\$ 29,439,358</u>
Percentage of annual OPEB cost contributed	16.3%

Funded Status and Funding Progress

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Plan is currently not funded.

Trend Information

The following table provides trend information for the Plan:

	Annual OPEB Cost	Annual Contributions	Percent of Annual OPEB Cost Contributed	Net OPEB Obligation at December 31
2015	\$ 9,435,577	\$ 1,537,741	16.3%	\$ 29,439,358
2014	\$ 7,506,448	\$ 2,552,538	34.0%	\$ 21,541,522
2013	\$ 7,196,437	\$ 2,223,865	30.9%	\$ 16,587,612

9. OTHER POSTEMPLOYMENT BENEFIT PLAN (Continued)

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following assumptions were made at December 31, 2015:

Actuarial cost method	Projected unit credit
Discount rate*	4.0%
Medical care cost trend rate	The SOA Long-Run Cost Trend Model is used, starting at 15% for 2014 and ultimately trending down to 4.30% by 2084.
Unfunded actuarial accrued liability:	
Amortization period	30 years
Amortization method	Level dollar
Amortization basis	Open

*As the Plan is unfunded, the assumed discount rate considers that the City's investment assets are low risk in nature, such as money market funds or certificates of deposit.

10. LONG-TERM LIABILITIES

Serial Bonds

The City borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the City. The provision to be made in the future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities. During the current year, the City recognized \$442,347 of expense for long-term serial bond interest.

Other Long Term Liabilities

In addition to the above long-term debt, the City had a non-current liability for compensated absences, which represents the value of the earned and unused sick days. The City has a non-current liability for a capital lease for the acquisition of equipment. The interest expense from the installment purchase debt totaled \$3,988 in the current year.

The following is a summary of changes in long-term liabilities for the year ended December 31, 2015:

	Balance January 1, 2015	Increase	Decrease	Balance December 31, 2015	Current
Serial bonds	\$ 8,935,000	\$ -	\$ 829,066	\$ 8,105,934	\$ 1,178,934
Other post employment benefits	21,541,522	9,435,577	1,537,741	29,439,358	-
Compensated absences (A)	2,866,290	92,048	-	2,958,338	-
Net pension liability	2,088,373	-	610,514	1,477,859	-
Workers compensation liability	4,419,472	-	340,329	4,079,143	-
Health insurance liability	242,173	-	14,712	227,461	-
Installment debt	181,443	-	59,170	122,273	60,472
Total governmental long-term debt	<u>\$ 40,274,273</u>	<u>\$ 9,527,625</u>	<u>\$ 3,391,532</u>	<u>\$ 46,410,366</u>	<u>\$ 1,239,406</u>

(A) Increases and decreases in compensated absences are shown net, since it is impractical to determine these amounts separately.

The second refunding of the Series 2007D Bonds by the City closed on August 13, 2015. The \$1,050,934 bond was part of the New York State Environmental Facilities Corporation issue of \$367,455,000 State Clean Water & Drinking Water Revolving Fund Revenue Bonds Series 2015D, also dated August 13, 2015. The bond refunding resulted in premium of \$135,141 and a deferred loss of \$121,216.

Deficit Financing

On September 4, 2014, the State Assembly of the State of New York passed a bill to allow the City to issue serial bonds in an amount not to exceed \$5,350,000 for the objective of liquidating deficits within the general, water, sewer and refuse funds for fiscal years between January 1, 2011 through December 31, 2013. The notes were issued on December 30, 2013.

10. LONG-TERM LIABILITIES (Continued)

Deficit Financing (Continued)

Under the conditions of this funding, the City must submit quarterly reports of summarized budgetary data. These reports must be completed within 30 days after quarter-end and must be submitted to the members of the Common Council of the City, the Director of the NYS Division of the Budget, the State Comptroller and the chairs of the senate finance committee and the ways and means committee. The City must also prepare quarterly trial balances of the general and special revenue funds in accordance with generally accepted accounting principles and submit within the same manner as the budget information.

All tentative budgets prepared while such debt is outstanding, after fiscal year beginning January 1, 2015, must be submitted to the State Comptroller no later than 30 days before the last date on which the budget must be finally adopted so that it may be examined and the State Comptroller can make recommendation.

The City had the following bonds and installment purchase debt payable obligations during the year and outstanding as of December 31, 2015:

	Year of Issue	Year of Maturity	Interest Rate	Original Issue	Principal Outstanding 1/1/2015	Payments	Issued	Principal Outstanding 12/31/2015
General	2008	2022	4.23%	\$ 839,635	\$ 430,000	\$ 70,000	\$ -	\$ 360,000
	2012	2022	.6% - 2.4%	165,000	125,000	20,000	-	105,000
	2012	2016	.6% - 1.2%	160,580	62,000	29,000	-	33,000
	2014	2024	5.00%	1,086,835	1,086,835	-	-	1,086,835
	2013	2017	2.198%	302,500	181,443	59,170	-	122,273
					<u>1,885,278</u>	<u>178,170</u>	<u>-</u>	<u>1,707,108</u>
Capital	2014	2024	2.65% - 3%	650,000	650,000	45,000	-	605,000
Sewer	2004	2019	1.2% - 4.67%	856,338	315,000	60,000	-	255,000
	2005	2019	3.5% - 4.0%	2,031,600	565,000	110,000	-	455,000
	2008	2022	4.24%	152,811	90,000	10,000	-	80,000
	2008	2037		1,392,363	1,130,000	79,066	-	1,050,934
	2012	2022	.6 - 2.4%	495,000	395,000	55,000	-	340,000
	2014	2024	5.00%	1,036,390	1,036,390	-	-	1,036,390
					<u>3,531,390</u>	<u>314,066</u>	<u>-</u>	<u>3,217,324</u>
Water	2005	2019	3.5% - 4.0%	518,000	200,000	40,000	-	160,000
	2008	2022	4.23%	428,870	245,000	30,000	-	215,000
	2012	2016	1.20%	40,000	20,000	10,000	-	10,000
	2012	2018	3.25% - 4.1%	630,400	395,000	95,000	-	300,000
	2014	2024	5.00%	1,563,190	1,563,190	-	-	1,563,190
					<u>2,423,190</u>	<u>175,000</u>	<u>-</u>	<u>2,248,190</u>
Refuse	2012	2016	2.00%	834,420	368,000	176,000	-	192,000
	2014	2024	5.00%	258,585	258,585	-	-	258,585
					<u>626,585</u>	<u>176,000</u>	<u>-</u>	<u>450,585</u>
Total					<u>\$ 9,116,443</u>	<u>\$ 888,236</u>	<u>\$ -</u>	<u>\$ 8,228,207</u>

10. LONG-TERM LIABILITIES (Continued)

The following is a summary of maturing debt service requirements for the City’s serial bonds and installment purchase debt:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2016	\$ 1,239,406	\$ 334,896	\$ 1,574,302
2017	1,015,801	293,036	1,308,837
2018	984,000	254,457	1,238,457
2019	894,000	215,700	1,109,700
2020	708,000	183,089	891,089
2021 - 2025	2,751,000	455,365	3,206,365
2026 - 2030	245,000	122,557	367,557
2031 - 2035	275,000	60,994	335,994
2036 - 2037	<u>116,000</u>	<u>5,440</u>	<u>121,440</u>
Total	<u>\$ 8,228,207</u>	<u>\$ 1,925,534</u>	<u>\$ 10,153,741</u>

11. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years.

Participation in the plan is optional. The deferred compensation is not available until termination, retirement, death or unforeseeable emergency.

The plan is administered by an independent firm which is responsible for administration, the fund’s investments and record keeping. Investments and related net position for employee’s contributions totaled \$6,500,659 at December 31, 2015. Employees contributed \$592,316 into the plan in 2015.

12. RISK FINANCING ACTIVITIES

The City is self-insured for general liability including, but not limited to, property damage and personal injury, workers’ compensation and medical insurance. The following deductibles apply for 2014: General Liability - \$0 - \$1,000. Public Officials Liability - \$10,000 - \$25,000. Law Enforcement Liability - \$15,000. Automobile Liability - \$0 - \$2,500. Commercial Property - \$5,000 (Flood, Earthquake \$50,000). Commercial Crime - \$1,000.

The City has purchased reinsurance agreements to reduce exposure to large losses. 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.

The workers’ compensation plan maintains excess insurance, which insures against catastrophic claim losses for amounts over \$650,000, per occurrence, up to the limitations provided under the contract. The plan establishes reserve liabilities based on the estimated cost of individual claims incurred. Those estimates are determined based on many factors, one of the most significant being past experience. Since the reserve liability is an estimate it may not reflect the plan’s ultimate liability.

12. RISK FINANCING ACTIVITIES (Continued)

	<u>Workers' Compensation</u>
Estimated claims December 31, 2014	\$ 4,419,472
Decrease in liability	<u>(340,329)</u>
Total Estimated claims December 31, 2015	<u>\$ 4,079,143</u>

The health insurance plan maintains specific stop loss insurance which insure against an individual catastrophic health event for amounts over \$10,000

	<u>Health Insurance</u>
Estimated claims December 31, 2014	\$ 242,173
Decrease in liability	<u>(14,712)</u>
Total Estimated claims December 31, 2015	<u>\$ 227,461</u>

13. COMMITMENTS AND CONTINGENCIES

Landfill Closure Costs

In 1994, the City closed a municipal landfill at a cost of \$1.4 million. The City has contracted with an outside firm to perform annual maintenance and monitoring at a fee of \$3,300 for 2014 and \$3,400 for years through 2016. The estimated annual maintenance cost for the landfill, for the remaining 10 years of monitoring are estimated at a maximum of \$5,000 per year.

Assessments

The City 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 City 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.

Other

The City is also involved in litigation arising in the ordinary course of its operations. The City believes that its ultimate liability, if any, in connection with these matters could have a material effect on the City's financial condition or results of operations but the potential loss cannot be estimated.

14. FUND BALANCE

As of December 31, 2015, fund balances were composed of the following:

	General Fund	Community Development Fund	Water Fund	Sewer Fund	Refuse Fund	Capital Fund	Debt Service Fund
Nonspendable							
Prepaid expenditures	\$ 561,869	\$ -	\$ 66,005	\$ 42,392	\$ -	\$ -	\$ -
Restricted							
Workers' compensation	1,067,941	-	-	-	-	-	-
Capital projects	-	-	-	-	-	1,095,810	-
Community development	-	49,013	-	-	-	-	-
Debt service	-	-	-	-	-	-	1,549,029
	<u>1,067,941</u>	<u>49,013</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,095,810</u>	<u>1,549,029</u>
Assigned							
Future appropriations	150,000	-	-	-	-	-	-
Self-insured healthcare	200,000	-	-	-	-	-	-
Encumbrances	63,852	-	36,444	61,730	-	-	-
Other	-	-	625,444	909,640	243,608	-	-
	<u>413,852</u>	<u>-</u>	<u>661,888</u>	<u>971,370</u>	<u>243,608</u>	<u>-</u>	<u>-</u>
Unassigned							
	<u>1,185,066</u>	<u>(107,912)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,492,106)</u>	<u>-</u>
Total	\$ 3,228,728	\$ (58,899)	\$ 727,893	\$ 1,013,762	\$ 243,608	\$ (6,396,296)	\$ 1,549,029

15. FUTURE GASB PRONOUNCEMENTS

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. The objective of this Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The City is required to adopt the provisions of this Statement for the year ending December 31, 2016.

In June 2015, the GASB issued Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The City is required to adopt the provisions of these Statements for the year ending December 31, 2018, with early adoption encouraged.

15. FUTURE GASB PRONOUNCEMENTS (Continued)

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* which supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, paragraphs 64, 74, and 82. Statement No. 76 reduces the number of categories of authoritative generally accepted accounting principles (GAAP) hierarchy and the framework for selecting those principles to two categories. The primary category "Category A" will consist of officially established GASB Statements and GASB Interpretations heretofore issued and currently in effect. The second category "Category B" will consist of GASB Technical Bulletins, GASB Implementation Guides when presented in the form of a *Comprehensive Implementation Guide*, and literature of the AICPA cleared by the GASB. The goal of Statement No. 76 is to help governments apply financial reporting guidance with less variability, therefore improving usefulness and comparability of financial statement information among state and local governments. The City is required to adopt the provisions of Statement No. 76 for the year ending December 31, 2016, and should be adopted retroactively, with early adoption permitted.

In August 2015, the GASB issued Statement No. 77 *Tax Abatement Disclosures*. This Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. The provisions of this Statement should be applied to all state and local governments subject to such tax abatement agreements. The City is required to adopt the provisions of these Statements for the year ending December 31, 2016, with early adoption encouraged.

In March 2016, GASB issued Statement No. 82, *Pension Issues-An Amendment of GASB Statements No. 67, Financial Reporting for pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73 Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GAS 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The Statement addresses issues related to the presentation of payroll related measures in required supplementary information, selection of assumptions and the treatment of deviations and classification of payments made by employers to meet employee contribution requirements. The Statement takes effect for reporting periods beginning after June 15, 2016 except for the selection of assumptions in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end in which the effective date is on or after June 15, 2017. Earlier adoption is encouraged.

CITY OF LOCKPORT, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Original Budget	Final Budget	Actual Amounts	Encumbrances	Variance with Final Budget Positive (Negative)
REVENUES:					
Real property taxes and tax items	\$ 12,192,471	\$ 12,192,471	\$ 12,287,031	\$ -	\$ 94,560
Nonproperty tax items	6,331,000	6,404,400	6,348,340	-	(56,060)
Interdepartmental charges	54,600	54,600	56,569	-	1,969
Departmental income	384,800	594,042	279,770	-	(314,272)
Use of money and property	3,000	3,000	13,742	-	10,742
Licenses and permits	185,000	185,000	196,115	-	11,115
Fines and forfeitures	210,000	210,000	192,362	-	(17,638)
Sale of property and compensation for loss	319,000	319,000	3,148	-	(315,852)
Miscellaneous	5,000	66,217	449,794	-	383,577
State aid	2,976,711	3,009,757	3,097,584	-	87,827
Federal aid	16,900	238,734	275,623	-	36,889
Total revenues	22,678,482	23,277,221	23,200,078	-	(77,143)
EXPENDITURES:					
General governmental support	2,628,930	2,751,854	2,609,449	9,570	132,835
Public health	3,000	3,000	2,026	-	974
Public safety	7,839,096	8,201,410	8,065,075	675	135,660
Transportation	1,526,268	1,792,378	1,492,793	13,288	286,297
Economic assistance and opportunity	132,000	132,000	151,753	-	(19,753)
Culture and recreation	347,013	381,608	368,265	-	13,343
Home and community services	373,843	371,315	361,522	1,360	8,433
Employee benefits	8,793,108	9,100,845	8,332,089	38,959	729,797
Debt service -					
Principal	789,171	789,171	785,170	-	4,001
Interest	246,053	186,372	171,889	-	14,483
Total expenditures	22,678,482	23,709,953	22,340,031	63,852	1,306,070
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(432,732)	860,047	(63,852)	1,228,927
OTHER FINANCING SOURCES (USES):					
Operating transfers - in	-	-	58,739	-	58,739
Operating transfers - out	-	(8,000)	(8,000)	-	-
Total other financing sources and uses	-	(8,000)	50,739	-	58,739
CHANGE IN FUND BALANCE	\$ -	\$ (440,732)	910,786	\$ (63,852)	\$ 1,287,666
FUND BALANCE - beginning of year			2,317,942		
FUND BALANCE - end of year			\$ 3,228,728		

CITY OF LOCKPORT, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - WATER FUND
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Original Budget	Final Budget	Actual Amounts	Encumbrances	Variance with Final Budget Positive (Negative)
REVENUES:					
Departmental income	\$ 4,312,064	\$ 4,358,317	\$ 3,714,488	\$ -	\$ (643,829)
Use of money and property	-	-	153	-	153
Sale of property and compensation for loss	1,500	1,500	1,498	-	(2)
Miscellaneous	10,000	(4,651)	39,650	-	44,301
Interfund revenue	101,500	101,500	-	-	(101,500)
Total revenues	<u>4,425,064</u>	<u>4,456,666</u>	<u>3,755,789</u>	<u>-</u>	<u>(700,877)</u>
EXPENDITURES:					
General governmental support	342,600	175,000	52,410	-	122,590
Home and community services	2,544,337	2,625,805	1,957,627	34,871	633,307
Employee benefits	1,293,711	1,294,712	1,243,006	1,573	50,133
Debt service -					
Principal	193,339	335,300	335,300	-	-
Interest	51,077	107,477	107,476	-	1
Total expenditures	<u>4,425,064</u>	<u>4,538,294</u>	<u>3,695,819</u>	<u>36,444</u>	<u>806,031</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(81,628)</u>	<u>59,970</u>	<u>(36,444)</u>	<u>105,154</u>
CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (81,628)</u>	<u>59,970</u>	<u>\$ (36,444)</u>	<u>\$ 105,154</u>
FUND BALANCE - beginning of year			<u>667,923</u>		
FUND BALANCE - end of year			<u>\$ 727,893</u>		

CITY OF LOCKPORT, NEW YORK

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual Amounts</u>	<u>Encumbrances</u>	Variance with Final Budget Positive (Negative)
REVENUES:					
Interdepartmental charges	\$ 596,855	\$ 596,855	\$ 637,660	\$ -	\$ 40,805
Departmental income	3,676,051	3,676,051	3,138,322	-	(537,729)
Use of money and property	-	-	146	-	146
Sale of property and compensation for loss	3,000	3,002	420	-	(2,582)
Miscellaneous	-	(4,363)	759	-	5,122
	<u>4,275,906</u>	<u>4,271,545</u>	<u>3,777,307</u>	<u>-</u>	<u>(494,238)</u>
EXPENDITURES:					
General governmental support	299,500	46,891	45,784	-	1,107
Home and community services	2,458,228	2,478,463	1,984,311	23,272	470,880
Employee benefits	1,145,792	1,145,933	984,614	38,458	122,861
Debt service -					
Principal	302,231	492,915	479,500	-	13,415
Interest	70,155	121,939	121,933	-	6
	<u>4,275,906</u>	<u>4,286,141</u>	<u>3,616,142</u>	<u>61,730</u>	<u>608,269</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(14,596)</u>	<u>161,165</u>	<u>(61,730)</u>	<u>114,031</u>
CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (14,596)</u>	161,165	<u>\$ (61,730)</u>	<u>\$ 114,031</u>
FUND BALANCE - beginning of year			<u>852,597</u>		
FUND BALANCE - end of year			<u>\$ 1,013,762</u>		

CITY OF LOCKPORT, NEW YORK

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - REFUSE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Encumbrances</u>	Variance with Final Budget Positive (Negative)
REVENUES:					
Real property taxes and tax items	\$ -	\$ -	\$ 18,900	\$ -	\$ 18,900
Departmental income	1,281,679	1,281,679	1,282,685	-	1,006
Use of money and property	-	111	111	-	-
Sale of property and compensation for loss	-	-	225	-	225
State aid	-	-	195,673	-	195,673
Total revenues	<u>1,281,679</u>	<u>1,281,790</u>	<u>1,497,594</u>	<u>-</u>	<u>215,804</u>
EXPENDITURES:					
Home and community services	1,087,000	1,139,709	1,091,087	-	48,622
Debt service -					
Principal	176,000	176,000	176,000	-	-
Interest	18,779	18,779	17,595	-	1,184
Total expenditures	<u>1,281,779</u>	<u>1,334,488</u>	<u>1,284,682</u>	<u>-</u>	<u>49,806</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(100)</u>	<u>(52,698)</u>	<u>212,912</u>	<u>-</u>	<u>265,610</u>
CHANGE IN FUND BALANCE	<u>\$ (100)</u>	<u>\$ (52,698)</u>	<u>212,912</u>	<u>\$ -</u>	<u>\$ 265,610</u>
FUND BALANCE - beginning of year			<u>30,696</u>		
FUND BALANCE - end of year			<u>\$ 243,608</u>		

CITY OF LOCKPORT, NEW YORK

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS PLAN

FOR THE YEAR ENDED DECEMBER 31, 2015

<u>Actuarial Valuation Date</u>	<u>Year Ended</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Actuarial Accrued Liability (AAL)</u>	<u>(b-a) Unfunded AAL (UAAL)</u>	<u>(a/b) Funded Ratio</u>	<u>(c) Covered Payroll</u>	<u>((b-a)/c) UAAL as a percentage of Covered Payroll</u>
12/31/2014	December 31, 2015	\$ -	\$ 108,207,693	\$ 108,207,693	0.00%	\$ 12,520,548	864%
12/31/2014	December 31, 2014	\$ -	\$ 103,028,122	\$ 103,028,122	0.00%	\$ 14,006,996	736%
12/31/2013	December 31, 2013	\$ -	\$ 95,743,119	\$ 95,743,119	0.00%	\$ 13,704,873	699%

CITY OF LOCKPORT, NEW YORK

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN - ERS										
Proportion of the net pension liability (asset)	0.025%									
Proportionate share of the net pension liability (asset)	\$ 840									
Covered-employee payroll	\$ 7,562									
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	11.11%									
Plan fiduciary net position as a percentage of the total pension liability (asset)	97.90%									

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN - PFRS										
Proportion of the net pension liability (asset)	0.232%									
Proportionate share of the net pension liability (asset)	\$ 638									
Covered-employee payroll	\$ 4,959									
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	12.87%									
Plan fiduciary net position as a percentage of the total pension liability (asset)	99.00%									

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

CITY OF LOCKPORT, NEW YORK

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS - PENSION PLANS
 FOR THE YEAR ENDED DECEMBER 31, 2015

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN - ERS	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 1,250									
Contributions in relation to the contractually required contribution	1,250									
Contribution deficiency (excess)	\$ -									
Covered-employee payroll	\$ 7,562									
Contributions as a percentage of covered-employee payroll	16.53%									

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN - PFRS	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 1,925									
Contributions in relation to the contractually required contribution	1,925									
Contribution deficiency (excess)	\$ -									
Covered-employee payroll	\$ 4,959									
Contributions as a percentage of covered-employee payroll	38.82%									

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.