

**CITY OF LOCKPORT, NEW YORK**

**Financial Statements as of  
December 31, 2013  
Together with  
Independent Auditor's Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

# CITY OF LOCKPORT, NEW YORK

## TABLE OF CONTENTS DECEMBER 31, 2013

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	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT .....	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED).....	4 -11
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements -	
Statement of Net Position .....	12
Statement of Activities and Changes in Net Position .....	13
Fund Financial Statements -	
Balance Sheet - Governmental Funds .....	14
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position .....	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities and Change in Net Position .....	17
Fiduciary Funds	
Statement of Net Position .....	18
Statement of Changes in Net Position .....	19
Notes to Basic Financial Statements.....	20 - 43
REQUIRED SUPPLEMENTARY INFORMATION:	
Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - General Fund .....	44
Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Water Fund .....	45
Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Sewer Fund.....	46
Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Refuse Fund.....	47

## INDEPENDENT AUDITOR'S REPORT

November 19, 2014

To the Honorable 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, 2013, 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 conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the statement of revenues, expenditures, and changes in fund balance - governmental funds; the statement of activities and change in net position, and amounts recorded for capital assets, or the consistency of application of accounting principles with the preceding year.

We conducted our audit of the Statement of Net Position and Balance Sheet - Governmental Funds 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 Statement of Net Position and Balance Sheet - Governmental Funds 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.

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## **INDEPENDENT AUDITOR'S REPORT**

(Continued)

### ***Auditor's Responsibility (Continued)***

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the Statement of Net Position and Balance Sheet - Governmental Funds.

### ***Basis for Disclaimer of Opinion on the Results of Operations and Consistency***

Because of the inadequacy of the accounting records for years prior to and including December 31, 2012, we were unable to apply audit procedures necessary to obtain sufficient appropriate audit evidence about the classifications and amounts comprising the Statement of Net Position and Balance Sheet – Governmental Funds, at December 31, 2012. The significant aspects of the Statement of Net Position and Balance Sheet – Governmental Funds at December 31, 2012, including classifications and amounts, materially affect the determination of the results of operations and consistency of application of accounting principles between December 31, 2012 and December 31, 2013.

### ***Basis for Disclaimer of Opinion on the Results of Capital Assets***

Because of the inadequacy of accounting records for years prior to December 31, 2012, we were unable to form an opinion regarding the capital assets recorded in the accompanying Statement of Net Position at December 31, 2013 (stated at \$58,888,641).

### ***Disclaimer of Opinion on Results of Operations and Consistency***

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the results of operations for the year ended December 31, 2013, or on the consistency of application of accounting principles with the preceding year. Accordingly, we do not express an opinion on the results of operations for the year ended December 31, 2013, or on the consistency of application of accounting principles with the preceding year.

### ***Disclaimer of Opinion on Results of Capital Assets***

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the results of capital assets for the year ended December 31, 2013. Accordingly, we do not express an opinion on the results of capital assets for the year ended December 31, 2013.

### ***Opinion on the Statement of Net Position and Balance Sheet - Governmental Funds***

In our opinion, except for the item listed in the preceding paragraph, the Statement of Net Position and Balance Sheet – Governmental funds present fairly, in all material respects, the respective financial position of the City of Lockport, New York, as of December 31, 2013 in accordance with accounting principles generally accepted in the United States of America.

### ***Correction of an Error***

As described in Note 15 to the financial statements, the City corrected errors as they related to the prior year fund balances relating to amounts not recorded from previous audits. Our opinion is not modified with respect to this matter.

(Continued)

## **INDEPENDENT AUDITOR'S REPORT**

(Continued)

### **Report on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-11 and 44-47 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, 2013 (UNAUDITED)**

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### **INTRODUCTION**

This discussion and analysis includes an overall review of the City's financial activities for the year ended December 31, 2013. 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. 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 \$4,451,155. The City also recorded a reduction to net position of \$6,511,514 as a prior period adjustment within the statement of activities. This was related to unavoidable cost overruns.

The City had a decrease of approximately \$2.6 million in fund balance for all governmental funds except for the Capital Fund. The Capital Fund decreased by \$3.8 million. These, and prior year deficits, are being addressed and are being incorporated as part of the recently passed deficit financing.

The General Fund's fund balance decreased \$576,693 for the year ended December 31, 2013. The General fund was also over budget approximately \$1.3 million.

The City has obtained the approval of deficit funding from New York State, not to exceed \$5.35 million to cover losses within the general, water, sewer, and refuse funds. . In addition the City has applied to, and expects to be accepted into very soon, 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. Once accepted into the program the Board will make recommendations to the City on methods to improve its fiscal stability, management, and the delivery of public services.

## 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 activities 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 2013 and 74% at 2012) 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		Percentage Change
	<u>2013</u>	<u>2012</u>	
Current and other assets	\$ 16,305,411	\$ 18,944,707	-13.9%
Capital assets	<u>58,888,641</u>	<u>53,409,865</u>	10.3%
Total assets	<u>\$ 75,194,052</u>	<u>\$ 72,354,572</u>	3.9%
Long-term debt outstanding	\$ 28,031,447	\$ 17,417,601	60.9%
Other liabilities	<u>19,479,997</u>	<u>16,291,695</u>	19.6%
Total liabilities	<u>\$ 47,511,444</u>	<u>\$ 33,709,296</u>	40.9%
Net position:			
Investment in capital assets	\$ 53,504,300	\$ 45,550,336	17.5%
Restricted	3,942,364	536,335	635.1%
Unrestricted	<u>(29,764,056)</u>	<u>(4,441,395)</u>	570.2%
Total net position	<u>\$ 27,682,608</u>	<u>\$ 41,645,276</u>	

The City experienced significant cash flow issues within 2013 which contributed to their reduction of cash. They also restated amounts related to other post employment benefits and workers compensation liabilities amounting to a \$2.6 million and \$2.8 million respectively as an increase from prior year and an increase of an additional \$4.9 million representing the current year impact of these earned benefits which contributed to their increase in long term debt.

## 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 54% of total revenues (53% in 2012). Charges for services, approximating 26% of total revenues (31% in 2012), 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 insurance 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 43% of total expenses in 2013 (42% in 2012), consisting principally of the City's police and fire departments. Total expenses decreased by \$109,640 (or less than 1%).

	Governmental Activities		Percentage Change
	<u>2013</u>	<u>2012</u>	
Program revenue:			
Charges for services	\$ 9,346,685	\$ 9,945,232	-6.0%
Operating grants	1,391,529	315,393	341.2%
Capital grants	1,353,431	470,800	187.5%
General revenue:			
Property taxes	12,236,223	11,038,890	10.8%
Other taxes	6,311,827	6,245,233	1.1%
Other general revenue	<u>4,024,619</u>	<u>4,339,895</u>	-7.3%
Total revenue	<u>34,664,314</u>	<u>32,355,443</u>	
Program expenses:			
General governmental support	5,160,564	5,250,007	-1.7%
Public safety	17,016,063	16,603,684	2.5%
Health	5,877	8,188	-28.2%
Transportation	2,844,870	6,598,626	-56.9%
Economic Assistance and Opportunity	216,865	145,251	49.3%
Culture and recreation	1,074,251	848,131	26.7%
Home and community services	12,606,597	9,519,696	32.4%
Debt service	<u>190,382</u>	<u>251,526</u>	-24.3%
Total expenses	<u>39,115,469</u>	<u>39,225,109</u>	
Deficiency	<u>\$ (4,451,155)</u>	<u>\$ (6,869,666)</u>	

The City's operating grants increased due to increased application activity by law enforcement.

Capital grants increased due to the aid received through our State Legislative Representation.

Transportation costs decreased significantly due to computerized fuel management system and a continuous reduction in fleet size.

The Home and community services expenditures increased due to greater demand for public assistance within these particular programs.

## **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 a decrease in fund balance of approximately \$577,000 for 2013. The General Fund experienced unavoidable cost overruns. This is being corrected through tighter budgetary controls and deficit financing.

Expenditures in the General Fund were approximately \$1.3 million higher than expected. This was attributable to the cost overruns also being balanced through tighter budgetary controls and deficit financing. This is what led to both the public safety and employee benefit expenditures to be significantly over budget. Revenues were \$804,000 higher than expected, which helped reduce the overall budget overrun to approximately \$460,000.

### 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 increased by approximately \$231,000 in 2013. The increase is due to amounts received in the current year for prior year expenditures. These were not recorded as receivables by the City in 2012.

### 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 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 a loss of \$645,844 for the year ended 2013. Previous years unpaid balances are relieved by the City. The City's deficit financing and the consideration of future rate increases should help with addressing the ongoing deficit.

### 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 decreased approximately \$1.4 million mainly due to the amounts due to the capital fund for projects completed or ongoing. Rate increases will be considered by the Council in the future.

### Refuse Fund

The City's refuse fund accounts for garbage services provided to tax payers. The fund had a decrease in fund balance of approximately \$119,000 for the year ended 2013. Rate increases will be considered by the Council in the future.

### 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.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Actual revenues were more than budgeted by \$804,000. The majority of this is a result of the City conservative budgeting of revenues in 2013.

Actual expenditures were greater than budgeted by \$1.3 million. The largest budgetary variances were those for public safety and employee benefits which were approximately \$655,000 and \$616,000 respectively.

## GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

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. All other budget amendments must be authorized by formal resolution of the City Council.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets, net of depreciation, are as follows:

	<u>2013</u>	<u>2012</u>
Land	\$ 3,173,000	\$ 3,173,000
Construction in process	5,052,726	-
Buildings and improvements	66,360,446	66,360,446
Machinery and equipment	6,938,532	5,504,822
Transportation network	4,920,486	4,920,486
Water and sewer network	10,544,045	10,476,821
Vehicles	4,189,639	4,147,909
Accumulated depreciation	<u>(42,290,233)</u>	<u>(41,173,619)</u>
Totals	<u>\$ 58,888,641</u>	<u>\$ 53,409,865</u>

Net capital assets increased by \$5,478,776 during the current year. This reflects new improvement and infrastructure projects under construction of \$5,052,726, machinery and equipment additions of \$1,433,710, water and sewer network additions of \$67,224 and the purchase of new vehicles of \$47,730. Accumulated depreciation increased approximately \$1,116,000 in 2013.

### Debt

A summary of the City's outstanding obligations are:

	<u>2013</u>	<u>2012</u>
Serial Bonds	\$ 5,145,000	\$ 5,915,000
Other post employment benefits	16,587,612	11,615,040
Compensated absences	2,725,757	2,360,590
Workers compensation	3,333,737	-
Installment debt	<u>239,341</u>	<u>-</u>
Total debt	<u>\$ 28,031,447</u>	<u>\$ 19,890,630</u>

At December 31, 2013, the City has total long-term debt outstanding of \$28,031,447, of which \$862,898 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 remainder of the City's outstanding obligations arise out of contractual or other legal obligations. The majority arises from obligations for other post employment benefits of \$16,587,612.

## **FACTORS BEARING ON THE CITY'S FUTURE**

Health insurance costs continue to increase at rates well above the rate of inflation which makes budgeting difficult. The majority of the City's employees receive 100% of their health care coverage under collective bargaining agreements.

Retirement costs for employees as mandated by New York State Local Employees Retirement System and the New York State Police & Fire Retirement System 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. This money was approved to help 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 hopes to be better able to fund services to its constituents.

## **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, One Locks Plaza, City of Lockport, New York 14094.

# CITY OF LOCKPORT, NEW YORK

## STATEMENT OF NET POSITION DECEMBER 31, 2013

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	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 721,872
Cash - restricted	3,942,364
Other receivables	2,384,903
Due from Federal and State governments	45,262
Loans receivable	4,174,945
Taxes receivable, net	3,049,933
Due from other funds	1,189
Due from other governments	883,806
Prepaid expenses	901,137
Other assets	200,000
Capital assets, net	<u>58,888,641</u>
Total assets	<u>75,194,052</u>
<b>LIABILITIES</b>	
Accounts payable	1,665,851
Accrued liabilities	479,743
Due to other governments	2,106,454
Unearned revenue	4,297,168
Revenue Anticipation Note	2,700,000
Bond Anticipation Note	8,230,781
Long-term liabilities -	
Bonds payable due within one year	805,000
Installment debt due within one year	57,898
Bonds payable	4,340,000
Installment debt	181,443
Other post employment benefits	16,587,612
Workers compensation	3,333,737
Compensated absences	<u>2,725,757</u>
Total liabilities	<u>47,511,444</u>
<b>NET POSITION</b>	
Net investment in capital assets	53,504,300
Restricted	3,942,364
Unrestricted	<u>(29,764,056)</u>
Total net position	<u>\$ 27,682,608</u>

The accompanying notes are an integral part of these statements.

**CITY OF LOCKPORT, NEW YORK**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2013**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>PRIMARY GOVERNMENT:</b>					
Governmental activities -					
General governmental support	\$ 5,160,564	\$ 434,486	\$ -	\$ -	\$ (4,726,078)
Public health	5,877	-	-	-	(5,877)
Public safety	17,016,063	1,486,402	-	-	(15,529,661)
Transportation	2,844,870	251,545	-	1,353,431	(1,239,894)
Economic assistance and opportunity	216,865	22,868	-	-	(193,997)
Culture and recreation	1,074,251	91,471	-	-	(982,780)
Home and community services	12,606,597	7,059,913	1,391,529	-	(4,155,155)
Interest on long-term debt	190,382	-	-	-	(190,382)
<b>Total governmental activities</b>	<b>\$ 39,115,469</b>	<b>\$ 9,346,685</b>	<b>\$ 1,391,529</b>	<b>\$ 1,353,431</b>	<b>(27,023,824)</b>
<b>GENERAL REVENUES AND TRANSFERS:</b>					
Real property taxes and real property tax items					12,236,223
Nonproperty tax items					6,311,827
Use of money and property					237,577
Sale of property and compensation for loss					412,541
State aid not received for a specific purpose					2,996,592
Other revenues					377,909
<b>Total general revenues and transfers</b>					<b>22,572,669</b>
<b>Change in net position</b>					<b>(4,451,155)</b>
<b>Net position - beginning of year, as previously reported</b>					<b>38,645,277</b>
<b>PRIOR PERIOD ADJUSTMENTS</b>					<b>(6,511,514)</b>
<b>Net position - beginning of year, as restated</b>					<b>32,133,763</b>
<b>Net position - end of year</b>					<b>\$ 27,682,608</b>

The accompanying notes are an integral part of these statements.

**CITY OF LOCKPORT, NEW YORK**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2013**

	<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>
<b>ASSETS</b>								
Cash and cash equivalents	\$ 279,027	\$ -	\$ -	\$ 191,345	\$ 227,195	\$ 24,305	\$ -	\$ 721,872
Cash - restricted	945,258	131,392	2,583,782	-	-	-	281,932	3,942,364
Due from Federal and State governments	-	-	45,262	-	-	-	-	45,262
Due from other governments	859,361	-	24,445	-	-	-	-	883,806
Loans receivable	-	4,174,945	-	-	-	-	-	4,174,945
Taxes receivable, net	3,049,933	-	-	-	-	-	-	3,049,933
Other receivables	253,335	-	-	894,115	756,793	480,660	-	2,384,903
Other assets	200,000	-	-	-	-	-	-	200,000
Prepaid expenditures	766,756	-	-	61,057	73,324	-	-	901,137
Due from other funds	1,980,536	-	1,482,503	-	-	-	-	3,463,039
<b>Total assets</b>	<b>\$ 8,334,206</b>	<b>\$ 4,306,337</b>	<b>\$ 4,135,992</b>	<b>\$ 1,146,517</b>	<b>\$ 1,057,312</b>	<b>\$ 504,965</b>	<b>\$ 281,932</b>	<b>\$ 19,767,261</b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>								
<b>LIABILITIES:</b>								
Accounts payable	\$ 222,890	\$ -	\$ 1,047,561	\$ 93,881	\$ 127,561	\$ 173,958	\$ -	\$ 1,665,851
Accrued liabilities	350,507	-	-	36,151	38,222	-	-	424,880
Due to other funds	748,968	154,991	450,000	1,107,701	560,778	439,412	-	3,461,850
Due to other governments	2,106,454	-	-	-	-	-	-	2,106,454
Revenue anticipation note	2,700,000	-	-	-	-	-	-	2,700,000
Bond anticipation note	-	-	8,230,781	-	-	-	-	8,230,781
Unearned revenue	122,223	4,174,945	-	-	-	-	-	4,297,168
<b>Total liabilities</b>	<b>6,251,042</b>	<b>4,329,936</b>	<b>9,728,342</b>	<b>1,237,733</b>	<b>726,561</b>	<b>613,370</b>	<b>-</b>	<b>22,886,984</b>
<b>DEFERRED INFLOWS:</b>								
Unearned property taxes	1,200,595	-	-	-	-	-	-	1,200,595
Deferred fees for service	-	-	-	186,673	174,538	157,783	-	518,994
<b>Total deferred inflows</b>	<b>1,200,595</b>	<b>-</b>	<b>-</b>	<b>186,673</b>	<b>174,538</b>	<b>157,783</b>	<b>-</b>	<b>1,719,589</b>
<b>FUND BALANCES:</b>								
Nonspendable	766,756	-	-	61,057	73,324	-	-	901,137
Restricted	945,258	131,392	2,583,782	-	-	-	281,932	3,942,364
Assigned	224,351	-	-	-	82,889	-	-	307,240
Unassigned	(1,053,796)	(154,991)	(8,176,132)	(338,946)	-	(266,188)	-	(9,990,053)
<b>Total fund balances</b>	<b>882,569</b>	<b>(23,599)</b>	<b>(5,592,350)</b>	<b>(277,889)</b>	<b>156,213</b>	<b>(266,188)</b>	<b>281,932</b>	<b>(4,839,312)</b>
<b>Total liabilities, deferred inflows and fund balances</b>	<b>\$ 8,334,206</b>	<b>\$ 4,306,337</b>	<b>\$ 4,135,992</b>	<b>\$ 1,146,517</b>	<b>\$ 1,057,312</b>	<b>\$ 504,965</b>	<b>\$ 281,932</b>	<b>\$ 19,767,261</b>

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, 2013

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Total fund balance - governmental funds \$ (4,839,312)

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	101,178,874	
Accumulated depreciation	<u>(42,290,233)</u>	
		58,888,641

Compensated absences are not reported in the funds under fund accounting, but are expensed in the statement of activities as the liability is incurred. (2,725,757)

Revenue related to the tax levy is recognized when earned in the statement of activities, but recorded as a deferred inflow in the fund statements if collection is anticipated to exceed sixty days after year-end. 1,200,595

Revenue related to the service billings is recognized when earned in the statement of activities, but recorded as a unearned revenue in the fund statements if collection is anticipated to exceed sixty days after year-end. 518,994

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. (54,863)

Long-term debt, including serial bonds, other post employment benefits, and workers compensation liability is not due and payable in the current period and; therefore, is not reported as fund liabilities. (25,305,690)

Total net position of governmental activities \$ 27,682,608

**CITY OF LOCKPORT, NEW YORK**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<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>
<b>REVENUES:</b>								
Real property taxes and tax items	\$ 11,035,628	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,035,628
Nonproperty tax items	6,311,827	-	-	-	-	-	-	6,311,827
Departmental income	1,223,358	-	-	3,085,247	2,834,746	1,139,920	-	8,283,271
Use of money and property	234,170	79	2,276	167	182	105	598	237,577
Licenses and permits	211,989	-	-	-	-	-	-	211,989
Fines and forfeitures	332,432	-	-	-	-	-	-	332,432
Sale of property and compensation for loss	322,608	-	-	2,033	87,900	-	-	412,541
Miscellaneous	235,522	50,421	24,595	55,666	11,705	-	-	377,909
State aid	2,996,592	-	1,227,795	-	596,855	-	-	4,821,242
Federal aid	242,479	552,195	125,636	-	-	-	-	920,310
<b>Total revenues</b>	<b>23,146,605</b>	<b>602,695</b>	<b>1,380,302</b>	<b>3,143,113</b>	<b>3,531,388</b>	<b>1,140,025</b>	<b>598</b>	<b>32,944,726</b>
<b>EXPENDITURES:</b>								
General governmental support	2,601,054	-	-	69,761	72,486	-	-	2,743,301
Public health	3,001	-	-	-	-	-	-	3,001
Public safety	9,225,825	-	-	-	-	-	-	9,225,825
Transportation	1,509,309	-	-	-	-	-	-	1,509,309
Economic assistance and opportunity	118,533	-	-	-	-	-	-	118,533
Culture and recreation	560,046	-	-	-	-	-	-	560,046
Home and community services	589,362	371,641	-	2,099,402	2,442,971	1,092,403	-	6,595,779
Employee benefits	8,944,331	-	-	1,192,108	1,244,603	-	-	11,381,042
Capital outlay	-	-	6,486,436	-	-	-	-	6,486,436
Debt service -								
Principal	464,204	-	63,159	207,418	403,926	153,000	-	1,291,707
Interest	42,031	-	-	48,711	91,366	13,860	-	195,968
<b>Total expenditures</b>	<b>24,057,696</b>	<b>371,641</b>	<b>6,549,595</b>	<b>3,617,400</b>	<b>4,255,352</b>	<b>1,259,263</b>	<b>-</b>	<b>40,110,947</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(911,091)</b>	<b>231,054</b>	<b>(5,169,293)</b>	<b>(474,287)</b>	<b>(723,964)</b>	<b>(119,238)</b>	<b>598</b>	<b>(7,166,221)</b>
<b>OTHER FINANCING SOURCES AND (USES):</b>								
Proceeds from the issuance of debt	-	-	302,500	-	-	-	-	302,500
BANs redeemed from appropriations	-	-	458,548	-	-	-	-	458,548
Operating transfers - in	370,000	-	635,306	-	-	-	-	1,005,306
Operating transfers - out	(35,602)	-	-	(171,557)	(658,146)	-	(140,001)	(1,005,306)
<b>Total other financing sources and uses</b>	<b>334,398</b>	<b>-</b>	<b>1,396,354</b>	<b>(171,557)</b>	<b>(658,146)</b>	<b>-</b>	<b>(140,001)</b>	<b>761,048</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(576,693)</b>	<b>231,054</b>	<b>(3,772,939)</b>	<b>(645,844)</b>	<b>(1,382,110)</b>	<b>(119,238)</b>	<b>(139,403)</b>	<b>(6,405,173)</b>
FUND BALANCE - beginning of year, as previously reported	1,538,764	2,703	(1,246,798)	(13,862)	1,608,812	287,507	536,335	2,713,461
PRIOR PERIOD ADJUSTMENT	(79,502)	(257,356)	(572,613)	381,817	(70,489)	(434,457)	(115,000)	(1,147,600)
FUND BALANCE - beginning of year as restated	1,459,262	(254,653)	(1,819,411)	367,955	1,538,323	(146,950)	421,335	1,565,861
FUND BALANCE - end of year	\$ 882,569	\$ (23,599)	\$ (5,592,350)	\$ (277,889)	\$ 156,213	\$ (266,188)	\$ 281,932	\$ (4,839,312)

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 AND CHANGE IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2013**

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Net changes in fund equity - Total governmental funds	\$ (6,405,173)
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position.	6,595,390
Depreciation is not recorded as a expenditure in the governmental funds, but is recorded in the statement of activities.	(1,116,614)
Proceeds from the issuance of long-term debt are recorded as an other source in the governmental funds but are recorded as long-term debt in the statement of net position.	(302,500)
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.	833,159
Service billings received more than sixty days after year end are unearned in the funds, but in the statement of activities, the revenue is recognized when the service is provided.	518,994
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.	1,200,595
Accrued post employment benefits, compensated absences, and workers compensation liability that are long-term, and, therefore, not reported as expenditures in the governmental funds.	(5,780,592)
Interest is accrued on the outstanding bonds on the statement of net position but is not recorded as an expenditure in the government funds.	<u>5,586</u>
Change in net position - Governmental activities	<u>\$ (4,451,155)</u>

**CITY OF LOCKPORT, NEW YORK**

**STATEMENT OF NET POSITION - FIDUCIARY FUNDS  
DECEMBER 31, 2013**

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	Private Purpose <u>Trust</u>	<u>Agency</u>
<b>ASSETS:</b>		
Cash	\$ -	\$ 31,802
Cash - restricted	62,089	983,964
Due from other governments	-	30,469
Due from other funds	-	<u>271,751</u>
Total assets	<u>62,089</u>	<u>1,317,986</u>
<b>LIABILITIES:</b>		
Due to other funds	-	272,940
Agency liabilities	-	<u>1,045,046</u>
Total current liabilities	<u>-</u>	<u>\$ 1,317,986</u>
<b>NET POSITION:</b>		
Held in trust for private purposes	<u>62,089</u>	
Total net position	<u>\$ 62,089</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, 2013**

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	Private Purpose <u>Trust</u>
ADDITIONS:	
Interest and earnings	\$ <u>52</u>
CHANGE IN NET POSITION	<u>52</u>
NET POSITION - beginning of year, as previously reported	120,122
PRIOR PERIOD ADJUSTMENT	<u>(58,085)</u>
NET POSITION - beginning of year, as restated	<u>62,037</u>
NET POSITION - end of year	<u>\$ 62,089</u>

The accompanying notes are an integral part of these statements.

# CITY OF LOCKPORT, NEW YORK

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2013

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### 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, except as otherwise noted. 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 and Changes in Net Position 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 and Change in Net Position 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, liabilities, deferred inflows, 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, liabilities, deferred inflows, 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 the following 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 and water 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 the 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, 2013, the allowance for uncollectible taxes is \$150,365 , 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.

### Insurance

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 2013: 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.

### 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 the 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 that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditure) 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 statements 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. The general, water and sewer funds related to prepaid expenditures.
- **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**

Some 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 June 19, each department head submits to the budget planning department their departmental estimates of expenditures for the ensuing fiscal year.
- b. The Board of Estimate and Apportionment estimates all revenues, reviews the departmental estimates and formulates the proposed budget for the fiscal year which will commence January 1.
- c. Prior to September 15, the Board of Apportionment 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.
- f. Prior to October 15, the budget is legally enacted 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 \$23,599. This is due to amounts the fund owes back to the general fund for expenditures in the prior years.

The Capital Projects fund has a deficit fund balance of \$5,592,350. 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.

The Water Fund has a deficit fund balance of \$277,889. This will be reduced by the recently enacted deficit financing.

The Refuse Fund has a deficit fund balance of \$266,188. This will be reduced by the recently enacted deficit financing.

### Overdrawn Appropriations (Unaudited)

Expenditures for the year ended December 31, 2013 exceeded appropriations in the General Fund by \$1,265,525. This was primarily a result of over spending of \$654,756 in public safety and \$616,294 in employee benefits.

Expenditures for the year ended December 31, 2013 exceeded appropriations in the Sewer Fund by \$149,218. This was primarily a result of additional expenditures recorded in the fund due to sewer project reimbursements to the capital projects fund that were not previously accounted for.

## 3. 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.

### 3. CASH AND CASH EQUIVALENTS (Continued)

#### Investment and Deposit Policy (Continued)

Investments (included in cash equivalents) consist of the following at December 31, 2013:

Money market funds	<u>\$ 4,518,427</u>
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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, 2013:

M&T Bank	<u>\$ 4,522,202</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.

### 3. CASH AND CASH EQUIVALENTS (Continued)

#### Custodial Credit Risk (Continued)

At December 31, 2013, 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	\$ 6,295,904	\$ 5,742,091
Collateralized with securities held by the pledging financial institution's trust department or agent in the County's name	\$ 5,707,102	
Covered by FDIC insurance	<u>778,224</u>	
Total	<u>\$ 6,485,326</u>	

### 4. RECEIVABLES

Major revenues accrued by the City at December 31, 2013 include the following:

<u>Fund</u>	<u>Balance</u>
General	
Due from other governments -	
Sales tax	\$ 610,775
Other fees and fines	248,586
Other receivables	
Ambulance billings	168,217
Other	<u>85,118</u>
	<u>\$ 1,112,696</u>
Water	
Water billings	<u>\$ 894,115</u>
Sewer	
Sewer billings	<u>\$ 756,793</u>
Refuse	
Refuse billings	<u>\$ 480,660</u>



#### 4. 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, 2013 were as follows:

Community Development Fund:

Loans - Community Development	\$	218,315
Loans - Home ownership		2,144,910
Loans - Rental Rehab		125,286
Loans - Deferred other		576,685
Loans - Home loans DHCR		1,075,949
Loans - Low Income		<u>33,800</u>
Total Community Development Loans Receivable	\$	<u>4,174,945</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, 2013:

City taxes receivable - current	\$	769,708
City taxes receivable - overdue		869,850
School taxes receivable		<u>1,560,740</u>
Total taxes		3,200,298
Less: Allowance for uncollectable taxes		<u>(150,365)</u>
Total taxes receivable, net	\$	<u>3,049,933</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 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 debt service fund. They also facilitate contributions from the special revenue fund to capital projects funds.

#### 4. RECEIVABLES (Continued)

Interfund receivables, payables and transfers as of and for the year ended December 31, 2013 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payables</u>	<u>Operating Transfers-in</u>	<u>Operating Transfers-out</u>
General Fund	\$ 1,980,536	\$ 748,968	\$ 370,000	\$ 35,602
Community Fund	-	154,991	-	-
Water Fund	-	1,107,701	-	171,557
Sewer Fund	-	560,778	-	658,146
Refuse Fund	-	439,412	-	-
Capital Projects Fund	1,482,503	450,000	635,306	-
Debt Service Fund	-	-	-	140,001
Agency Fund	<u>271,751</u>	<u>272,940</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,734,790</u>	<u>\$ 3,734,790</u>	<u>\$ 1,005,306</u>	<u>\$ 1,005,306</u>

#### 5. CAPITAL ASSETS

Capital asset activity for the City for the year ended December 31, 2013 was as follows:

	<u>Balance at 12/31/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/13</u>
Capital assets, not being depreciated:				
Land	\$ 3,173,000	\$ -	\$ -	\$ 3,173,000
Construction in progress	<u>-</u>	<u>5,052,726</u>	<u>-</u>	<u>5,052,726</u>
Total capital assets, not being depreciable	<u>3,173,000</u>	<u>5,052,726</u>	<u>-</u>	<u>8,225,726</u>
Capital assets, being depreciated				
Buildings and improvements	66,360,446	-	-	66,360,446
Machinery and equipment	5,504,822	1,433,710	-	6,938,532
Transportation network	4,920,486	-	-	4,920,486
Water and sewer network	10,476,821	67,224	-	10,544,045
Vehicles	<u>4,147,909</u>	<u>41,730</u>	<u>-</u>	<u>4,189,639</u>
Total capital asset, being depreciated	<u>91,410,484</u>	<u>1,542,664</u>	<u>-</u>	<u>92,953,148</u>
Less accumulated depreciation:				
Buildings and improvements	28,310,612	593,884	-	28,904,496
Machinery and equipment	4,318,068	132,874	-	4,450,942
Transportation network	4,480,418	36,498	-	4,516,916
Water and sewer network	1,792,162	104,329	-	1,896,491
Vehicles	<u>2,272,359</u>	<u>249,029</u>	<u>-</u>	<u>2,521,388</u>
Total accumulated depreciation	<u>41,173,619</u>	<u>1,116,614</u>	<u>-</u>	<u>42,290,233</u>
Total capital assets, beginning depreciated, net	<u>50,236,865</u>	<u>426,050</u>	<u>-</u>	<u>50,662,915</u>
Governmental activities capital assets, net	<u>\$ 53,409,865</u>	<u>\$ 5,478,776</u>	<u>\$ -</u>	<u>\$ 58,888,641</u>

**5. CAPITAL ASSETS (Continued)**

Depreciation expense was charged to functions as follows:

General government support	\$ 135,926
Public safety	109,789
Transportation	143,432
Culture and recreation	48,110
Home and community	<u>679,357</u>
	<u>\$ 1,116,614</u>

**6. 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:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
BAN maturing 12/12/13 at .067%	\$ 4,944,529	\$ -	\$ 4,944,529	\$ -
BAN maturing 5/29/14 at .066%	-	3,744,800	-	3,744,800
BAN maturing 5/29/14 at 1.0%	-	4,485,981	-	4,485,981
RAN maturing 10/8/14 at .84%	<u>-</u>	<u>2,700,000</u>	<u>-</u>	<u>2,700,000</u>
Total	<u>\$ 4,944,529</u>	<u>\$ 10,930,781</u>	<u>\$ 4,944,529</u>	<u>\$ 10,930,781</u>

**7. 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.

## 7. PENSION PLAN (Continued)

### 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.

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>
2013	\$ 1,282,317	\$ 2,322,234
2012	\$ 1,261,892	\$ 1,955,875
2011	\$ 901,168	\$ 1,492,480

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

## 8. OTHER POST EMPLOYMENT 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, dental and life insurance benefits for certain 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 177 retirees eligible to receive benefits under the Plan at December 31, 2013. 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.

## 8. OTHER POST EMPLOYMENT BENEFIT PLAN (Continued)

### 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 required contribution rates of the employer and the members vary depending on the applicable agreement.

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 2013 was \$2,223,865. The costs of administering the Plan is paid by the City.

### 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, 2013:

Annual required contribution	\$ 7,175,674
Interest	464,602
Adjustment	<u>(443,839)</u>
Annual OPEB cost (expense)	7,196,437
Contributions made	<u>(2,223,865)</u>
Increase in net OPEB obligation	4,972,572
Net OPEB obligation - beginning of year	<u>11,615,040</u>
Net OPEB obligation - end of year	<u>\$ 16,587,612</u>
Percentage of annual OPEB cost contributed	30.9%

### 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.

**8. OTHER POSTEMPLOYMENT BENEFIT PLAN (Continued)**

**Schedule of Funding Progress for the City's Plan**

The schedule of funding progress presents information on the actuarial value of plan assets relative to the actuarial accrued liabilities for benefits.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2013	\$ -	\$ 95,743,119	\$ 95,743,119	0.0%	\$ 13,704,873	699%
12/31/2012	\$ -	\$ 91,202,018	\$ 91,202,018	0.0%	\$ 13,857,018	658%
12/31/2011	\$ -	\$ 70,078,127	\$ 70,078,127	0.0%	\$ 14,279,519	491%

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
2013	\$ 7,196,437	\$ 2,223,865	30.9%	\$ 16,587,612
2012	\$ 6,878,227	\$ 2,348,088	34.1%	\$ 11,615,040
2011	\$ 3,642,083	\$ 1,712,066	47.0%	\$ 7,084,901

**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, 2013:

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 2082.

**8. OTHER POST EMPLOYMENT BENEFIT PLAN (Continued)**

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.

**9. 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 \$190,382 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 \$2,673 in the current year.

The following is a summary of changes in long-term liabilities for the year ended December 31, 2013:

	Balance at January 1, 2013	Increase	Decrease	Balance at December 31, 2013	Current
Serial Bonds	\$ 5,915,000	\$ -	\$ 770,000	\$ 5,145,000	\$ 805,000
Other post employment benefits	11,615,040	7,196,437	2,223,865	16,587,612	-
Compensated absences (A)	2,360,590	365,167	-	2,725,757	-
Workers compensation liability	2,890,884	442,853	-	3,333,737	-
Installment debt	-	302,500	63,159	239,341	57,898
Total governmental long-term debt	\$ 22,781,514	\$ 8,306,957	\$ 3,057,024	\$ 28,031,447	\$ 862,898

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

## 9. LONG-TERM LIABILITIES (Continued)

The City had the following bonds and installment purchase debt payable obligations during the year and outstanding as of December 31, 2013:

	Year of <u>Issue</u>	Year of <u>Maturity</u>	Interest <u>Rate</u>	Original <u>Issue</u>	Principal Outstanding <u>12/31/2012</u>	<u>Payments</u>	<u>Issued</u>	Principal Outstanding <u>12/31/2013</u>
General								
	2005	2019	3.5% - 4.0%	\$ 256,300	\$ 40,000	\$ 20,000	\$ -	\$ 20,000
	2008	2022	4.23%	839,635	570,000	70,000	-	500,000
	2012	2022	.6% - 2.4%	165,000	165,000	20,000	-	145,000
	2012	2016	.6% - 1.2%	40,000	40,000	10,000	-	30,000
	2012	2016	.6% - 1.2%	160,580	127,000	37,000	-	90,000
					<u>942,000</u>	<u>157,000</u>	<u>-</u>	<u>785,000</u>
Capital								
	2013	2017	2.198%	302,500	-	63,159	302,500	239,341
Sewer								
	2004	2019	1.2% - 4.67%	856,338	430,000	55,000	-	375,000
	2005	2019	3.5% - 4.0%	2,031,600	900,000	165,000	-	735,000
	2008	2022	4.24%	152,811	110,000	10,000	-	100,000
	2008	2037	4.62%	1,392,363	1,205,000	35,000	-	1,170,000
	2012	2022	.6 - 2.4%	455,000	455,000	25,000	-	430,000
	2012	2022	.6 - 2.4%	40,000	40,000	25,000	-	15,000
					<u>3,140,000</u>	<u>315,000</u>	<u>-</u>	<u>2,825,000</u>
Water								
	2005	2019	3.5% - 4.0%	518,000	275,000	35,000	-	240,000
	2008	2022	4.23%	428,870	305,000	30,000	-	275,000
	2012	2018	3.25% - 4.1%	630,400	560,000	80,000	-	480,000
					<u>1,140,000</u>	<u>145,000</u>	<u>-</u>	<u>995,000</u>
Refuse								
	2012	2016	2.00%	834,420	693,000	153,000	-	540,000
Total					<u>\$ 5,915,000</u>	<u>\$ 833,159</u>	<u>\$ 302,500</u>	<u>\$ 5,384,341</u>

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>
2014	\$ 862,898	\$ 724,044	\$ 1,586,942
2015	804,171	683,394	1,487,565
2016	825,471	637,594	1,463,065
2017	581,801	584,494	1,166,295
2018	525,000	525,794	1,050,794
2019-2023	1,035,000	248,522	1,283,522
2024-2028	240,000	150,261	390,261
2029-2033	270,000	89,712	359,712
2034-2038	240,000	22,708	262,708
Total	<u>\$ 5,384,341</u>	<u>\$ 3,666,523</u>	<u>\$ 9,050,864</u>



**9. LONG-TERM LIABILITIES (Continued)**

**Interest**

Interest expense on long-term debt was \$187,709 in 2013. In 2013, cash paid for interest was \$193,295.

**10. 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 \$6,038,375 at December 31, 2013. Employees contributed \$663,331 into the plan in 2013.

**11. RISK FINANCING ACTIVITIES**

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.

	<u>Workers' Compensation</u>
Estimated claims December 31, 2012	\$ 2,890,884
Increase in liability	<u>442,853</u>
Total Estimated claims December 31, 2013	<u>\$ 3,333,737</u>

**12. 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 2013 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.

## 12. COMMITMENTS AND CONTINGENCIES (Continued)

### 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 will not have a material effect on the City's financial condition or results of operations.

## 13. FUND BALANCE

As of December 31, 2013, 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	\$ 766,756	\$ -	\$ 61,057	\$ 73,324	\$ -	\$ -	\$ -
Restricted							
Workers compensation	945,258	-	-	-	-	-	-
Capital projects	-	-	-	-	-	2,583,782	-
Community development	-	131,392	-	-	-	-	-
Debt service	-	-	-	-	-	-	281,932
	<u>945,258</u>	<u>131,392</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,583,782</u>	<u>281,932</u>
Assigned							
Self-insured healthcare	200,000	-	-	-	-	-	-
Other assigned	24,351	-	-	82,889	-	-	-
	<u>224,351</u>	<u>-</u>	<u>-</u>	<u>82,889</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned							
	<u>(1,053,796)</u>	<u>(154,991)</u>	<u>(338,946)</u>	<u>-</u>	<u>(266,188)</u>	<u>(8,176,132)</u>	<u>-</u>
Total	<u>\$ 882,569</u>	<u>\$ (23,599)</u>	<u>\$ (277,889)</u>	<u>\$ 156,213</u>	<u>\$ (266,188)</u>	<u>\$ (5,592,350)</u>	<u>\$ 281,932</u>

## 14. FUTURE GASB PRONOUNCEMENTS

In June 2012, the GASB issued Statement No. 67, "Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25." This statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The City is required to adopt the provisions of Statement No. 67 for the year ending December 31, 2014. The City's management has not yet assessed the impact of this statement on its future financial statements.

#### **14. FUTURE GASB PRONOUNCEMENTS (Continued)**

In June 2012, the GASB issued Statements *No. 68 Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. Statement No. 68 establishes 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, as well as for non-employer governments that have a legal obligation to contribute to those plans. The District is required to adopt the provisions of these Statements for the year ending December 31, 2014, with early adoption encouraged. The City's management has not yet assessed the impact of this statement on its future financial statements.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The term *government combinations* include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The District is required to adopt the provisions of this Statement for the year ending December 31, 2014. A prospective basis should be applied and early adoption is encouraged. The City's management has not yet assessed the impact of this statement on its future financial statements.

In November 2013, the GASB issued Statement No. 71, *Pension Transitions for Contributions Made Subsequent to the Transition Date - an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The City's management has not yet assessed the impact of this statement on its future financial statements. The City is required to adopt the provisions of this Statement in conjunction with GASB Statement No. 68, for the year ending December 31, 2014, with early adoption encouraged.

#### **15. PRIOR PERIOD ADJUSTMENTS**

During 2013 the City had a fiscal stress review performed by the Office of the State Comptroller of the State of New York (OSC). This review resulted in many findings regarding the reporting done by the City for fiscal year ended December 31, 2012 and prior. The findings of the OSC led to the restatement of various funds for the proper recording of information such as interfund receivables and payable, the erroneous recording of various assets and liabilities and the incorrect recording of non fiduciary activities within the trust and agency funds. The City also did not record adjustments identified in prior audits, therefore fund balance and net position were incorrect at January 1, 2013.

## 15. PRIOR PERIOD ADJUSTMENTS (Continued)

The following is the restatement of the governmental fund balance as a result of the prior period adjustments:

	General Fund	Water Fund	Sewer Fund	Refuse Fund	Community Development Fund	Capital Fund	Debt Service Fund	Total
Fund Balance at December 31, 2012, as previously reported	\$ 1,538,764	\$ (13,862)	\$ 1,608,812	\$ 287,507	\$ 2,703	\$ (1,246,798)	\$ 536,335	\$ 2,713,461
Prior Period Adjustment	<u>(79,502)</u>	<u>381,817</u>	<u>(70,489)</u>	<u>(434,457)</u>	<u>(257,356)</u>	<u>(572,613)</u>	<u>(115,000)</u>	<u>(1,147,600)</u>
Fund Balance at December 31, 2012, as restated	<u>\$ 1,459,262</u>	<u>\$ 367,955</u>	<u>\$ 1,538,323</u>	<u>\$ (146,950)</u>	<u>\$ (254,653)</u>	<u>\$ (1,819,411)</u>	<u>\$ 421,335</u>	<u>\$ 1,565,861</u>

The following is the restatement needed in the fiduciary fund:

	Private Purpose Trust
Fund Balance at December 31, 2012, as previously reported	\$ 120,122
Prior Period Adjustment	<u>(58,085)</u>
Fund Balance at December 31, 2012, as restated	<u>\$ 62,037</u>

While auditing the government-wide financial statements, it was noted that amounts related to an Environmental Facilities Corporation Loan in the amount of \$127,091 was incorrectly recorded as long-term debt. It was also noted that the amounts recorded for other post-employment benefits was not updated correctly, which resulted in an decrease of \$2,600,122 to beginning net position and the workers compensation liability for estimated claims and incurred but not reported claims were not recorded. This resulted in a decrease of net position of \$2,890,884. The remaining balance was the effect of adjustments not being made in the prior year.

Net Position beginning of year, as previously reported	\$ 38,645,277
Prior Period Adjustment	<u>(6,511,514)</u>
Net Position beginning of year, as restated	<u>\$ 32,133,763</u>

## **16. SUBSEQUENT EVENTS**

### **Deficit Financing**

On June 16, 2014, the State Assembly of the State of New York introduced 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. These notes must be issued no later than December 31, 2014.

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.

### **Bond Anticipation Note**

On May 29, 2014, the City issued \$8,118,000 in bond anticipation notes due on May 28, 2015 at a rate of 1%. These notes were issued to pay part of the costs of capital projects ongoing.

**REQUIRED SUPPLEMENTARY INFORMATION**

**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, 2013**

	Original Budget	Final Budget	Actual Amounts	Encumbrances	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>					
Real property taxes and tax items	\$ 10,946,911	\$ 10,946,911	\$ 11,035,628	\$ -	\$ 88,717
Nonproperty tax items	6,180,743	6,180,743	6,311,827	-	131,084
Departmental income	1,052,525	1,124,025	1,223,358	-	99,333
Use of money and property	20,282	242,818	234,170	-	(8,648)
Licenses and permits	176,785	176,785	211,989	-	35,204
Fines and forfeitures	300,000	300,000	332,432	-	32,432
Sale of property and compensation for loss	297,057	297,057	322,608	-	25,551
Miscellaneous	13,093	18,593	235,522	-	216,929
State aid	2,998,435	3,001,674	2,996,592	-	(5,082)
Federal aid	25,000	53,200	242,479	-	189,279
<b>Total revenues</b>	<u>22,010,831</u>	<u>22,341,806</u>	<u>23,146,605</u>	<u>-</u>	<u>804,799</u>
<b>EXPENDITURES:</b>					
General governmental support	2,653,153	2,577,427	2,601,054	3,828	(27,455)
Public health	4,000	3,001	3,001	1,666	(1,666)
Public safety	8,458,046	8,571,069	9,225,825	-	(654,756)
Transportation	1,529,143	1,447,343	1,509,309	15,429	(77,395)
Economic assistance and opportunity	127,100	118,533	118,533	-	-
Culture and recreation	641,026	561,173	560,046	171	956
Home and community services	524,912	591,120	589,362	-	1,758
Employee benefits	7,902,889	8,328,037	8,944,331	-	(616,294)
Debt service -					
Principal	541,601	541,601	464,204	-	77,397
Interest	73,961	73,961	42,031	-	31,930
<b>Total expenditures</b>	<u>22,455,831</u>	<u>22,813,265</u>	<u>24,057,696</u>	<u>21,094</u>	<u>(1,265,525)</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<u>(445,000)</u>	<u>(471,459)</u>	<u>(911,091)</u>	<u>(21,094)</u>	<u>(460,726)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating transfers - in	505,000	505,000	370,000	-	(135,000)
Operating transfers - out	(60,000)	(60,000)	(35,602)	-	24,398
<b>Total other financing sources and uses</b>	<u>445,000</u>	<u>445,000</u>	<u>334,398</u>	<u>-</u>	<u>(110,602)</u>
<b>CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>(26,459)</u>	<u>(576,693)</u>	<u>(21,094)</u>	<u>(571,328)</u>
FUND BALANCE - beginning of year, as previously reported	1,538,764	1,538,764	1,538,764	-	-
PRIOR PERIOD ADJUSTMENT	(79,502)	(79,502)	(79,502)	-	-
FUND BALANCE - beginning of year, as restated	<u>1,459,262</u>	<u>1,459,262</u>	<u>1,459,262</u>	<u>-</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 1,459,262</u>	<u>\$ 1,432,803</u>	<u>\$ 882,569</u>	<u>\$ (21,094)</u>	<u>\$ (571,328)</u>

**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, 2013**

	Original Budget	Final Budget	Actual Amounts	Encumbrances	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>					
Real property taxes and tax items	\$ -	\$ -	\$ -	\$ -	\$ -
Nonproperty tax items	-	-	-	-	-
Departmental income	3,968,430	3,968,430	3,085,247	-	(883,183)
Use of money and property	-	-	167	-	167
Sale of property and compensation for loss	10,132	10,132	2,033	-	(8,099)
Miscellaneous	21,018	21,018	55,666	-	34,648
<b>Total revenues</b>	<b>3,999,580</b>	<b>3,999,580</b>	<b>3,143,113</b>	<b>-</b>	<b>(856,467)</b>
<b>EXPENDITURES:</b>					
General governmental support	83,500	210,774	69,761	-	141,013
Home and community services	2,370,496	2,110,977	2,099,402	41,951	(30,376)
Employee benefits	1,162,032	1,346,555	1,192,108	-	154,447
Debt service -					
Principal	207,418	207,418	207,418	-	-
Interest	58,934	58,934	48,711	-	10,223
<b>Total expenditures</b>	<b>3,882,380</b>	<b>3,934,658</b>	<b>3,617,400</b>	<b>41,951</b>	<b>275,307</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>117,200</b>	<b>64,922</b>	<b>(474,287)</b>	<b>(41,951)</b>	<b>(581,160)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating transfers - out	(115,000)	(115,000)	(171,557)	-	(56,557)
<b>Total other financing sources and uses</b>	<b>(115,000)</b>	<b>(115,000)</b>	<b>(171,557)</b>	<b>-</b>	<b>(56,557)</b>
<b>CHANGE IN FUND BALANCE</b>	<b>2,200</b>	<b>(50,078)</b>	<b>(645,844)</b>	<b>(41,951)</b>	<b>(637,717)</b>
FUND BALANCE - beginning of year, as previously reported	381,817	381,817	381,817	-	-
PRIOR PERIOD ADJUSTMENT	(13,862)	(13,862)	(13,862)	-	-
FUND BALANCE - beginning of year, as restated	367,955	367,955	367,955	-	-
FUND BALANCE - end of year	<u>\$ 370,155</u>	<u>\$ 317,877</u>	<u>\$ (277,889)</u>	<u>\$ (41,951)</u>	<u>\$ (637,717)</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, 2013**

	Original Budget	Final Budget	Actual Amounts	Encumbrances	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>					
Departmental income	\$ 3,607,725	\$ 3,607,725	\$ 2,834,746	\$ -	\$ (772,979)
Use of money and property	-	-	182	-	182
Sale of property and compensation for loss	36,571	36,571	87,900	-	51,329
Miscellaneous	5,316	58,118	11,705	-	(46,413)
State aid	<u>596,855</u>	<u>596,855</u>	<u>596,855</u>	-	-
Total revenues	<u>4,246,467</u>	<u>4,299,269</u>	<u>3,531,388</u>	-	<u>(767,881)</u>
<b>EXPENDITURES:</b>					
General governmental support	84,000	71,549	72,486	-	(937)
Home and community services	2,405,902	2,365,142	2,442,971	27,951	(105,780)
Employee benefits	1,122,788	1,179,617	1,244,603	-	(64,986)
Debt service -					
Principal	407,788	407,788	403,926	-	3,862
Interest	<u>109,989</u>	<u>109,989</u>	<u>91,366</u>	-	<u>18,623</u>
Total expenditures	<u>4,130,467</u>	<u>4,134,085</u>	<u>4,255,352</u>	<u>27,951</u>	<u>(149,218)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>116,000</u>	<u>165,184</u>	<u>(723,964)</u>	<u>(27,951)</u>	<u>(917,099)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating transfers - out	<u>(115,000)</u>	<u>(167,802)</u>	<u>(658,146)</u>	-	<u>(490,344)</u>
Total other financing sources and uses	<u>(115,000)</u>	<u>(167,802)</u>	<u>(658,146)</u>	-	<u>(490,344)</u>
CHANGE IN FUND BALANCE	<u>1,000</u>	<u>(2,618)</u>	<u>(1,382,110)</u>	<u>(27,951)</u>	<u>(1,407,443)</u>
FUND BALANCE - beginning of year, as previously reported	1,608,812	1,608,812	1,608,812	-	-
PRIOR PERIOD ADJUSTMENT	<u>(70,489)</u>	<u>(70,489)</u>	<u>(70,489)</u>	-	-
FUND BALANCE - beginning of year, as restated	<u>1,538,323</u>	<u>1,538,323</u>	<u>1,538,323</u>	-	-
FUND BALANCE - end of year	<u>\$ 1,539,323</u>	<u>\$ 1,535,705</u>	<u>\$ 156,213</u>	<u>\$ (27,951)</u>	<u>\$ (1,407,443)</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, 2013**

	Original Budget	Final Budget	Actual Amounts	Encumbrances	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>					
Departmental income	\$ 1,243,860	\$ 1,243,860	\$ 1,139,920	\$ -	\$ (103,940)
Use of money and property	-	-	105	-	105
Total revenues	<u>1,243,860</u>	<u>1,243,860</u>	<u>1,140,025</u>	<u>-</u>	<u>(103,835)</u>
<b>EXPENDITURES:</b>					
Home and community services	1,077,000	1,097,285	1,092,403	4,712	170
Debt service -					
Principal	153,000	153,000	153,000	-	-
Interest	<u>13,860</u>	<u>13,860</u>	<u>13,860</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,243,860</u>	<u>1,264,145</u>	<u>1,259,263</u>	<u>4,712</u>	<u>170</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(20,285)</u>	<u>(119,238)</u>	<u>(4,712)</u>	<u>(103,665)</u>
CHANGE IN FUND BALANCE	<u>-</u>	<u>(20,285)</u>	<u>(119,238)</u>	<u>(4,712)</u>	<u>(103,665)</u>
FUND BALANCE - beginning of year, as previously reported	287,507	287,507	287,507	-	-
PRIOR PERIOD ADJUSTMENT	<u>(434,457)</u>	<u>(434,457)</u>	<u>(434,457)</u>	<u>-</u>	<u>-</u>
FUND BALANCE - beginning of year, as restated	<u>(146,950)</u>	<u>(146,950)</u>	<u>(146,950)</u>	<u>-</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ (146,950)</u>	<u>\$ (167,235)</u>	<u>\$ (266,188)</u>	<u>\$ (4,712)</u>	<u>\$ (103,665)</u>