

CITY OF LOCKPORT, NEW YORK

FINANCIAL STATEMENTS

DECEMBER 31, 2018

CITY OF LOCKPORT, NEW YORK

Table of Contents

December 31, 2018

Independent Auditors' Report

Management's Discussion and Analysis

Financial Statements

Statement of Net Position

Statement of Activities

Balance Sheet – Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

Statement of Major Funds Revenues, Expenditures, and Changes in Fund Balances Budget (Non-GAAP) and Actual

Statement of Proprietary Fund Net Position

Statement of Revenues, Expenditures, and Changes in Fund Net Position – Proprietary Funds

Statement of Proprietary Fund Cash Flows

Statement of Fiduciary Net Position

Notes to Financial Statements

Required Supplementary Information (Unaudited)

Schedule of the City's Proportionate Share of the Net Pension Position – New York State and Local Retirement System and related notes

Schedule of City Contributions – New York State and Local Retirement System

Schedule of Changes in the City's Total OPEB Liability and Related Ratios

INDEPENDENT AUDITORS' REPORT

The City of Lockport Common Council
City of Lockport, New York

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Lockport, New York (the City) as of and for the year ended December 31, 2018, 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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows and the respective budgetary comparisons for the general, water, and sewer funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Change in Accounting Principle

As described in Note 2 to the financial statements, in 2018, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Lumaden & McCormick, LLP

January 15, 2020

City of Lockport, New York
Management's Discussion and Analysis
December 31, 2018
Unaudited

Introduction

Management's Discussion and Analysis (MD&A) of City of Lockport, New York (the City) provides an overview of the City's financial activities and performance for the year ended December 31, 2018. The information contained in the MD&A should be considered in conjunction with the information presented in the City's financial statements that follow. This MD&A, the financial statements, and notes thereto are essential to obtaining a full understanding of the City's financial position and results of operations. The City's financial statements have the following components: (1) government-wide financial statements, (2) governmental fund financial statements, (3) reconciliations between the government-wide and governmental fund financial statements, (4) proprietary fund statements, (5) agency fund statements, (6) notes to the financial statements, and (7) required supplementary information.

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. In 2018, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). This statement results in recognition of a total OPEB liability and related deferred outflows and deferred inflows of resources. The cumulative effect of implementing this required change in accounting principle is a restatement of beginning net position as detailed in Note 2 to the financial statements. The comparative financial data in this MD&A for 2017 has not been restated.

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the net difference reported as net position. The statement of activities presents information showing how the City's net position changed during each 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 related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future periods. The government-wide financial statements present information about the City as a whole. All of the activities of the City are considered to be governmental activities.

Governmental fund financial statements focus on near-term inflows and outflows of resources, as well as on balances of resources available at the end of the year. Such information may be useful in evaluating the City's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the City's near-term financing decisions. The reconciliation portion of the financial statements facilitates the comparison between governmental funds and governmental activities.

Proprietary funds are used to report activities that provide goods or services to other funds or departments of the City and include the health insurance and workers' compensation internal service funds. Because the activities recorded in the funds are governmental in nature, such amounts are also reflected in the government-wide statements. Eliminations have been made to remove the "doubling-up" effect in the statement of activities.

Agency funds are used to account for resources held for the benefit of parties outside the City. Agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's programs. The notes to the financial statements provide additional information that is essential for a full understanding of the government-wide and governmental fund financial statements. Supplementary information further explains and supports the financial statements and includes information required by generally accepted accounting principles.

Condensed Statement of Net Position	Change			
	2018	2017	\$	%
Current assets	\$ 20,473,000	\$ 18,142,000	\$ 2,331,000	12.8%
Capital assets	60,646,000	57,506,000	3,140,000	5.5%
Total assets	81,119,000	75,648,000	5,471,000	7.2%
Deferred outflows of resources	11,281,000	6,299,000	4,982,000	79.1%
Long-term liabilities	118,758,000	63,422,000	55,336,000	87.3%
Other liabilities	9,310,000	8,077,000	1,233,000	15.3%
Total liabilities	128,068,000	71,499,000	56,569,000	79.1%
Deferred inflows of resources	24,923,000	1,324,000	23,599,000	1782.4%
Net position				
Net investment in capital assets	49,350,000	48,160,000	1,190,000	2.5%
Restricted	4,178,000	2,306,000	1,872,000	81.2%
Unrestricted	(114,119,000)	(41,342,000)	(72,777,000)	176.0%
Total net position	\$ (60,591,000)	\$ 9,124,000	\$ (69,715,000)	(764.1%)

The City's net position was a deficit balance of \$(60,591,000) at December 31, 2018 compared to a balance of \$9,124,000 at December 31, 2017. This change is a direct result of GASB Statement No. 75, which changed how other postemployment benefits are reported as noted below. Capital assets (infrastructure, buildings, improvements, machinery and equipment) represent the largest portion (74.8%) of the City's total assets (76.0% in 2017). Long-term liabilities outstanding total 92.7% in 2018 and 88.7% in 2017 of total liabilities. A portion of the City's long-term obligations relate directly to infrastructure and other capital assets, while the majority is associated with the City's other postemployment benefits (OPEB) and pension obligations.

Current assets increased by \$2,331,000. These balances consist of cash and receivables from other governments and third parties. The changes in individual account balances generally reflect the timing of cash flows as well as results of operations. Capital assets increased by \$3,140,000 due to work on the City's infrastructure and building improvement projects, offset by current year depreciation expense.

Long-term liabilities increased \$55,336,000 due to the implementation of GASB 75, as the total OPEB liability of \$102,354,000 was recognized. This liability reflects the actuarial estimate of the City's contractual requirement to provide health insurance to certain employees at retirement. Previously, only a portion of the total estimate was required to be accrued. Long-term liabilities also reflect decreases in the City's share of the net pension liability for the New York State and Local Retirement System, which includes the Employees' Retirement System (ERS) and the Police and Fire Retirement System (PFRS), and bonds payable, as a result of required principal payments on debt obligations. The increase in other liabilities of \$1,233,000 was due to the issuance of bond anticipation notes (BANs) of \$1,634,000.

Changes in deferred outflows and deferred inflows of resources for the City's pension activity at the State level are required to be reflected on the financial statements. Deferred outflows of resources include contributions paid by the City to the State pension system after the measurement date which determines the plan's net position. Deferred outflows and deferred inflows of resources also reflect variances from actuarial assumptions, actual results of investment earnings compared to projected earnings, and changes of assumptions for both pensions and the City's OPEB activity.

Condensed Statement of Activities	2018	2017	Change	
			\$	%
Revenues				
Program revenues				
Charges for services	\$ 10,230,000	\$ 10,099,000	\$ 131,000	1.3%
Operating and capital grants and contributions	4,115,000	2,712,000	1,403,000	51.7%
General revenues				
Property taxes	13,048,000	12,842,000	206,000	1.6%
Sales taxes	6,912,000	6,560,000	352,000	5.4%
State aid	2,929,000	2,844,000	85,000	3.0%
Other	889,000	1,118,000	(229,000)	(20.5%)
Total revenue	<u>38,123,000</u>	<u>36,175,000</u>	<u>1,948,000</u>	<u>5.4%</u>
Expenses				
Support services				
General government	4,907,000	3,929,000	978,000	24.9%
Public safety	14,575,000	19,223,000	(4,648,000)	(24.2%)
Health	-	7,000	(7,000)	(100.0%)
Transportation	2,592,000	3,364,000	(772,000)	(22.9%)
Economic assistance and opportunity	156,000	212,000	(56,000)	(26.4%)
Culture and recreation	772,000	919,000	(147,000)	(16.0%)
Home and community services	8,092,000	10,677,000	(2,585,000)	(24.2%)
Interest	430,000	395,000	35,000	8.9%
Total expenses	<u>31,524,000</u>	<u>38,726,000</u>	<u>(7,202,000)</u>	<u>(18.6%)</u>
Change in net position	6,599,000	(2,551,000)	9,150,000	(358.7%)
Net position – beginning	9,124,000	11,675,000	(2,551,000)	(21.9%)
Cumulative effect adjustment – GASB 75	(76,314,000)			
Net position – ending	<u>\$ (60,591,000)</u>	<u>\$ 9,124,000</u>	<u>\$ (69,715,000)</u>	<u>(764.1%)</u>

The main revenue sources supporting the City's programs are sales and property taxes which represent 52.4% of total revenues in 2018 and 53.6% in 2017. Property taxes were consistent with the prior year increasing \$206,000 or 1.6%. Sales tax revenue increased by \$352,000, which is based on consumer spending and is consistent with other municipalities within Niagara County. It should be noted that the City was notified by the New York State Tax and Finance Department that an error in sales tax reporting by five establishments has negatively impacted the amount of sales tax that the City can expect to collect in the future and has also resulted in the City having to return a total of \$750,000 over the next 10 years. Charges for services, which include water, sewer, and refuse charges, were consistent with 2017 increasing by \$131,000 or 1.3%. Operating and capital grants and contributions increased \$1,403,000 due to an increase in State aid received for sewer, water, and parks capital projects.

Total expenses decreased \$7,202,000. The largest expense category incurred by the City is for public safety. Total public safety expenses were 46.2% of total expenses (49.6% in 2017) and decreased by \$4,648,000. Employee benefits are allocated across all support services based on the percentage of payroll expense in each category, with a majority allocated to public safety. With the implementation of GASB 75, including recognition of deferred outflows and deferred inflows of resources that impact the timing of expense recognition, OPEB expense decreased \$5,809,000 from 2017. In addition, pension expense decreased \$855,000.

Financial Analysis of the City's Funds

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

- General Fund

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

The General Fund experienced an increase in fund balance of \$1,370,000 for 2018 primarily due to expenses amounting to less than that budgeted, particularly in payroll and employee benefits, and actual revenue exceeding budget, particularly in revenue from sales tax.

- Community Development Fund

The Community Development Fund is a special revenue fund supported by money from the U.S. Department of Housing and Urban Development. The fund balance slightly increased by \$64,000 in 2018, related to increases in the repayment of rehab loans.

- Water Fund

The City's water fund is a special revenue fund, used to account for the City's water services provided to taxpayers. This fund experienced an increase of fund balance of \$639,000 for the year ended 2018 primarily due to a one-time state grant, vacancies within positions, and unspent funds on equipment and equipment maintenance and utilities.

- Sewer Fund

The City's sewer fund is a special revenue fund, used to account for sewer services provided to taxpayers. The fund balance increase by \$150,000 in the current year. While revenue did not meet budgeted expectations by \$337,000, expenses, particularly in wages due to vacant positions, and unspent equipment, maintenance, and utilities were \$591,000 less than budgeted.

- Refuse Fund

The City's refuse fund accounts for garbage services provided to taxpayers. The fund had an increase in fund balance of \$47,000 for the year ended 2018. This was mainly due to increased revenue over that budgeted combined with unspent funds on tote replacements and tip fees.

- Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for and the payment of interest and principal on general governmental obligations. This fund balance decreased \$288,000 to a total of \$613,000 as part of a planned use to reduce budgeting costs for debt service.

Overall, total fund balances for the governmental funds increased from \$8,747,000 to \$9,293,000 due to the following:

- Revenue for all funds totaled \$38,188,000 and increased by \$2,124,000 or 5.9%. The increase in revenue was the result of increases in State aid in the form of grants, as previously mentioned.
- Capital projects expenditures were \$4,929,000 in 2018 compared to \$3,097,000 in 2017 due to work on the infrastructure and building improvement projects within the City. This resulted in a deficit fund balance in the capital projects fund of \$747,000 which will be eliminated as BAN payments are made or as the City converts the BANs to permanent financing.
- Payroll decreased \$277,000 or 2.2% due to vacancies in various positions, offset by raises as stipulated by bargaining unit agreements.

General Fund Budgetary Highlights

Actual revenues exceeded budgeted revenues by \$461,000 or 1.9%. The largest variance was in non-property tax items, which were over budget by \$434,000. Expenditures (before other financing uses) were under budget by \$1,103,000 or 4.4% with large variances in employee benefits, public safety, and general government support.

Capital Assets

	2018	2017
Land	\$ 3,173,000	\$ 3,173,000
Construction in progress	3,567,000	3,676,000
Infrastructure	20,414,000	17,932,000
Buildings and improvements	67,808,000	66,592,000
Machinery and equipment	8,611,000	7,355,000
Vehicles	4,640,000	4,640,000
	<u>108,213,000</u>	<u>103,368,000</u>
Accumulated depreciation	<u>(47,567,000)</u>	<u>(45,862,000)</u>
	<u>\$ 60,646,000</u>	<u>\$ 57,506,000</u>

Depreciation expense totaled \$1,704,000 while capital asset additions totaled \$4,844,000. A majority of the capital asset additions relate directly to water and sewer projects as previously discussed.

Debt

At December 31, 2018, the City had \$10,549,000 in bonds outstanding (\$12,562,000 at December 31, 2017) with \$1,844,000 due within one year. Compensated absences totaled \$3,201,000 at December 31, 2018 (\$2,415,000 at December 31, 2017) with \$320,000 due within one year.

Additional information on the City's long-term liabilities can be found in the notes to the financial statements.

Factors Impacting the City's Future

Health insurance costs continue to place an inordinate burden on the City's budgets. The majority of the City's employees receive 100% of their health care coverage for themselves, their spouses, and their children under the age of 26 at no cost to the employee under collective bargaining agreements. Retirees of the City also receive health care coverage for themselves, their spouses, and their children under the age of 26 at no cost to the retiree for the life of the retiree. The City is slowly making headway with its unions to have employees begin to contribute toward their health insurance benefits both as current employees and retirees. For example, all new police officers and firefighters are now contributing 15% of the premium equivalent for health insurance and will continue to pay a minimum of 15% of the premium equivalent for health insurance in retirement.

Retirement costs for employees as mandated by ERS and PFRS, while slowly declining, are projected to remain at levels well above the average over the past 10 years.

The City has had cash flow issues within recent years. On June 16, 2014, the State Assembly of the State of New York approved deficit financing for the City, not to exceed \$5,350,000. A deficit financing bond was ultimately issued in the amount of \$3,945,000 to eliminate prior fund deficits that were created due to poor fiscal management in the prior years. The City began making payments on principal and interest in earnest during 2016. Along with the reorganization of services and the deficit funding available, the City has been better able to fund services to its constituents and maintain a positive cash position. In fact, the City had a minimum operating cash balance of almost \$8.2 million throughout 2018.

Contact for the City's Financial Management

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

CITY OF LOCKPORT, NEW YORK

Statement of Net Position

December 31, 2018

Assets

Cash	\$ 10,570,321
Loans and accounts receivable, net	5,976,140
Due from other governments	3,746,478
Prepaid expenses	170,000
Due from fiduciary funds	10,152
Capital assets (Note 7)	108,212,613
Accumulated depreciation	<u>(47,566,351)</u>
Total assets	<u>81,119,353</u>

Deferred Outflows of Resources

Deferred outflows of resources related to pensions	8,088,469
Deferred outflows of resources related to OPEB	<u>3,192,659</u>
Total deferred outflows of resources	<u>11,281,128</u>

Liabilities

Accounts payable	1,129,970
Accrued liabilities	3,231,644
Due to other governments	1,746,440
Bond anticipation notes	1,634,000
Unearned revenue	1,568,211
Long-term liabilities	
Due within one year:	
Bonds	1,844,000
Compensated absences	320,000
Due beyond one year:	
Bonds	8,705,000
Compensated absences	2,881,000
Net pension liability	2,653,472
Total OPEB liability	<u>102,354,366</u>
Total liabilities	<u>128,068,103</u>

Deferred Inflows of Resources

Deferred inflows of resources related to pensions	6,142,610
Deferred inflows of resources related to OPEB	<u>18,780,278</u>
Total deferred inflows of resources	<u>24,922,888</u>

Net Position

Net investment in capital assets	49,350,006
Restricted	4,178,103
Unrestricted	<u>(114,118,619)</u>
Total net position (deficit)	<u>\$ (60,590,510)</u>

CITY OF LOCKPORT, NEW YORK

Statement of Activities

For the year ended December 31, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
General government	\$ 4,805,971	\$ 548,599	\$ 301,919	\$ 492,319	\$ (3,463,134)
Public safety	14,575,120	180,295	343,978	-	(14,050,847)
Transportation	2,591,502	-	46,258	785,295	(1,759,949)
Economic assistance and opportunity	155,849	-	-	-	(155,849)
Culture and recreation	772,412	40,660	18,368	306,717	(406,667)
Home and community services	8,192,234	9,477,872	45,000	1,774,840	3,105,478
Interest expense	430,424	-	-	-	(430,424)
	<u>31,523,512</u>	<u>10,247,426</u>	<u>755,523</u>	<u>3,359,171</u>	<u>(17,161,392)</u>
General revenues					
Real property taxes					13,048,361
Sales taxes					6,911,956
State aid					2,928,753
Miscellaneous					871,753
Total general revenues					<u>23,760,823</u>
Change in net position					<u>6,599,431</u>
Net position - beginning					9,124,011
Cumulative effect of a change in accounting principle (Note 2)					<u>(76,313,952)</u>
Net position - beginning, as restated					<u>(67,189,941)</u>
Net position - ending					<u>\$ (60,590,510)</u>

CITY OF LOCKPORT, NEW YORK

Balance Sheet - Governmental Funds

December 31, 2018

	General	Community Development	Capital Projects	Water	Sewer	Refuse	Debt Service	Total Governmental Funds
Assets								
Cash	\$ 3,281,191	\$ 75,992	\$ 825,968	\$ 1,297,602	\$ 628,300	\$ 278,946	\$ 613,393	\$ 7,001,392
Loans and accounts receivable, net	2,458,517	1,505,534	-	962,439	692,462	354,730	-	5,973,682
Due from other governments	712,292	-	2,624,771	250,000	159,415	-	-	3,746,478
Prepaid expenses	705,856	-	-	38,371	32,873	-	-	777,100
Due from other funds, net	1,983,010	-	-	4,919	3,695	1,950	-	1,993,574
Total assets	\$ 9,140,866	\$ 1,581,526	\$ 3,450,739	\$ 2,553,331	\$ 1,516,745	\$ 635,626	\$ 613,393	\$ 19,492,226
Liabilities and Fund Balances								
Accounts payable	\$ 302,758	\$ -	\$ 580,573	\$ 50,062	\$ 102,276	\$ 94,301	\$ -	\$ 1,129,970
Accrued liabilities	533,799	-	-	61,642	52,194	-	-	647,635
Due to other funds, net	-	-	1,983,422	-	-	-	-	1,983,422
Due to other governments	1,746,440	-	-	-	-	-	-	1,746,440
Bond anticipation notes	-	-	1,634,000	-	-	-	-	1,634,000
Unearned revenue	766,538	1,505,534	-	394,604	245,908	144,753	-	3,057,337
Total liabilities	3,349,535	1,505,534	4,197,995	506,308	400,378	239,054	-	10,198,804
Fund Balances								
Nonspendable	705,856	-	-	38,371	32,873	-	-	777,100
Restricted:								
Community development	-	75,992	-	-	-	-	-	75,992
Water	-	-	-	2,008,652	-	-	-	2,008,652
Sewer	-	-	-	-	1,083,494	-	-	1,083,494
Refuse	-	-	-	-	-	396,572	-	396,572
Debt	-	-	-	-	-	-	613,393	613,393
Assigned:								
Other purposes	-	-	-	-	-	-	-	-
Unassigned	5,085,475	-	(747,256)	-	-	-	-	4,338,219
Total fund balances (deficit)	5,791,331	75,992	(747,256)	2,047,023	1,116,367	396,572	613,393	9,293,422
Total liabilities and fund balances	\$ 9,140,866	\$ 1,581,526	\$ 3,450,739	\$ 2,553,331	\$ 1,516,745	\$ 635,626	\$ 613,393	\$ 19,492,226

CITY OF LOCKPORT, NEW YORK

**Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position**

December 31, 2018

Total fund balances - governmental funds	\$	9,293,422
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported as assets in governmental funds.		60,646,262
Net position of the internal service funds is not included in the fund financial statements but is included in the governmental activities of the statement of net position.		1,059,378
Property tax revenue is recognized when earned in the government-wide statements but is recorded as unearned revenue in the governmental funds if collection is not anticipated within sixty days after year end.		703,861
Revenue related to service billings is recognized when earned in the government-wide statements, but recorded as unearned revenue in the governmental funds if collection is not anticipated within sixty days after year end.		785,265
The City's pension and OPEB liabilities and related deferred outflows and deferred inflows of resources are recognized in the government-wide statements as follows:		
Pension	(1,314,713)	
OPEB	<u>(117,941,985)</u>	(119,256,698)
Certain liabilities are not due and payable currently and therefore are not reported as liabilities of the governmental funds. These liabilities are:		
Bonds	(10,549,000)	
Compensated absences	(3,201,000)	
Accrued interest	<u>(72,000)</u>	(13,822,000)
Net position (deficit) - governmental activities	\$	<u>(60,590,510)</u>

CITY OF LOCKPORT, NEW YORK

**Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds**

For the year ended December 31, 2018

	General	Community Development	Capital Projects	Water	Sewer	Refuse	Debt Service	Total Governmental Funds
Revenues								
Real property taxes	\$ 13,158,999	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,158,999
Nonproperty tax items	6,911,956	-	-	-	-	-	-	6,911,956
Departmental income	292,650	-	-	4,096,759	3,248,565	1,307,700	-	8,945,674
Intergovernmental charges	103,670	-	-	-	637,947	-	-	741,617
Use of money and property	86,716	-	2,903	11	7	209	3,549	93,395
Licenses and permits	216,620	-	-	-	-	-	-	216,620
Fines and forfeitures	213,358	-	-	-	-	-	-	213,358
Miscellaneous local sources	130,760	68,550	29,000	2,061	1,390	-	5,391	237,152
Interfund revenue	385,830	-	-	111,121	-	-	-	496,951
Sale of property and compensation for loss	109,394	-	-	-	-	-	-	109,394
State sources	3,047,963	-	3,359,171	250,000	-	-	-	6,657,134
Federal sources	335,169	70,854	-	-	-	-	-	406,023
Total revenues	24,993,085	139,404	3,391,074	4,459,952	3,887,909	1,307,909	8,940	38,188,273
Expenditures								
General government	3,111,807	-	-	35,516	35,516	73,090	-	3,255,929
Public safety	7,946,305	-	-	-	-	-	-	7,946,305
Transportation	1,477,746	-	-	-	-	-	-	1,477,746
Economic assistance and opportunity	102,785	-	-	-	-	-	-	102,785
Culture and recreation	397,012	-	-	-	-	-	-	397,012
Home and community services	452,385	75,794	-	2,068,957	1,807,428	1,151,505	-	5,556,069
Employee benefits	9,395,274	-	-	1,066,137	1,084,128	-	-	11,545,539
Capital outlay	-	-	4,929,058	-	-	-	-	4,929,058
Debt service								
Principal	764,820	-	-	524,832	697,029	25,890	-	2,012,571
Interest	152,790	-	-	117,505	137,943	10,537	-	418,775
Total expenditures	23,800,924	75,794	4,929,058	3,812,947	3,762,044	1,261,022	-	37,641,789
Excess revenues (expenditures)	1,192,161	63,610	(1,537,984)	647,005	125,865	46,887	8,940	546,484
Other financing sources (uses)								
Operating transfers, net	178,398	-	101,869	(7,691)	24,357	-	(296,933)	-
Net change in fund balances	1,370,559	63,610	(1,436,115)	639,314	150,222	46,887	(287,993)	546,484
Fund balances - beginning	4,420,772	12,382	688,859	1,407,709	966,145	349,685	901,386	8,746,938
Fund balances (deficit) - ending	\$ 5,791,331	\$ 75,992	\$ (747,256)	\$ 2,047,023	\$ 1,116,367	\$ 396,572	\$ 613,393	\$ 9,293,422

CITY OF LOCKPORT, NEW YORK

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures, and Changes in Fund Balances to the Statement of Activities**

For the year ended December 31, 2018

Total net change in fund balances - governmental funds		\$	546,484
Amounts reported for governmental activities in the statement of activities are different because:			
Capital outlays are reported in governmental funds as expenditures. In the statement of activities, the cost of the assets is allocated over estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense.			3,139,868
Internal service funds are used by management to charge the cost of certain activities to individual funds. The change in net position of the internal service funds is reported with governmental activities.			1,226,303
Real property tax revenue is recorded to the extent received within 60 days of year end for governmental funds, but on the statement of activities, revenue is earned when the tax levy is issued.			(110,638)
Revenue related to service billings is recorded to the extent received within 60 days of year end for governmental funds, but on the statement of activities, revenue is recognized when earned.			55,130
Pension and OPEB expenses are recognized when paid on the fund statement of revenues, expenditures, and changes in fund balances and actuarially determined on the statement of activities:			
Pension	(183,787)		
OPEB	<u>710,833</u>		527,046
Payments of long-term liabilities are reported as expenditures in governmental funds and as a reduction of debt in the statement of net position.			2,012,571
In the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds these expenditures are reported when paid. The differences are:			
Compensated absences	(785,684)		
Interest expense	<u>(11,649)</u>		(797,333)
Change in net position - governmental activities		\$	<u>6,599,431</u>

CITY OF LOCKPORT, NEW YORK

Statement of Major Funds Revenues, Expenditures, and Changes in Fund Balances Budget (Non-GAAP) and Actual

For the year ended December 31, 2018

	General Fund				Water Fund			
	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Over/(Under)	Original	Final	(Budgetary Basis)	Final Budget Over/(Under)
Revenues								
Real property taxes	\$ 12,960,830	\$ 12,960,830	\$ 13,158,999	\$ 198,169	\$ -	\$ -	\$ -	\$ -
Nonproperty tax items	6,478,000	6,478,000	6,911,956	433,956	-	-	-	-
Departmental income	252,850	266,350	292,650	26,300	4,180,000	4,180,000	4,096,759	(83,241)
Intergovernmental charges	432,178	432,178	103,670	(328,508)	-	-	-	-
Use of money and property	63,500	63,500	86,716	23,216	-	-	11	11
Licenses and permits	195,000	195,000	216,620	21,620	-	-	-	-
Fines and forfeitures	325,000	325,000	213,358	(111,642)	-	-	-	-
Miscellaneous local sources	10,000	24,000	130,760	106,760	2,000	2,000	2,061	61
Interfund revenue	-	-	385,830	385,830	121,000	121,000	111,121	(9,879)
Sale of property and compensation for loss	35,000	75,693	109,394	33,701	1,500	1,500	-	(1,500)
State sources	3,303,859	3,326,359	3,047,963	(278,396)	-	-	250,000	250,000
Federal sources	375,417	385,417	335,169	(50,248)	-	-	-	-
Total revenues	24,431,634	24,532,327	24,993,085	460,758	4,304,500	4,304,500	4,459,952	155,452
Expenditures								
General government	3,583,219	3,502,668	3,048,285	(454,383)	-	-	35,447	35,447
Public safety	8,561,457	8,286,310	7,930,061	(356,249)	-	-	-	-
Transportation	1,385,378	1,497,200	1,469,534	(27,666)	-	-	-	-
Economic assistance and opportunity	142,017	114,802	90,768	(24,034)	-	-	-	-
Culture and recreation	376,827	404,910	396,213	(8,697)	-	-	-	-
Home and community services	397,955	458,309	452,243	(6,066)	2,668,216	2,652,805	2,000,206	(652,599)
Employee benefits	9,418,107	9,621,254	9,395,274	(225,980)	1,062,767	1,070,487	1,066,137	(4,350)
Debt service								
Principal	764,820	764,820	764,820	-	524,832	524,832	524,832	-
Interest	152,790	152,790	152,790	-	117,505	117,505	117,505	-
Total expenditures	24,782,570	24,803,063	23,699,988	(1,103,075)	4,373,320	4,365,629	3,744,127	(621,502)
Excess revenues (expenditures)	(350,936)	(270,736)	1,293,097	1,563,833	(68,820)	(61,129)	715,825	776,954
Other financing sources (uses)								
Operating transfers in	250,000	485,000	258,598	(226,402)	-	-	-	-
Operating transfers out	-	(315,200)	(80,200)	(235,000)	-	(7,691)	(7,691)	-
Carryover encumbrances	100,936	100,936	-	(100,936)	68,820	68,820	-	(68,820)
Total other financing sources (uses)	350,936	270,736	178,398	(92,338)	68,820	61,129	(7,691)	(68,820)
Excess revenues and other financing sources (uses)	\$ -	\$ -	\$ 1,471,495	\$ 1,471,495	\$ -	\$ -	\$ 708,134	\$ 708,134

See accompanying notes.

CITY OF LOCKPORT, NEW YORK

Statement of Major Funds Revenues, Expenditures, and Changes in Fund Balances Budget (Non-GAAP) and Actual

For the year ended December 31, 2018

	Sewer Fund				Refuse Fund			
	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Over/(Under)	Original	Final	(Budgetary Basis)	Final Budget Over/(Under)
Revenues								
Real property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonproperty tax items	-	-	-	-	-	-	-	-
Departmental income	3,585,500	3,585,500	3,248,565	(336,935)	1,288,900	1,288,900	1,307,700	18,800
Intergovernmental charges	637,660	637,660	637,947	287	-	-	-	-
Use of money and property	-	-	7	7	100	100	209	109
Licenses and permits	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Miscellaneous local sources	-	-	1,390	1,390	-	-	-	-
Interfund revenue	-	-	-	-	-	-	-	-
Sale of property and compensation for loss	2,000	2,000	-	(2,000)	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Total revenues	4,225,160	4,225,160	3,887,909	(337,251)	1,289,000	1,289,000	1,307,909	18,909
Expenditures								
General government	-	-	35,516	35,516	73,090	73,090	73,090	-
Public safety	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-
Economic assistance and opportunity	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Home and community services	2,359,722	2,334,079	1,755,434	(578,645)	1,179,483	1,179,483	1,151,505	(27,978)
Employee benefits	1,102,752	1,102,752	1,084,128	(18,624)	-	-	-	-
Debt service								
Principal	726,737	726,737	697,029	(29,708)	25,890	25,890	25,890	-
Interest	137,943	137,943	137,943	-	10,537	10,537	10,537	-
Total expenditures	4,327,154	4,301,511	3,710,050	(591,461)	1,289,000	1,289,000	1,261,022	(27,978)
Excess revenues (expenditures)	(101,994)	(76,351)	177,859	254,210	-	-	46,887	46,887
Other financing sources (uses)								
Operating transfers in	50,000	50,000	50,000	-	-	-	-	-
Operating transfers out	-	(25,643)	(25,643)	-	-	-	-	-
Carryover encumbrances	51,994	51,994	-	(51,994)	-	-	-	-
Total other financing sources (uses)	101,994	76,351	24,357	(51,994)	-	-	-	-
Excess revenues and other financing sources (uses)	\$ -	\$ -	\$ 202,216	\$ 202,216	\$ -	\$ -	\$ 46,887	\$ 46,887

CITY OF LOCKPORT, NEW YORK

Statement of Proprietary Fund Net Position

December 31, 2018

	Internal Service Funds		
	Health Insurance	Workers' Compensation	Total
Assets			
Cash	\$ 1,555,501	\$ 2,013,428	\$ 3,568,929
Accounts receivable	2,458	-	2,458
Total assets	1,557,959	2,013,428	3,571,387
Liabilities			
Accrued liabilities	215,298	2,296,711	2,512,009
Net Position			
Restricted	1,342,661	-	1,342,661
Unrestricted	-	(283,283)	(283,283)
Total net position (deficit)	\$ 1,342,661	\$ (283,283)	\$ 1,059,378

CITY OF LOCKPORT, NEW YORK

**Statement of Revenues, Expenditures, and
Changes in Fund Net Position - Proprietary Funds**

For the year ended December 31, 2018

	Internal Service Funds		
	Health Insurance	Workers' Compensation	Total
Operating revenue			
Interfund revenue	\$ 6,171,020	\$ 876,641	\$ 7,047,661
Miscellaneous	78,983	395,265	474,248
Total operating revenue	6,250,003	1,271,906	7,521,909
Operating expenses			
Judgements and claims	3,817,293	455,633	4,272,926
Health insurance	1,195,346	71,269	1,266,615
Administrative services	604,471	151,594	756,065
Total operating expenses	5,617,110	678,496	6,295,606
Change in net position	632,893	593,410	1,226,303
Net position (deficit) - beginning	709,768	(876,693)	(166,925)
Net position (deficit) - ending	\$ 1,342,661	\$ (283,283)	\$ 1,059,378

CITY OF LOCKPORT, NEW YORK

Statement of Proprietary Fund Cash Flows

For the year ended December 31, 2018

	Internal Service Funds		
	Health Insurance	Workers' Compensation	Total
Cash flows from operating activities:			
Cash received from services provided	\$ 6,448,117	\$ 1,271,906	\$ 7,720,023
Payments for contractual expenses	(6,231,700)	(1,029,768)	(7,261,468)
Net change in cash	216,417	242,138	458,555
Cash - beginning	1,339,084	1,771,290	3,110,374
Cash - ending	\$ 1,555,501	\$ 2,013,428	\$ 3,568,929
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 632,893	\$ 593,410	\$ 1,226,303
Adjustments to reconcile operating income to net cash flows provided by operating activities:			
Changes in assets and liabilities:			
Accounts receivable	(1,886)	-	(1,886)
Advance deposit	200,000	-	200,000
Due to other funds	(608,186)	-	(608,186)
Accrued liabilities	(6,404)	(351,272)	(357,676)
Net operating activities	\$ 216,417	\$ 242,138	\$ 458,555

CITY OF LOCKPORT, NEW YORK

Statement of Fiduciary Net Position

December 31, 2018

	<u>Agency</u>
Assets	
Cash	\$ 719,353
Liabilities	
Due to other funds	\$ 10,152
Agency liabilities	709,201
Total liabilities	<u>\$ 719,353</u>

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

Financial Reporting Entity

The City is governed by local laws and ordinances, City law, General Municipal Law, and other laws of the State of New York (the State). The governing body is the elected Common Council. The Mayor serves as the chief executive and fiscal officer. The scope of activities included within the financial statements is those transactions that comprise the City's operations and are governed by, or significantly influenced by, the Common Council. The primary functions of the City are to provide basic services such as governmental administration, tax collection, sewer, water, refuse collection, and recreational services.

The financial reporting entity includes all funds, account groups, functions, and organizations over which City officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. The City has no component units as defined by accounting standards.

Risk Management

The City is self-insured pursuant to article 5 of the Workers' Compensation law to finance the liability and risks related to workers' compensation claims. The City also self-funds health insurance. These activities are further discussed in Note 12.

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display financial activities of the overall City, except for fiduciary activities. Eliminations have been made to minimize double counting of internal activities. These statements are required to distinguish between *governmental* and *business-type* activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The City does not maintain any business-type activities.

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

- Direct expenses are those that are specifically associated with a program or are clearly identifiable to a particular function. Indirect expenses relate to the administration and support of the City's programs, including personnel, overall administration, and finance. Employee benefits are allocated to functional expenses based on a percentage of related payroll expense.
- Program revenues include (a) charges paid by the recipients for goods, water, sewer, and other services offered by the programs, and fines and assessments collected for violations of traffic laws or City ordinances, (b) grants and contributions that are restricted to meeting the operational requirements of a particular program, and (c) grants and contributions limited to the purchase or construction of specific capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including fiduciary funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* - are presented. The emphasis of the fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

The City reports the following major funds:

- *General fund.* This is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- *Community development fund.* This is a special revenue fund used to account for funding received from the U.S. Department of Housing and Urban Development.
- *Capital projects fund.* This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
- *Water fund.* This is a special revenue fund whose specific revenue sources, including property taxes, are restricted for the operations and support of the City's water delivery system.
- *Sewer fund.* This is a special revenue fund whose specific revenue sources, including property taxes, are restricted for the operations and support of the infrastructure surrounding the City's sewer system.
- *Refuse fund.* This is a special revenue fund whose specific revenue sources, including property taxes, are restricted for the operations and support of the City's refuse and recycling program.
- *Debt service fund.* This fund is used to account for the accumulation of resources for the payment of principal and interest on long-term debt.

The City's proprietary fund is an internal service fund which is used to account for the City's health insurance and workers' compensation operations which are funded by contributions from the general and special revenue funds.

The City reports the following fiduciary fund:

- *Agency fund.* This fund accounts for assets held by the City as agent for payroll, employee third party withholdings, and seized assets. The agency fund is custodial in nature and does not involve measurement of results of operations.

Basis of Accounting and Measurement Focus

The government-wide, proprietary, 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 flows take place. Nonexchange transactions, in which the City receives value directly without giving equal value in exchange, include property and sales taxes, grants, and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds 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 they are collected within sixty days after year end. 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. Capital asset purchases are reported as expenditures in governmental funds. Proceeds of long-term liabilities and equipment and property purchased under capital leases are reported as other financing sources.

Under the terms of grant agreements, revenues are recognized to the extent of program expenditures. Amounts received in advance of the expenditures are considered unearned and reported as revenue when the expense is incurred.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Property Taxes

Real property taxes are levied annually no later than December 31st and become a lien on January 1. Tax payments are due and payable during the first week of February. The City is responsible for collection of delinquent property taxes for the City School District of the City of Lockport. In the event that school taxes are not collected from the City's re-levy, the City is required by law to remit taxes in full to the school district within two years from the return of unpaid taxes to the City. A provision for uncollected taxes is estimated based on historical collection experience.

The City is subject to tax abatements granted by Niagara County Industrial Development Agency (NCIDA) to promote and assist private sector industrial and business development. Through NCIDA, entities promise to expand or maintain facilities or employment in the City, establish new business in the City, or relocate existing business to the City. Economic development agreements entered into by NCIDA can include the abatement of City, town, and school district taxes, in addition to other assistance. The City also has tax abatement agreements with housing development and redevelopment companies under New York State Private Housing Finance Law. The tax abatements have resulted in reductions of property taxes, which the City administers as a temporary reduction of property taxes, which can be as much as 100%. For the year ended December 31, 2018, the City's real property tax abatement totaled \$181,000 under these agreements. However, because the abated amounts are spread across the City's entire tax base, there is no impact on the overall property taxes collected.

Budgetary Process, Amendments, and Encumbrances

Annual appropriations are adopted and employed for control of the general and special revenue funds. These budgets are adopted on a GAAP basis under the modified accrual basis of accounting. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations authorized for the current year are increased by the planned use of specific restricted, committed, and assigned fund balances and subsequent budget amendments approved by the Common Council as a result of new revenue sources not included in the original budget.

No later than September 15 of each year, a tentative budget is submitted to the Common Council for the fiscal year commencing the following January 1. The tentative budget includes both proposed expenditures and the means of financing for all funds. After public hearings are conducted to obtain comments from interested parties, the Common Council adopts the budget. The Mayor exercises administrative budgetary control throughout the year. All modifications of the budget must be approved by the Common Council.

Major capital expenditures are subject to individual project budgets determined primarily by the cost of the project and external financing rather than annual appropriations. For the capital projects fund, these budgets do not lapse at year end and are carried over to the completion of the project.

Encumbrance accounting is used to assure budgetary control over commitments related to unperformed (executory) contracts for goods or services outstanding at the end of each year. Encumbrances are budgetary expenditures in the year committed and in the subsequent period when the expenditure is paid. All budget appropriations that are unencumbered lapse at the end of the fiscal year. Encumbrances outstanding at year end are presented for GAAP-related purposes as committed or assigned fund balances and do not constitute expenditures or liabilities. At January 1, encumbrances carried forward from the prior year are reestablished as budgeted appropriations.

Budgetary comparisons presented in these financial statements are on the budgetary basis and represent the budget as modified. The following is a reconciliation of expenditures and fund balances for those major funds with encumbrances computed on a GAAP and a budgetary basis by fund:

	<u>General</u>	<u>Water</u>	<u>Sewer</u>
GAAP basis expenditures	\$ 23,800,924	\$ 3,812,947	\$ 3,762,044
Encumbrances at December 31, 2018	-	-	-
Encumbrances at December 31, 2017	(100,936)	(68,820)	(51,994)
Budgetary basis expenditures	<u>\$ 23,699,988</u>	<u>\$ 3,744,127</u>	<u>\$ 3,710,050</u>

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 Community Development Block Grant programs.

Prepaid Expenses

Pension payments made to the New York State and Local Retirement System including the Employees' Retirement System (ERS) and the Police and Fire Retirement System (PFRS) in December of each year include costs applicable to future periods that are recorded as prepaid expenses on a fund basis. On a government-wide basis, such payments are included in deferred outflows of resources. Payments made for insurance are expensed on a fund basis and reflected on the statement of net position on an accrual basis.

Capital Assets

Capital assets including infrastructure are reported at actual or estimated historical cost based on appraisals. Contributed assets are recorded at fair value at the time received. Depreciation is provided in the government-wide statements over estimated useful lives using the straight-line method. Maintenance and repairs are expensed as incurred; significant improvements are capitalized.

Capitalization thresholds for determining which asset purchases are added to capital accounts and the estimated useful lives of capital assets are:

	<u>Capitalization Policy</u>	<u>Estimated Useful Life in Years</u>
Roads	\$ 35,000	10-75
Infrastructure	\$ 35,000	25-100
Buildings and improvements	\$ 35,000	100
Furniture and equipment	\$ 35,000	10-25
Vehicles	\$ 35,000	10-25

Unearned Revenue

In the fund statements, property tax revenue is recognized for the year for which the levy is made, and to the extent that such taxes are received within the reporting period or 60 days thereafter. The government-wide statements include all property tax revenue levied during the year. Property taxes receivable are displayed net of the estimated allowance for uncollectible taxes. In addition, resources, such as grant monies received prior to incurring qualifying expenditures, are recorded as unearned revenue until the criteria for recognizing revenue is met.

Pensions

The City participates in the New York State and Local Retirement System, including ERS and PFRS, as mandated by State law. ERS and PFRS recognize benefit payments when due and payable in accordance with benefit terms; investment assets are reported at fair value. On the government-wide statements, the City recognizes its proportionate share of net pension position, deferred outflows and deferred inflows of resources, pension expense, and information about and changes in the fiduciary net position on the same basis as reported by the defined benefit pension plans.

Other Postemployment Benefits (OPEB)

The total OPEB liability, deferred outflows and deferred inflows of resources, and OPEB expense for the City's defined benefit healthcare plan (Note 11) has been measured on the same basis as reported by the plan on the government-wide statements. Benefit payments are recognized when due and payable in accordance with benefit terms.

Compensated Absences

The liability for compensated absences reported in the government-wide financial statements consists of unpaid accumulated sick and vacation time. The liability has been calculated using the vesting method, in which leave amounts for both employees currently eligible to receive payments and other employees expected to become eligible to receive such payments are included. Sick pay is accrued on the basis of negotiated contracts with employee groups which provide for the payment of accumulated sick time at various amounts at retirement.

The government-wide financial statements reflect the entire liability, while in the governmental funds financial statements only the amount of matured liabilities is accrued based on expendable available financial resources.

Equity Classifications

Government-Wide Statements

- *Net investment in capital assets* – consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or the terms of the City's bonds.
- *Unrestricted* – the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position and therefore are available for general use by the City.

Governmental Fund Statements

The City considers unrestricted resources to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, unless the use of the restricted amount was appropriated in the current year's budget or the revenue source is specifically restricted or committed for expenditure. Within unrestricted fund balance, the City considers committed, assigned, then unassigned resources to have been spent when an expenditure is incurred for which amounts in any of those fund balance classifications could be used.

Restricted fund balances generally result from residual fund balance in special revenue funds and reserves established by the State of New York Legislature and included in General Municipal Law, as authorized for use by the Common Council. Earnings on invested resources are required to be added to the various reserves.

Committed fund balances are authorized by the Common Council as recommended by the City’s management prior to the end of the year, although funding of the commitment may be established subsequent to year end. Assigned fund balances include the planned use of existing fund balance to offset the subsequent year’s tax levy. The Common Council has given management the authority to assign fund balances for specific purposes that are neither restricted nor committed. Nonspendable fund balances represent resources that cannot be spent as they are not expected to be converted to cash and include prepaid expenses.

Interfund Balances

The operations of the City include transactions between funds including resources for cash flow purposes. These interfund receivables and payables are repaid within one year. Permanent transfers of funds provide financing or other services.

In the government-wide statements, the amounts reported on the statement of net position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to fiduciary funds.

Interfund receivables and payables are netted on the accompanying governmental funds balance sheet as the right of legal offset exists. It is the City’s practice to settle these amounts at the net balances due between funds.

2. Change in Accounting Principle

Effective January 1, 2018, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), which supersedes GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement addresses accounting and financial reporting for other postemployment benefits offered by the City and requires various note disclosures (Note 11) and required supplementary information. As a result, beginning of year net position has been restated as follows:

Net position previously reported, January 1, 2018	\$ 9,124,011
OPEB previously reported	42,338,866
Total OPEB liability	(121,681,402)
Benefit payments subsequent to the measurement date	3,028,584
Net position as restated	<u>\$ (67,189,941)</u>

Information on beginning of year deferred outflows and deferred inflows of resources, and all information for the prior year, is not available and therefore such amounts have not been restated.

3. Stewardship and Accountability

The capital projects fund’s deficit fund balance of \$747,256 will be funded when bond anticipation notes are redeemed from subsequent budget appropriations or converted to permanent financing.

4. Cash

Cash management is governed by State laws and as established in the City’s written policies. Cash resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Policies permit the use of demand accounts and certificates of deposit. Invested resources are limited to obligations of the United States Treasury and its Agencies, repurchase agreements, and obligations of the State or its localities.

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 its municipalities and school districts.

Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. At December 31, 2018, the City’s bank deposits were fully insured by FDIC coverage and securities held by the pledging institution’s agent in the City’s name.

5. Loans and Accounts Receivable

Loans receivable	
Community development fund:	
Community development	\$ 151,161
Home ownership	723,943
Rental rehabilitation	21,753
Deferred other	434,237
Home loans – NYS Division of Housing and Community Renewal	174,440
	\$ 1,505,534
Accounts receivable	
General fund:	
City taxes receivable – current	\$ 853,886
City taxes receivable – overdue	781,886
Installment sales agreements	13,384
School taxes receivable	1,100,789
Accounts receivable	85,549
	2,835,494
Less allowance for doubtful accounts	376,977
	2,458,517
Water fund:	
Water rents receivable	962,439
Sewer fund:	
Sewer rents receivable	692,462
Other governmental funds:	
Assessments receivable	354,730
	4,468,148
Proprietary funds – other receivables	2,458
	\$ 4,470,606

6. Interfund Transactions – Fund Financial Statements

	Receivable	Payable	Transfers	
			In	Out
General	\$ 1,993,574	\$ 10,564	\$ 258,598	\$ 80,200
Capital projects	-	1,983,422	113,534	11,665
Water	4,919	-	-	7,691
Sewer	3,695	-	50,000	25,643
Refuse	1,950	-	-	-
Debt service	-	-	3,067	300,000
Fiduciary	-	10,152	-	-
	\$ 2,004,138	\$ 2,004,138	\$ 425,199	\$ 425,199

The capital projects fund will reimburse the general fund for project expenditures when funds become available. Other amounts owed between funds are strictly for cash flow purposes. Amounts transferred to the capital projects fund from the general, water, and sewer funds represent the funding of and costs associated with various capital projects. The transfer from debt service to the general and sewer funds is to pay debt service.

7. Capital Assets

	January 1, 2018	Increases	Retirements/ Reclassifications	December 31, 2018
Non-depreciable capital assets:				
Land	\$ 3,173,000	\$ -	\$ -	\$ 3,173,000
Construction in progress	3,675,742	4,384,193	(4,492,859)	3,567,076
Total non-depreciable assets	6,848,742	4,384,193	(4,492,859)	6,740,076
Depreciable capital assets:				
Infrastructure	17,932,277	-	2,481,572	20,413,849
Buildings and improvements	66,592,681	-	1,215,228	67,807,909
Machinery and equipment	7,354,968	460,066	796,059	8,611,093
Vehicles	4,639,686	-	-	4,639,686
Total depreciable assets	96,519,612	460,066	4,492,859	101,472,537
Less accumulated depreciation:				
Infrastructure	7,307,115	606,839	-	7,913,954
Buildings and improvements	29,697,351	624,978	-	30,322,329
Machinery and equipment	5,363,992	243,618	-	5,607,610
Vehicles	3,493,502	228,956	-	3,722,458
Total accumulated depreciation	45,861,960	1,704,391	-	47,566,351
Total depreciable assets, net	50,657,652	(1,244,325)	4,492,859	53,906,186
	\$ 57,506,394	\$ 3,139,868	\$ -	\$ 60,646,262

Depreciation expense has been allocated to the following functions: general government \$359,990, public safety \$62,713, transportation \$395,420, culture and recreation \$49,088, and home and community \$837,180.

As of December 31, 2018, net investment in capital assets consists of the following:

Capital assets, net of accumulated depreciation	\$ 60,646,262
Cash held for capital projects, net of related payables	886,744
Bond anticipation notes	(1,634,000)
Serial bonds	(10,549,000)
	\$ 49,350,006

8. Short-Term Debt

Bond anticipation notes (BANs) issued and outstanding at December 31, 2018 total \$1,634,000, carry interest at 3.0%, and mature in October 2019. The City plans to reissue the BANs with annual reductions until converted to serial bonds. In October 2019, the City issued BANs totaling \$2,585,400 which carry interest at 2.25% and mature in October 2020.

9. Long-Term Liabilities

	January 1, 2018	Increases	Decreases	December 31, 2018	Amount Due In One Year
Serial bonds	\$ 12,561,571	\$ -	\$ 2,012,571	\$ 10,549,000	\$ 1,844,000
Compensated absences	2,415,316	785,684	-	3,201,000	320,000
	\$ 14,976,887	\$ 785,684	\$ 2,012,571	\$ 13,750,000	\$ 2,164,000

Existing Obligations

Description	Final Maturity	Interest Rate	Balance
2005 Series A Public Improvement serial bond	September 2019	3.5%-4.0%	\$ 150,000
2008 Public Improvement serial bond	March 2022	4.23%	345,000
2012 Public Improvement serial bond	December 2022	0.6%-2.4%	255,000
2014 Serial bond refunding	February 2019	4.25%-4.67%	65,000
2014 Public Improvement serial bond	May 2024	2.65%-3.0%	420,000
2014 Deficit Financing serial bond	October 2024	5.0%	2,820,000
2015 Serial bond refunding*	March 2037	4.13%-4.79%	934,000
2017 Public Improvement serial bond	May 2029	2.0%-2.875%	5,560,000
			\$ 10,549,000

**The terms of the New York State Environmental Facilities Corporation (EFC) borrowing provide for an interest subsidy of approximately 60% of the stated interest rates shown above. The subsidy is generated from a United States Environmental Protection Agency grant to the EFC which EFC invests and credits to the borrower with the earnings on the invested funds at an offset to the interest payable on the bond. Future interest requirements below reflect the gross rates subject to subsidy.*

Debt Service Requirements

Years ending December 31,	Serial Bonds	
	Principal	Interest
2019	\$ 1,844,000	\$ 321,331
2020	1,668,000	269,618
2021	1,678,000	219,543
2022	1,608,000	169,840
2023	1,203,000	124,397
2024-2028	2,021,000	214,843
2029-2033	295,000	87,122
2034-2037	232,000	21,951
	\$ 10,549,000	\$ 1,428,645

Deficit Financing

On September 4, 2014, the State Assembly passed a bill to allow the City to issue serial bonds in an amount not to exceed \$5,350,000 for the objective of liquidating deficits within the general, water, sewer, and refuse funds for fiscal years between January 1, 2011 through December 31, 2013. Ultimately, the City issued Series 2014 Serial Bonds totaling \$3,945,000 on December 30, 2013.

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 recommendations as deemed necessary.

10. New York State and Local Retirement System

Plan Description

The City participates in ERS and PFRS (the Systems), which are a part of a cost-sharing, multiple-employer, public employee retirement system that provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute and provide benefits to employees. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained from the New York State and Local Retirement System at www.osc.state.ny.us/retire.

Benefits: The Systems provide retirement, disability, and death benefits for eligible members, including automatic cost of living adjustments. In general, retirement benefits are determined based on an employee's individual circumstances using a pension factor, an age factor, and final average salary. The benefits vary depending on the individual's employment tier. Pension factors are determined based on tier and an employee's years of service, among other factors.

Contribution Requirements: No employee contribution is required for those hired prior to July 1976. ERS requires employee contributions of 3% of salary for the first 10 years of service for those employees who joined from July 1976 through December 2009. Participants hired on or after January 1, 2010 through March 31, 2012 are required to contribute 3% of compensation throughout their active membership. Participants hired on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation. The Comptroller annually certifies the rates used, expressed as a percentage of the wages of participants, to compute the contributions required to be made by the City to the pension accumulation fund. For 2018, these rates ranged from 9.3%-15.8% for ERS and 15.0%-24.7% for PFRS.

Net Pension Position, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources

At December 31, 2018, the City reported a liability of \$2,653,472 for its proportionate share of the ERS and PFRS net pension position. The net pension position was measured as of March 31, 2018, and the total pension liability was determined by an actuarial valuation as of April 1, 2017. The City's proportion of the net pension position was based on the ratio of its actuarially determined employer contribution to ERS's and PFRS's total actuarially determined employer contributions for the fiscal year ended on the measurement date. At the March 31, 2018 measurement date, the City's proportion was 0.0200979% for ERS, a decrease of 0.0009021, and 0.1983487% for PFRS, a decrease of 0.0016513 from their respective proportions measured as of March 31, 2017.

For the year ended December 31, 2018, the City recognized pension expense of \$2,628,836 on the government-wide statements. At December 31, 2018, the City reported deferred outflows and deferred inflows of resources as follows:

	ERS		PFRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 231,352	\$ 191,180	\$ 825,165	\$ 532,728
Changes of assumptions	430,107	-	1,519,017	-
Net difference between projected and actual earnings on pension plan investments	942,109	1,859,629	1,622,670	3,267,969
Changes in proportion and differences between contributions and proportionate share of contributions	15,963	140,108	73,685	150,996
City contributions subsequent to the measurement date	748,429	-	1,679,972	-
	\$ 2,367,960	\$ 2,190,917	\$ 5,720,509	\$ 3,951,693

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending December 31,	ERS	PFRS
2019	\$ 76,929	\$ 392,403
2020	59,496	346,577
2021	(484,651)	(426,111)
2022	(223,160)	(293,576)
2023	-	69,551
	\$ (571,386)	\$ 88,844

Actuarial Assumptions

The actuarial assumptions used in the April 1, 2017 valuation, with update procedures used to roll forward the total pension liability to March 31, 2018, were based on the results of an actuarial experience study for the period April 1, 2010 to March 31, 2015. These assumptions are:

Inflation – 2.5%

Salary increases – 3.8% (ERS), 4.5% (PFRS)

Cost of living adjustments – 1.3% annually

Investment rate of return – 7.0% compounded annually, net of investment expense, including inflation

Mortality – Society of Actuaries’ Scale MP-2014

Discount rate – 7.0%

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. The ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Investment Asset Allocation

Best estimates of arithmetic real rates of return (net of long-term inflation assumptions) for each major asset class and the Systems’ target asset allocations as of the valuation date are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	36%	4.6%
International equities	14%	6.4%
Private equities	10%	7.5%
Real estate	10%	5.6%
Inflation-indexed bonds	4%	1.3%
Bonds and mortgages	17%	1.3%
Short-term	1%	(0.3)%
Other	8%	3.8%-5.7%
	100%	

Discount Rate

The discount rate projection of cash flows assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the City’s proportionate share of its net pension liability calculated using the discount rate of 7.0% and the impact of using a discount rate that is 1% higher or lower than the current rate.

	<u>1.0% Decrease</u>	<u>At Current Discount Rate</u>	<u>1.0% Increase</u>
City’s proportionate share of the ERS net pension asset (liability)	\$ (4,907,843)	\$ (648,648)	\$ 2,954,461
City’s proportionate share of the PFRS net pension asset (liability)	\$ (9,820,169)	\$ (2,004,824)	\$ 4,550,418

11. OPEB

Plan Description

The City maintains a single-employer defined benefit healthcare plan (the Plan) providing for lifetime medical benefits to certain eligible retirees and their spouses. Benefit provisions are based on individual contracts with the City, as negotiated from time to time. Eligibility is based on retired employees age 55 and over with ten to twenty-five years of service depending on hire date and contract applicability. The Plan has no assets, does not issue financial statements, and is not a trust.

At December 31, 2018, employees covered by the Plan include:

Active employees	174
Inactive employees or beneficiaries currently receiving benefits	192
Inactive employees entitled to but not yet receiving benefits	-
	<u>366</u>

Total OPEB Liability

The City’s total OPEB liability of \$102,354,366 was measured and determined by an actuarial valuation as of January 1, 2018.

The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Healthcare cost trend rates –based on the SOA Long-Run Medical Cost Trend Model for long-term trend rates, with the City’s recent premium history used for short-term trend rates, initially 7.00% and an ultimate rate of 3.94% after 2078

Salary increases – 2.5%

Mortality – RPH-2014 sex distinct, generational mortality adjusted to 2006 using scale MP-2014 and projected forward with Scale MP-2018

Discount rate – 3.44% based on the Bond Buyer Weekly 20-Bond General Obligation Index

Inflation rate – 2.2%

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at December 31, 2017	\$ 121,681,402
Changes for the year:	
Service cost	2,769,409
Interest	4,647,001
Changes of benefit terms	(409,216)
Differences between expected and actual experience	(17,939,947)
Changes of assumptions or other inputs	(5,365,699)
Benefit payments	(3,028,584)
Net changes	<u>(19,327,036)</u>
Balance at December 31, 2018	<u>\$ 102,354,366</u>

The following presents the sensitivity of the City's total OPEB liability to changes in the discount rate, including what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% higher or lower than the current discount rate:

	1.0% Decrease (2.44%)	Discount Rate (3.44%)	1.0% Increase (4.44%)
Total OPEB liability	\$ (121,173,711)	\$ (102,354,366)	\$ (87,494,870)

The following presents the sensitivity of the City's total OPEB liability to changes in the healthcare cost trend rates, including what the City's total OPEB liability would be if it were calculated using trend rates that are 1% higher or lower than the current trend rates:

	1.0% Decrease (6.00% to 2.94%)	Discount Rate (7.00% to 3.94%)	1.0% Increase (8.00% to 4.94%)
Total OPEB liability	\$ (86,315,744)	\$ (102,354,366)	\$ (123,102,433)

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

For the year ended December 31, 2018, the City recognized OPEB expense of \$2,481,826. At December 31, 2018, the City reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 14,456,462
Changes of assumptions or other inputs	-	4,323,816
Benefit payments subsequent to the measurement date	3,192,659	-
	\$ 3,192,659	\$ 18,780,278

Benefit payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending December 31, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending December 31,	
2019	\$ (4,525,368)
2020	(4,525,368)
2021	(4,525,368)
2022	(4,525,368)
Thereafter	(678,806)
	\$ (18,780,278)

12. Risk Management

The City purchases commercial insurance for various risks of loss due to torts, thefts, damage, errors, omissions, injuries to employees, and natural disasters. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three years.

Workers' Compensation

The City has chosen to establish self-insured plans for risks associated with employee workers' compensation claims and health insurance. Generally, liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The City's exposure is calculated with consideration of the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other benefit costs. For workers' compensation, the City purchases excess insurance limiting their self-funded rate to \$650,000 per incident for police and fire and \$350,000 per incident for other employees.

	Beginning of Year	Current Claims and Changes in Estimates	Claims Paid	End of Year
2018	\$ 2,647,983	\$ 104,361	\$ 455,633	\$ 2,296,711
2017	\$ 3,243,160	\$ 6,486	\$ 601,663	\$ 2,647,983

Health Insurance

The City's self-funded health insurance coverage includes various plan options. The City provides a monthly premium equivalent equal to adjusted actual claims and an excess amount to fund an approximate 6% allowance for claims run-off and other uncertainties. The City purchases excess insurance that limits exposure to \$150,000 per incident.

	Beginning of Year	Current Claims and Changes in Estimates	Claims Paid	End of Year
2018	\$ 220,269	\$ 3,818,489	\$ 3,823,460	\$ 215,298
2017	\$ 251,629	\$ 3,807,011	\$ 3,838,371	\$ 220,269

Estimated liabilities for both plans have been accrued on the government-wide and governmental funds financial statements as they are expected to be paid with currently available financial resources.

13. Commitments and Contingencies

The City has entered into contracts with various construction companies for several capital projects. As of December 31, 2018, \$3,567,000 has been spent on ongoing projects, and numerous open contracts are in place.

Litigation

The City is subject to claims and lawsuits that arise in the ordinary course of business. In the opinion of management, these claims will not have a material adverse effect upon the financial position of the City.

CITY OF LOCKPORT, NEW YORK

**Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Position
New York State and Local Retirement System**

As of the measurement date of March 31,	2018	2017	2016	2015
ERS				
City's proportion of the net pension position	0.0200979%	0.0210000%	0.0220000%	0.0250000%
City's proportionate share of the net pension liability	\$ (648,648)	\$ (1,953,000)	\$ (3,528,000)	\$ (840,000)
City's covered payroll	\$ 5,064,443	\$ 5,314,000	\$ 5,149,000	\$ 7,562,000
City's proportionate share of the net pension position as a percentage of its covered payroll	12.81%	36.75%	68.52%	11.11%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%	90.70%	97.90%

PFRS				
City's proportion of the net pension position	0.1983487%	0.2000000%	0.2090000%	0.2320000%
City's proportionate share of the net pension liability	\$ (2,004,824)	\$ (4,154,000)	\$ (6,179,000)	\$ (638,000)
City's covered payroll	\$ 7,157,864	\$ 7,269,000	\$ 7,287,000	\$ 4,959,000
City's proportionate share of the net pension position as a percentage of its covered payroll	28.01%	57.15%	84.79%	12.87%
Plan fiduciary net position as a percentage of the total pension liability	96.93%	93.50%	90.70%	99.00%

Data prior to 2015 is unavailable.

The following is a summary of changes of assumptions:

	ERS			
	2018	2017	2016	2015
Inflation	2.5%	2.5%	2.5%	2.7%
Salary increases	3.8%	3.8%	4.5%	4.9%
Cost of living adjustments	1.3%	1.3%	1.3%	1.4%
Investment rate of return	7.0%	7.0%	7.0%	7.5%
Discount rate	7.0%	7.0%	7.0%	7.5%

	PFRS			
	2018	2017	2016	2015
Inflation	2.5%	2.5%	2.5%	2.7%
Salary increases	4.5%	4.5%	4.5%	4.9%
Cost of living adjustments	1.3%	1.3%	1.3%	1.4%
Investment rate of return	7.0%	7.0%	7.0%	7.5%
Discount rate	7.0%	7.0%	7.0%	7.5%

CITY OF LOCKPORT, NEW YORK

**Required Supplementary Information
Schedule of City Contributions
New York State and Local Retirement System**

December 31,	2018	2017	2016	2015
ERS				
Contractually required contribution	\$ 748,429	\$ 836,000	\$ 996,000	\$ 1,250,000
Contribution in relation to the contractually required contribution	(748,429)	(836,000)	(996,000)	(1,250,000)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 5,064,443	\$ 5,314,000	\$ 5,149,000	\$ 7,562,000
Contributions as a percentage of covered payroll	<u>14.78%</u>	<u>15.73%</u>	<u>19.34%</u>	<u>16.53%</u>
PFRS				
Contractually required contribution	\$ 1,679,972	\$ 1,780,000	\$ 1,685,000	\$ 1,925,000
Contribution in relation to the contractually required contribution	(1,679,972)	(1,780,000)	(1,685,000)	(1,925,000)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 7,157,864	\$ 7,269,000	\$ 7,287,000	\$ 4,959,000
Contributions as a percentage of covered payroll	<u>23.47%</u>	<u>24.49%</u>	<u>23.12%</u>	<u>38.82%</u>

Data prior to 2015 is unavailable.

CITY OF LOCKPORT, NEW YORK

**Required Supplementary Information
Schedule of Changes in the City's
Total OPEB Liability and Related Ratios**

December 31, 2018

Total OPEB liability - beginning	<u>\$ 121,681,402</u>
Changes for the year:	
Service cost	2,769,409
Interest	4,647,001
Changes of benefit terms	(409,216)
Differences between expected and actual experience	(17,939,947)
Changes of assumptions or other inputs	(5,365,699)
Benefit payments	<u>(3,028,584)</u>
Net change in total OPEB liability	<u>(19,327,036)</u>
Total OPEB liability - ending	<u>\$ 102,354,366</u>
Covered-employee payroll	<u>\$ 12,942,524</u>
Total OPEB liability as a percentage of covered-employee payroll	<u>790.8%</u>

Data prior to 2018 is unavailable.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.