

TOWN OF LOCKPORT, NEW YORK

FINANCIAL STATEMENTS

DECEMBER 31, 2016

TOWN OF LOCKPORT, NEW YORK

Table of Contents

December 31, 2016

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

Balance Sheet – Fiduciary Fund

Notes to Financial Statements

Required Supplementary Information (Unaudited)

Schedule of Funding Progress – Postemployment Benefit Plan

Schedule of the Town's Proportionate Share of the Net Pension Liability – New York State and Local Employees' Retirement System and related notes

Schedule of Town Contributions – New York State and Local Employees' Retirement System

Supplementary Information

Combining Balance Sheet – Nonmajor Governmental Funds

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

INDEPENDENT AUDITORS' REPORT

The Town Board
Town 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 Town of Lockport, New York (the Town) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 Town as of December 31, 2016, and the respective changes in financial position and the respective budgetary comparisons for the general, highway, water, and sewer funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

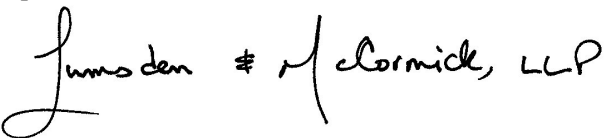
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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, 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 inquires 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.

Supplementary Information

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

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


May 31, 2017

Town of Lockport, New York
Management's Discussion and Analysis
December 31, 2016
Unaudited

Introduction

Management's Discussion and Analysis (MD&A) of Town of Lockport, New York (the Town) provides an overview of the Town's financial activities and performance for the year ended December 31, 2016. The information contained in the MD&A should be considered in conjunction with the information presented in the Town's financial statements that follow. This MD&A, the financial statements and notes thereto are essential to obtaining a full understanding of the Town's financial position and results of operations. The Town'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) agency fund statements; (5) notes to the financial statements; and (6) supplementary information.

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business. The statement of net position presents information on all of the Town'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 Town'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 Town as a whole. All of the activities of the Town 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 Town'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 Town's near-term financing decisions. The reconciliation portion of the financial statements facilitates the comparison between governmental funds and governmental activities.

Agency funds are used to account for resources held for the benefit of parties outside the Town. Agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town'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	
	2016	2015	\$	%
Current and other assets	\$ 19,549,000	\$ 16,601,000	\$ 2,948,000	17.8%
Capital assets	28,813,000	27,943,000	870,000	3.1%
Total assets	48,362,000	44,544,000	3,818,000	8.6%
Deferred outflows of resources	1,463,000	459,000	1,004,000	218.7%
Long-term liabilities	10,292,000	6,294,000	3,998,000	63.5%
Other liabilities	8,786,000	10,332,000	(1,546,000)	-15.0%
Net pension liability	1,273,000	264,000	1,009,000	382.2%
Total liabilities	20,351,000	16,890,000	3,461,000	20.5%
Deferred inflows of resources	187,000	17,000	170,000	1000.0%
Net position				
Net investment in capital assets	20,393,000	19,863,000	530,000	2.7%
Restricted	3,941,000	2,983,000	958,000	32.1%
Unrestricted	4,953,000	5,250,000	(297,000)	-5.7%
Total net position	\$ 29,287,000	\$ 28,096,000	\$ 1,191,000	4.2%

The Town's net position at December 31, 2016 and 2015 was \$29,287,000 and \$28,096,000. Capital assets (infrastructure, buildings, improvements, furniture and equipment) represent the largest portion (59.6%) of the Town's total assets (62.7% in 2015). Long-term liabilities outstanding total 50.6% in 2016 and 37.3% in 2015 of total liabilities. A majority of the Town's long-term obligations relate directly to infrastructure and other capital assets. The Town uses capital assets to provide services to citizens and as such, these assets aren't liquid.

Current and other assets increased by \$2,948,000 (decrease of \$2,542,000 or 13.3% in 2015). 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. The major impact stems from proceeds of the issuance of serial bonds used for the Town's water and sewer projects. Capital assets increased by \$870,000 (\$3,457,000 or 14.1% increase in 2015) due to continued work on Town water and sewer projects, net of current year depreciation expense. The increase in long-term liabilities of \$3,998,000 (\$1,781,000 or 22.1% decrease in 2015) was due to the issuance of a serial bond in the amount of \$5,253,000 partially offset by \$1,010,000 in principal payments on bonds and a \$327,000 payment on a direct financing lease. The liability for other postemployment benefits increased \$82,000. The Town follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The unfunded actuarial accrued liability at January 1, 2014 is estimated to be \$7,940,000.

Changes in deferred outflows and deferred inflows of resources reflect changes in pension activity at the State level which is required to be reflected on the Town's financial statements. Deferred outflows of resources include contributions paid by the Town 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. The increase of \$1,009,000 in the net pension liability is primarily the result of a reduction in the discount rate used to calculate the liability.

Condensed Statement of Activities	2016	2015	Change	
			\$	%
Revenue				
Program revenues				
Charges for services	\$ 3,616,000	\$ 3,428,000	\$ 188,000	5.5%
Operating and capital grants and contributions	825,000	1,128,000	(303,000)	-26.9%
General revenues				
Property taxes	6,069,000	5,689,000	380,000	6.7%
Sales taxes	5,137,000	5,233,000	(96,000)	-1.8%
Other	40,000	(117,000)	157,000	-134.2%
Total revenue	<u>15,687,000</u>	<u>15,361,000</u>	<u>326,000</u>	<u>2.1%</u>
Expenses				
Support services				
General government	3,072,000	2,883,000	189,000	6.6%
Public safety	1,783,000	1,722,000	61,000	3.5%
Health	4,000	4,000	-	-
Transportation	2,978,000	2,897,000	81,000	2.8%
Economic assistance and opportunity	75,000	57,000	18,000	31.6%
Culture and recreation	189,000	80,000	109,000	136.3%
Home and community services	6,142,000	5,858,000	284,000	4.8%
Interest	253,000	258,000	(5,000)	-1.9%
Total expenses	<u>14,496,000</u>	<u>13,759,000</u>	<u>737,000</u>	<u>5.4%</u>
Change in net position	1,191,000	1,602,000	(411,000)	-25.7%
Net position - beginning	<u>28,096,000</u>	<u>26,494,000</u>	<u>1,602,000</u>	<u>6.0%</u>
Net position - ending	<u>\$ 29,287,000</u>	<u>\$ 28,096,000</u>	<u>\$ 1,191,000</u>	<u>4.2%</u>

The main revenue sources supporting the Town's programs are sales and property taxes which represents 71.4% of total revenues (71.1% in 2015). Property taxes increased by 6.7% (\$108,000 or 1.9% increase in 2015). As determined by the Town's Board, property taxes are not used to finance the operations of the Town's general and highway funds, rather the Board elects to apply these resources to provide for operations of the Town's water, sewer, fire protection, refuse and lighting districts. Sales tax revenue decreased by \$96,000 (decrease of \$52,000 or 1.0% in 2015) reflecting a leveling off of consumer spending on taxable sales in Niagara County (the County) which could be attributable to the currency exchange with Canada. Charges for services increased \$188,000 (\$86,000 increase or 2.6% in 2015) due to increased water usage in 2016. Operating and capital grants and contributions decreased \$303,000 (increase of \$299,000 or 36.1% in 2015) due to funding for a sidewalk grant received in 2015 offset by \$127,000 in local grants received in 2016 for park projects.

Total expenses increased \$737,000 (decrease of \$86,000 or 0.6% in 2015). The largest expense category incurred by the Town is for home and community services. This category represents services to residents such as water and sewer delivery, refuse collection, and infrastructure maintenance. Total home and community service expenses were 42.4% of total expenses (42.6% in 2015) and increased by \$284,000 (increase of \$69,000 or 1.2% in 2015) which is largely due to the purchase of recycling totes for Town residents. Employee benefit expenses, which are allocated across the applicable expense categories, increased due to an increase in pension expense for 2016.

Financial Analysis of the Town's Funds

Total fund balances for the governmental funds increased from \$4,435,000 to \$9,272,000 as described below:

- Revenue for all funds totaled \$15,702,000 (\$15,510,000 in 2015) and increased by \$192,000 or 1.2% (\$423,000 increase or 2.8% in 2015). Increases in property tax and water usage revenue were offset by decreases in State grants and sales tax revenue, as previously mentioned.
- Proceeds from the issuance of a bond in the amount of \$5,253,000 was recognized as an other financing source on a fund basis and contributed to the increase in fund balance.
- Home and community services expenditures decreased \$1,665,000 or 18.2% (increased \$2,697,000 or 41.7% in 2015) due to a decrease in capital expenditures associated with various water and sewer infrastructure projects as they near completion. Overall, capital project expenditures decreased \$2,241,000 or 54.1%.
- Debt service payments decreased \$442,000 or 26.4% in 2015.
- Payroll increased \$106,000 or 4.7% due to increases mandated through collective bargaining agreements, the hiring of a new employee, and an increase in hours for some part-time employees.

General Fund Budgetary Highlights

Actual revenues exceeded budgeted revenues by \$360,000 or 10.8%. The largest variance was in miscellaneous local sources which exceeded the budgeted amount by \$244,000 due to the receipt of the previously mentioned local grants. Expenditures (before other financing uses) were under budget by \$273,000 or 6.8% with the largest variance in general government support of \$179,000.

Capital Assets

	2016	2015
Land	\$ 1,115,000	\$ 1,115,000
Construction in progress	5,924,000	5,130,000
Land improvements	369,000	366,000
Infrastructure	75,715,000	74,623,000
Buildings and improvements	5,127,000	5,127,000
Furniture and equipment	6,020,000	6,240,000
	<u>94,270,000</u>	<u>92,601,000</u>
Accumulated depreciation	<u>(65,457,000)</u>	<u>(64,658,000)</u>
	<u>\$ 28,813,000</u>	<u>\$ 27,943,000</u>

Depreciation expense and disposals of capital assets totaled \$1,031,000 while capital asset additions totaled \$1,901,000. A majority of the capital asset additions relate directly to water and sewer projects as previously discussed.

Debt

At December 31, 2016, the Town had \$8,273,000 in bonds outstanding with \$1,103,000 due within one year (\$4,030,000 outstanding in 2015). The Town leases a sewer interceptor to the County under a direct financing lease that expires in 2021. The net investment in the direct financing lease as of December 31, 2016 was \$1,496,000.

Factors Impacting the Town's Future

The Town continues to experience modest population growth which carries with it minor increases in costs for highway maintenance and refuse collection. The Town continues to proceed with its large infrastructure projects.

Contact for the Town's Financial Management

This report is designed to provide a general overview of the finances of the Town of Lockport for interested parties. Questions concerning any information within this report or requests for additional information should be addressed to Mark Crocker, Supervisor, 6560 Dysinger Road, Lockport, New York.

TOWN OF LOCKPORT, NEW YORK

Statement of Net Position

December 31, 2016

(With comparative totals as of December 31, 2015)

	2016	2015
Assets		
Cash	\$ 16,513,439	\$ 13,436,983
Accounts receivable	643,590	430,003
Due from other governments	732,967	732,484
Prepaid insurance	132,000	142,000
Due from fiduciary funds	30,076	35,995
Lease payments receivable	1,496,063	1,823,270
Capital assets (Note 6)	94,269,941	92,600,505
Accumulated depreciation	(65,456,542)	(64,657,691)
Total assets	48,361,534	44,543,549
Deferred Outflows of Resources		
Defeasance loss	71,109	88,887
Deferred outflows of resources from pensions	1,392,378	370,341
Total deferred outflows of resources	1,463,487	459,228
Liabilities		
Accounts payable	831,470	823,128
Accrued liabilities	392,378	376,949
Due to other governments	16,684	6,861
Bond anticipation note payable	7,545,380	9,125,375
Long-term liabilities		
Due within one year		
Bonds	1,103,000	1,010,000
Financing lease	332,436	327,207
Due beyond one year		
Bonds	7,170,000	3,020,000
Financing lease	1,163,627	1,496,063
Other postemployment benefits	522,997	440,781
Net pension liability	1,273,546	263,608
Total liabilities	20,351,518	16,889,972
Deferred Inflows of Resources		
Deferred inflows of resources from pensions	186,821	17,039
Net Position		
Net investment in capital assets	20,392,658	19,862,792
Restricted	3,940,903	2,983,210
Unrestricted	4,953,121	5,249,764
Total net position	\$ 29,286,682	\$ 28,095,766

See accompanying notes.

TOWN OF LOCKPORT, NEW YORK

Statement of Activities

For the year ended December 31, 2016
(With summarized comparative totals for December 31, 2015)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2016	2015
Governmental activities						
General government	\$ 3,072,050	\$ 426,056	\$ 590,847	\$ -	\$ (2,055,147)	\$ (1,974,314)
Public safety	1,782,916	354,178	-	-	(1,428,738)	(1,384,647)
Health	4,353	-	-	-	(4,353)	(4,052)
Transportation	2,977,474	15,800	195,163	38,873	(2,727,638)	(2,304,156)
Economic assistance and opportunity	75,356	-	-	-	(75,356)	(57,059)
Culture and recreation	189,026	-	-	-	(189,026)	(80,050)
Home and community services	6,141,997	2,820,423	-	-	(3,321,574)	(3,140,281)
Interest expense	252,796	-	-	-	(252,796)	(258,337)
	<u>\$ 14,495,968</u>	<u>\$ 3,616,457</u>	<u>\$ 786,010</u>	<u>\$ 38,873</u>	<u>(10,054,628)</u>	<u>(9,202,896)</u>
General revenues						
					6,068,656	5,689,153
					5,137,334	5,232,896
					11,261	14,032
					28,293	(131,240)
					<u>11,245,544</u>	<u>10,804,841</u>
Change in net position					1,190,916	1,601,945
Net position - beginning					28,095,766	26,493,821
Net position - ending					<u>\$ 29,286,682</u>	<u>\$ 28,095,766</u>

TOWN OF LOCKPORT, NEW YORK

Balance Sheet - Governmental Funds

December 31, 2016

(with summarized comparative totals as of December 31, 2015)

	General	Highway	Water	Sewer	Capital Projects	Other Governmental Funds	Total Governmental Funds	
							2016	2015
Assets								
Cash	\$ 5,194,811	\$ 648,737	\$ 2,123,093	\$ 292,630	\$ 7,431,555	\$ 822,613	\$ 16,513,439	\$ 13,436,983
Accounts receivable	113,318	36,275	285,731	208,266	-	-	643,590	430,003
Due from other governments	561,566	-	170,603	-	-	798	732,967	732,484
Prepaid expenses	39,227	20,050	6,357	6,357	-	-	71,991	79,030
Due from other funds, net	30,076	-	-	726,934	-	29,118	786,128	682,253
Lease payments receivable	-	-	-	1,496,063	-	-	1,496,063	1,823,270
Total assets	\$ 5,938,998	\$ 705,062	\$ 2,585,784	\$ 2,730,250	\$ 7,431,555	\$ 852,529	\$ 20,244,178	\$ 17,184,023
Liabilities and Fund Balances								
Accounts payable	\$ 241,203	\$ 39,884	\$ 172,531	\$ 169,269	\$ 56,670	\$ 151,913	\$ 831,470	\$ 823,128
Accrued liabilities	163,777	85,596	43,531	33,474	-	-	326,378	323,949
Due to other funds, net	-	-	707,697	-	48,355	-	756,052	646,258
Due to other governments	16,684	-	-	-	-	-	16,684	6,861
Bond anticipation note payable	-	-	-	-	7,545,380	-	7,545,380	9,125,375
Financing lease	-	-	-	1,496,063	-	-	1,496,063	1,823,270
Total liabilities	421,664	125,480	923,759	1,698,806	7,650,405	151,913	10,972,027	12,748,841
Fund Balances								
Nonspendable	39,227	20,050	6,357	6,357	-	-	71,991	79,030
Restricted:								
Debt service	-	-	-	-	-	2,061	2,061	2,059
Highway	-	559,532	-	-	-	-	559,532	364,393
Water	-	-	1,655,668	-	-	-	1,655,668	633,865
Sewer	-	-	-	1,025,087	-	-	1,025,087	787,825
Fire protection	-	-	-	-	-	199,460	199,460	176,294
Refuse	-	-	-	-	-	61,230	61,230	181,304
Other	-	-	-	-	-	437,865	437,865	837,470
Assigned:								
Designated for subsequent year's expenditures	626,755	-	-	-	-	-	626,755	512,677
Unassigned	4,851,352	-	-	-	(218,850)	-	4,632,502	860,265
Total fund balances (deficit)	5,517,334	579,582	1,662,025	1,031,444	(218,850)	700,616	9,272,151	4,435,182
Total liabilities and fund balances	\$ 5,938,998	\$ 705,062	\$ 2,585,784	\$ 2,730,250	\$ 7,431,555	\$ 852,529	\$ 20,244,178	\$ 17,184,023

TOWN OF LOCKPORT, NEW YORK

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

December 31, 2016

Total fund balances - governmental funds			\$ 9,272,151
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.			28,813,399
The Town's proportionate share of the net pension liability as well as pension-related deferred outflows and deferred inflows of resources are recognized in the government-wide statements and include:			
Deferred outflows of resources from pensions, net of prepaid expense	1,320,387		
Net pension liability	(1,273,546)		
Deferred inflows of resources from pensions	<u>(186,821)</u>	(139,980)	
Prepaid insurance is charged to expense during the period of benefit, while the expenditure is recorded when paid in the governmental funds.			132,000
Defeasance losses associated with bond refundings are recognized as deferred outflows of resources in the government-wide statements.			71,109
Certain liabilities are not due and payable currently and therefore are not reported as liabilities of the governmental funds. These liabilities are:			
Bonds	(8,273,000)		
Accrued interest	(66,000)		
Other postemployment benefits	<u>(522,997)</u>	(8,861,997)	
Net position - governmental activities			\$ 29,286,682

TOWN OF LOCKPORT, NEW YORK

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

For the year ended December 31, 2016
(with summarized comparative totals for December 31, 2015)

	General	Highway	Water	Sewer	Capital Projects	Other Governmental Funds	Total Governmental Funds	
							2016	2015
Revenues								
Real property taxes	\$ -	\$ -	\$ 1,224,891	\$ 2,616,921	\$ -	\$ 2,226,844	\$ 6,068,656	\$ 5,689,153
Nonproperty tax items	2,443,934	2,321,900	-	-	-	371,500	5,137,334	5,232,896
Departmental income	23,835	-	1,636,852	1,149,325	-	34,246	2,844,258	2,704,711
Use of money and property	68,657	163	1,327	723	4,625	1,766	77,261	81,232
Licenses and permits	120,438	15,800	-	-	-	-	136,238	108,130
Fines and forfeitures	354,178	-	-	-	-	-	354,178	336,802
Miscellaneous local sources	298,435	15,975	34,652	38,000	-	28,185	415,247	344,360
Sale of property and compensation for loss	-	21,114	22,259	20	-	-	43,393	17,733
State sources	391,383	195,163	-	-	38,873	-	625,419	994,797
Total revenues	3,700,860	2,570,115	2,919,981	3,804,989	43,498	2,662,541	15,701,984	15,509,814
Expenditures								
General government	1,731,356	-	-	-	-	-	1,731,356	1,704,579
Public safety	290,235	-	-	-	-	1,127,543	1,417,778	1,349,764
Health	4,353	-	-	-	-	-	4,353	4,052
Transportation	208,819	1,869,718	-	-	38,873	26,458	2,143,868	2,677,793
Economic assistance and opportunity	75,356	-	-	-	-	-	75,356	97,362
Culture and recreation	189,026	-	-	-	-	-	189,026	121,202
Home and community services	388,269	-	1,322,609	2,679,664	1,863,745	1,241,125	7,495,412	9,160,015
Employee benefits	669,105	506,072	139,466	139,996	-	374,209	1,828,848	2,113,765
Debt service								
Principal	120,000	-	303,885	586,115	-	-	1,010,000	1,415,000
Interest	2,400	-	107,583	112,035	-	-	222,018	258,559
Total expenditures	3,678,919	2,375,790	1,873,543	3,517,810	1,902,618	2,769,335	16,118,015	18,902,091
Excess revenues (expenditures)	21,941	194,325	1,046,438	287,179	(1,859,120)	(106,794)	(416,031)	(3,392,277)
Other financing sources (uses)								
Proceeds from the issuance of serial bonds	-	-	-	-	5,253,000	-	5,253,000	-
Operating transfers, net	(60,714)	-	(25,233)	(50,515)	526,179	(389,717)	-	-
Total other financing sources (uses)	(60,714)	-	(25,233)	(50,515)	5,779,179	(389,717)	5,253,000	-
Net change in fund balances	(38,773)	194,325	1,021,205	236,664	3,920,059	(496,511)	4,836,969	(3,392,277)
Fund balances (deficit) - beginning	5,556,107	385,257	640,820	794,780	(4,138,909)	1,197,127	4,435,182	7,827,459
Fund balances (deficit) - ending	\$ 5,517,334	\$ 579,582	\$ 1,662,025	\$ 1,031,444	\$ (218,850)	\$ 700,616	\$ 9,272,151	\$ 4,435,182

TOWN 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, 2016

Total net change in fund balances - governmental funds \$ 4,836,969

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 those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which capital outlays exceed depreciation expense and disposals. 870,585

Pension expense is recognized when paid on the fund statement of revenues, expenditures, and changes in fund balances and actuarially determined on the statement of activities:

2016 contribution	287,963	
2016 prepaid expense	(71,991)	
2015 prepaid expense	79,030	
2016 pension expense	<u>(445,646)</u>	(150,644)

Payments of long-term liabilities are reported as expenditures in governmental funds and as a reduction of debt in the statement of net position. 1,010,000

Debt proceeds are reported as other financing sources in the governmental funds but increase long-term liabilities in the statement of net position. (5,253,000)

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:

Amortization of defeasance loss	(17,778)	
Prepaid expenses	(10,000)	
Interest expense	(13,000)	
Other postemployment benefits	<u>(82,216)</u>	(122,994)

Change in net position - governmental activities **\$ 1,190,916**

TOWN 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, 2016

	General Fund				Highway 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								
Nonproperty tax items	\$ 2,469,000	\$ 2,469,000	\$ 2,443,934	\$ (25,066)	\$ 2,321,900	\$ 2,321,900	\$ 2,321,900	\$ -
Departmental income	20,000	20,000	23,835	3,835	-	-	-	-
Use of money and property	70,000	70,000	68,657	(1,343)	200	200	163	(37)
Licenses and permits	87,050	87,050	120,438	33,388	2,000	2,000	15,800	13,800
Fines and forfeitures	325,000	325,000	354,178	29,178	-	-	-	-
Miscellaneous local sources	54,000	54,000	298,435	244,435	15,000	15,000	15,975	975
Sale of property and compensation for loss	1,000	1,000	-	(1,000)	11,000	11,000	21,114	10,114
State sources	315,000	315,000	391,383	76,383	170,000	170,000	195,163	25,163
Total revenues	3,341,050	3,341,050	3,700,860	359,810	2,520,100	2,520,100	2,570,115	50,015
Expenditures								
General government	1,834,125	1,910,805	1,731,356	(179,449)	-	-	-	-
Public safety	312,148	304,148	290,235	(13,913)	-	-	-	-
Health	4,625	4,630	4,353	(277)	-	-	-	-
Transportation	188,686	214,486	208,819	(5,667)	1,919,100	2,014,010	2,082,408	68,398
Economic assistance and opportunity	63,700	81,850	75,356	(6,494)	-	-	-	-
Culture and recreation	214,741	252,241	239,026	(13,215)	-	-	-	-
Home and community services	211,702	413,495	388,269	(25,226)	-	-	-	-
Employee benefits	901,600	698,030	669,105	(28,925)	601,000	506,090	506,072	(18)
Debt service								
Principal	120,000	120,000	120,000	-	-	-	-	-
Interest	2,400	2,400	2,400	-	-	-	-	-
Total expenditures	3,853,727	4,002,085	3,728,919	(273,166)	2,520,100	2,520,100	2,588,480	68,380
Excess revenues (expenditures)	(512,677)	(661,035)	(28,059)	632,976	-	-	(18,365)	(18,365)
Other financing sources (uses)								
Operating transfers out	-	(60,714)	(60,714)	-	-	-	-	-
Appropriated fund balance	512,677	721,749	-	(721,749)	-	-	-	-
Total other financing sources (uses)	512,677	661,035	(60,714)	(721,749)	-	-	-	-
Excess revenue and other financing sources (uses)	\$ -	\$ -	\$ (88,773)	\$ (88,773)	\$ -	\$ -	\$ (18,365)	\$ (18,365)

TOWN OF LOCKPORT, NEW YORK

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

For the year ended December 31, 2016

	Water Fund				Sewer 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	\$ 1,224,900	\$ 1,224,900	\$ 1,224,891	\$ (9)	\$ 2,616,921	\$ 2,616,921	\$ 2,616,921	\$ -
Departmental income	1,264,000	1,264,000	1,636,852	372,852	1,079,472	1,079,472	1,149,325	69,853
Use of money and property	1,500	1,500	1,327	(173)	1,000	1,000	723	(277)
Miscellaneous local sources	2,000	2,000	34,652	32,652	329,207	329,207	38,000	(291,207)
Sale of property and compensation for loss	-	-	22,259	22,259	-	-	20	20
Total revenues	2,492,400	2,492,400	2,919,981	427,581	4,026,600	4,026,600	3,804,989	(221,611)
Expenditures								
Home and community services	1,439,000	1,439,000	1,322,609	(116,391)	2,753,200	2,758,300	2,679,664	(78,636)
Employee benefits	229,400	229,400	139,466	(89,934)	229,400	224,300	139,996	(84,304)
Debt service								
Principal	589,000	589,000	303,885	(285,115)	882,000	882,000	586,115	(295,885)
Interest	235,000	235,000	107,583	(127,417)	162,000	162,000	112,035	(49,965)
Total expenditures	2,492,400	2,492,400	1,873,543	(618,857)	4,026,600	4,026,600	3,517,810	(508,790)
Excess revenues	-	-	1,046,438	1,046,438	-	-	287,179	287,179
Other financing sources (uses)								
Operating transfers in	-	-	6,767	6,767	-	-	3,416	3,416
Operating transfers out	-	-	(32,000)	32,000	-	-	(53,931)	53,931
Total other financing sources (uses)	-	-	(25,233)	25,233	-	-	(50,515)	50,515
Excess revenues and other financing sources (uses)	\$ -	\$ -	\$ 1,021,205	\$ 1,021,205	\$ -	\$ -	\$ 236,664	\$ 236,664

TOWN OF LOCKPORT, NEW YORK

Balance Sheet - Fiduciary Fund

December 31, 2016

	<u>Agency</u>
Assets	
Cash	\$ 569,339
Service awards assets held in trust	3,941,716
Total assets	<u>\$ 4,511,055</u>
 Liabilities	
Due to governmental funds	\$ 30,076
Agency liabilities	539,263
Service awards payable	3,941,716
Total liabilities	<u>\$ 4,511,055</u>

TOWN OF LOCKPORT, NEW YORK

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

Financial Reporting Entity

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

The financial reporting entity includes all funds, account groups, functions, and organizations over which Town 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 Town has no component units as defined by accounting standards.

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display financial activities of the overall Town, 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 Town. 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 Town 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 Town'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 Town'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 Town 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 Town's funds, including fiduciary funds. Separate statements for each fund category - *governmental 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 nonmajor funds.

The Town reports the following major funds:

- *General fund.* This is the Town's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- *Highway fund.* This is a special revenue fund whose specific revenue sources are restricted to expenditures for the repairs and maintenance of the Town's roadways.
- *Water fund.* This is a special revenue fund whose specific revenue sources, including property taxes, are restricted for the operations and support of the Town'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 Town's sewer system.
- *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.

The Town's nonmajor funds include the fire protection, refuse, special lighting districts, and debt service funds. Each fund is established to account for the separate activities for which it is named.

The Town reports the following fiduciary fund:

- *Agency fund.* This fund accounts for assets held by the Town as agent for payroll, employee third party withholdings, and assets of the Town's length of service awards program. The agency fund is custodial in nature and does not involve measurement of results of operations.

The financial statements include certain prior year summarized comparative information in total but not by separate governmental activities and major funds. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Town's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

Basis of Accounting and 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 flows take place. Nonexchange transactions, in which the Town 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 Town 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. Taxes for the County of Niagara (the County) are levied together with taxes for the Town and its special districts on a single bill. The Town and special districts receive their levies annually out of the first amounts collected on the combined bills. The County assumes enforcement responsibility for all unpaid taxes levied by the Town and its special districts.

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 Board as a result of new revenue sources not included in the original budget.

No later than October 5th of each year, a tentative budget is submitted to the Board 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 Board adopts the budget. The Town Supervisor exercises administrative budgetary control throughout the year. All modifications of the budget must be approved by the Board.

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>Highway</u>
GAAP basis expenditures	\$ 3,678,919	\$ 2,375,790
Encumbrances at 12/31/16	50,000	212,690
Encumbrances at 12/31/15	-	-
Expenditures budgetary basis	<u>\$ 3,728,919</u>	<u>\$ 2,588,480</u>

On a budgetary basis, the Town also reflects amounts received and paid for its sewer interceptor direct financing lease (Note 8) with Niagara County as revenue and expenditures. On a GAAP basis, the respective asset and liability are reflected on the balance sheet and do not give rise to revenue and expenditure recognition.

Prepaid Expenses

Pension payments made to the New York State and Local Employees' Retirement System (ERS) in December of each year reflect costs applicable to future periods and 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</u>
Land improvements	\$1,500	40
Infrastructure	\$1,500	40-50
Buildings and improvements	\$1,500	40
Furniture and equipment	\$1,500	5-15
Vehicles	\$1,500	8

Bond Defeasances

In the government-wide financial statements, gains or losses from bond refundings represent the difference between the price required to repay previously issued debt and the net carrying amount of the retired debt, and are recorded as either a deferred outflow or deferred inflow of resources. In subsequent years, these amounts are amortized on a straight-line basis as a component of interest expense over the shorter of the life of the old or new debt.

Pensions

On the government-wide statements, the Town recognizes the net pension liability, 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 plan. The Town's participation in ERS is mandated by State law. ERS recognizes benefit payments when due and payable in accordance with benefit terms; investment assets are reported at fair value.

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.

Equity Classifications

Government-Wide Statements

- *Net investment in capital assets* – consists of capital assets, net of accumulated depreciation, and defeasance losses, 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 Town'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 Town.

Governmental Fund Statements

The Town 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 Town 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 Board. Earnings on invested resources are required to be added to the various reserves.

Committed fund balances are authorized by the Board as recommended by the Town'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 provided that it does not result in a deficit unassigned fund balance. The Board has given the Town's 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.

Fund balance restrictions include the debt service reserve, which is used to account for proceeds from the sale of property that was financed by obligations still outstanding, interest and earnings on outstanding obligations (including bond and BAN premiums), and remaining bond proceeds not needed for their original purpose as required by §165 of Finance Law. This reserve must be used to pay the debt service obligations for which the original money was generated.

Interfund Balances

The operations of the Town 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 Town's practice to settle these amounts at the net balances due between funds.

2. Stewardship and Accountability

The capital projects fund's deficit fund balance of \$218,850 will be funded when bond anticipation notes are redeemed from subsequent budget appropriations or converted to permanent financing.

The highway fund exceeded the legally adopted budget by \$68,380.

3. Cash

Cash management is governed by State laws and as established in the Town's written policies. Cash resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Policies permit the Town Supervisor to use 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 Town's deposits may not be returned to it. At December 31, 2016, the Town's bank deposits were fully insured by FDIC coverage and securities held by the pledging institutions' agents or in an undivided security interest in pooled assets in the Town's name.

4. Due from Other Governments

Included in amounts due from other governments as of December 31, 2016 is the following loan provided to the Town's Industrial Development Agency:

Serial bond, secured by real estate, fixed rate loan, interest payable annually at a rate of 1.5%, annual principal payments of \$10,000, due December 2020.	<u>\$ 40,000</u>
--	------------------

Principal and interest payments due the Town as of December 31, 2016 are expected to be as follows:

<u>Years ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 10,000	\$ 600
2018	10,000	450
2019	10,000	300
2020	10,000	150
	<u>\$ 40,000</u>	<u>\$ 1,500</u>

5. Interfund Transactions

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>	<u>Transfers</u>	
			<u>In</u>	<u>Out</u>
General	\$ 30,076	\$ -	\$ -	\$ 60,714
Water	19,336	727,033	6,767	32,000
Sewer	727,024	90	3,416	53,931
Refuse	-	-	60,714	-
Other special districts	29,118	-	-	450,431
Capital projects	90	48,445	536,362	10,183
Fiduciary	-	30,076	-	-
	<u>\$ 805,644</u>	<u>\$ 805,644</u>	<u>\$ 607,259</u>	<u>\$ 607,259</u>

Water and sewer services are included in one billing, and as such, the Town deposits the total payments received into the water fund. The amount due from the water fund to the sewer fund represents the portion corresponding to the revenues earned in that fund. The capital projects fund owes other funds for project expenditures initially paid by the other funds. The fiduciary fund owes the general fund for court fines collected that have not been transferred as of year end. Other amounts owed between funds are strictly for cash flow purposes. Amounts transferred to the capital projects fund from the water, sewer, and other special districts funds represent the funding of and costs associated with various capital projects. The transfer from capital projects to the water and sewer funds represents interest earned on debt proceeds. The transfer from the general fund to refuse is for purchase of recycling carts. All transfers are considered permanent.

6. Capital Assets

	January 1, 2016	Increases	Retirements/ Reclassifications	December 31, 2016
Non-depreciable capital assets:				
Land	\$ 1,115,458	\$ -	\$ -	\$ 1,115,458
Construction in progress	5,129,896	1,885,827	(1,091,749)	5,923,974
Total non-depreciable assets	6,245,354	1,885,827	(1,091,749)	7,039,432
Depreciable capital assets:				
Land improvements	365,717	3,453	-	369,170
Infrastructure	74,622,962	-	1,091,749	75,714,711
Buildings and improvements	5,126,665	-	-	5,126,665
Furniture and equipment	6,239,807	12,410	(232,254)	6,019,963
Total depreciable assets	86,355,151	15,863	859,495	87,230,509
Less accumulated depreciation:				
Land improvements	307,035	29,513	-	336,548
Infrastructure	57,959,527	719,979	-	58,679,506
Buildings and improvements	2,126,229	102,481	-	2,228,710
Furniture and equipment	4,264,900	164,032	(217,154)	4,211,778
Total accumulated depreciation	64,657,691	1,016,005	(217,154)	65,456,542
Depreciable assets, net	21,697,460	(1,000,142)	1,076,649	21,773,967
	\$ 27,942,814	\$ 885,685	\$ (15,100)	\$ 28,813,399

Depreciation expense has been allocated to the following functions: general government \$523,954, transportation \$308,256, and home and community \$183,795.

As of December 31, 2016, net investment in capital assets consists of the following:

Capital assets, net of accumulated depreciation	\$ 28,813,399
Defeasance loss	71,109
Cash, net of related payables	7,326,530
Bond anticipation note payable	(7,545,380)
Serial bonds	(8,273,000)
	<u>\$ 20,392,658</u>

7. Short-Term Debt

The BAN outstanding at December 31, 2016 amounted to \$7,545,380 (\$9,125,375 as of December 31, 2015) and carries interest at 2.0% (1.0% at December 31, 2015). In 2016, \$1,090,695 was paid from unspent debt proceeds, \$5,253,000 through the issuance of serial bonds and \$4,763,700 was reissued. The Town plans to reissue the BAN with annual reductions until converted to serial bonds.

8. Long-Term Liabilities

	January 1, 2016	Increases	Decreases	December 31, 2016	Amount Due in One Year
Serial bonds	\$ 4,030,000	\$ 5,253,000	\$ 1,010,000	\$ 8,273,000	\$ 1,103,000
Other postemployment benefits	440,781	405,216	323,000	522,997	-
	<u>\$ 4,470,781</u>	<u>\$ 5,658,216</u>	<u>\$ 1,333,000</u>	<u>\$ 8,795,997</u>	<u>\$ 1,103,000</u>
Sewer interceptor - direct financing lease	\$ 1,823,270	\$ -	\$ 327,207	\$ 1,496,063	\$ 332,436

Existing Obligations

Description	Final Maturity	Interest Rate	Balance
1998 Sewer Refunding	January 2019	4.00-4.75%	\$ 794,100
1998 Water Refunding	January 2019	4.00-4.75%	380,900
2002 NYS EFC 2002A	April 2021	1.2%	705,000
2002 Water System	July 2017	4.0%	100,000
2003 Series A Refunding	January 2017	3.00-3.75%	40,000
2007 Serial Bond Refunding	June 2020	4.00-5.00%	1,000,000
2016 Public Improvement Serial Bond	December 2036	3.25-4.00%	<u>5,253,000</u>
			<u>\$ 8,273,000</u>
2001 Sewer Interceptor - direct financing lease Niagara County	May 2021	5.125-5.50%	<u>\$ 1,420,000</u>

Debt Service Requirements

Years ending December 31,	Serial Bonds	
	Principal	Interest
2017	\$ 1,103,000	\$ 292,629
2018	980,000	252,641
2019	1,005,000	209,987
2020	600,000	176,658
2021	365,000	157,730
2022-2036	<u>4,220,000</u>	<u>1,304,643</u>
	<u>\$ 8,273,000</u>	<u>\$ 2,394,288</u>

Leases

The New York State Police lease a building from the Town under the terms of a noncancelable operating lease. Rental income amounted to \$66,000 for the year ended December 31, 2016. Future minimum rentals to be received are \$49,500 for the year ending December 31, 2017, the last year of the lease agreement.

The Town also leases a sewer interceptor to Niagara County under a direct financing lease that expires in 2021. The net investment in the direct financing lease as of December 31, 2016 is \$1,496,063. This lease was financed by a conduit debt transaction whereby the Town issued debt for the construction of a sewer interceptor line and pump station. Niagara County reimburses the Town for all debt service payments in connection with this bond issue. At the end of the lease term, title to the inceptor will pass to the County.

Future minimum lease payments to be received and required debt payments to be made by the Town are:

<u>Years ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 305,000	\$ 27,436
2018	315,000	21,967
2019	325,000	15,842
2020	335,000	9,065
2021	140,000	1,753
	<u>\$ 1,420,000</u>	<u>\$ 76,063</u>

9. New York State and Local Employees' Retirement System

The Town participates in ERS, which is a cost-sharing, multiple-employer, public employee retirement system. ERS 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. ERS issues 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: ERS provides 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 Town to the pension accumulation fund. For 2016, these rates ranged from 9.2% - 21.6%.

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

At December 31, 2016, the Town reported a liability of \$1,273,546 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2016, and the total pension liability was determined by an actuarial valuation as of April 1, 2015. The Town’s proportion of the net pension liability was based on the ratio of its actuarially determined employer contribution to ERS’s total actuarially determined employer contributions for the fiscal year ended on the measurement date. At the March 31, 2016 measurement date, the Town’s proportion was 0.0079347%, an increase of 0.0001316% from its proportion measured as of March 31, 2015.

For the year ended December 31, 2016, the Town recognized pension expense of \$445,646 on the government-wide statements. At December 31, 2016, the Town reported deferred outflows and deferred inflows of resources as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,436	\$ 150,958
Changes of assumptions	339,616	-
Net difference between projected and actual earnings on pension plan investments	755,537	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	2,826	35,863
Town contributions subsequent to the measurement date	287,963	-
	<u>\$ 1,392,378</u>	<u>\$ 186,821</u>

Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. 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,	
2017	\$ 231,780
2018	231,780
2019	231,780
2020	222,254
	<u>\$ 917,594</u>

Actuarial Assumptions

The actuarial assumptions used in the April 1, 2015 valuation, with update procedures used to roll forward the total pension liability to March 31, 2016, 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%

Cost of living adjustments – 1.3% annually

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

Mortality – Based on ERS experience from April 1, 2010 – March 31, 2015 with adjustments for mortality improvements based on the 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 for each major asset class and ERS’s 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	38%	7.3%
International equities	13%	8.5%
Private equities	10%	11.0%
Real estate	8%	8.3%
Domestic fixed income securities	2%	4.0%
Bonds and mortgages	18%	4.0%
Short-term	2%	2.3%
Other	9%	6.8%-8.7%
	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 Town'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.

	1.0% Decrease	At Current Discount Rate	1.0% Increase
Town's proportionate share of the net pension asset (liability)	\$ (2,871,754)	\$ (1,273,546)	\$ 76,871

10. Length of Service Awards Program

The Town maintains a defined benefit Length of Service Awards Program (LOSAP) for the active volunteers of the Gasport, Rapids, South Lockport, Terry's Corners and Wrights Corners fire departments. The program was established pursuant to Article 11-A of State General Municipal Law and provides municipally-funded deferred compensation benefits to facilitate the recruitment and retention of volunteers. The Town is the sponsor of the program.

Under LOSAP, participating volunteers are paid a service award upon attainment of the program's entitlement age based upon the number of years of credited service. Active volunteers age 18 or older who have completed one year of service are eligible to participate in the program. Participants acquire a nonforfeitable right to a service award after being credited with 5 years of service or upon attaining the program's entitlement age of 65.

A participant's service award benefit is the actuarial equivalent of a monthly payment for life with payments guaranteed for 10 years equal to \$20 multiplied by the person's number of years of service earned. The number of years of service used to compute the benefit cannot exceed 30 years. Benefits are payable when the participant reaches entitlement age except in the case of disability or death. The program provides death and disability benefits equal to the greater of the insurance face amount or present value of the accrued benefit. Members who remain active after attaining the entitlement age and receive their accumulated service award payout from the fund may continue to qualify annually for a post-entitlement payment. The Town has retained and designated Hometown/RSA Consultants and Harbridge Consulting Group, LLC to assist in administration of the program. Such services are paid by the Town through the fire protection fund.

Program assets are required to be held in trust for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the program's operation and administration. The Town maintains the Service Award Program Trust Fund document which is available from the Town Clerk. Because this trust is not legally protected from all creditors, accounting standards do not currently require recognition of a net pension asset or liability, deferred outflows of resources, or deferred inflows of resources like those that are required for ERS and similar plans. The Board serves as the program trustee. Amounts in trust as of December 31, 2016 totaled \$3,941,716.

Information for the year ended December 31, 2016 is as follows:

Present value of benefits at 12/31/16	\$ 5,146,319
Less: Assets available for benefits	
Cash	38,230
Annuities	3,407,338
Cash surrender value of life insurance	<u>496,148</u>
Total net assets available for benefits	<u>3,941,716</u>
Total unfunded benefits	(1,204,603)
Unfunded liability for prior service	<u>(1,204,603)</u>
Unfunded normal benefits	<u>\$ -</u>

The annual required contribution for the current year was determined as part of the January 1, 2017 valuation using the unit credit cost method. Prior year service costs are being amortized over a range of 10 to 12 years at a discount rate of 5.0%. The amount of the Town's 2016 contribution is \$222,200. The assumptions used by the actuary to determine the Town's contribution and the actuarial present value of benefits are as follows:

Assumed rate of return on investment	5.0%
--------------------------------------	------

Tables used for:

Post-entitlement age mortality	RP2000 combined table - unisex
Pre-entitlement age mortality	none
Pre entitlement age disability	none
Pre-entitlement age withdrawal	none
Pre-entitlement age service award actuals	none

11. Postemployment Healthcare Benefits

The Town 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 Town, as negotiated from time to time. The Plan does not issue a publicly available financial report. 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 required contribution is based on projected pay-as-you-go financing requirements, with no current funding of actuarially determined liabilities. For the year ended December 31, 2016, the Town contributed \$323,000 for plan benefits. No contributions were required from the eligible retirees.

The Town's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution (ARC) of the Town. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize unfunded actuarial liabilities over 30 years. OPEB expense also includes the following components:

- Amortization of the unfunded actuarial accrued liability (UAAL) for the current year, which is the actuarially-determined, unfunded present value of all future OPEB costs associated with current employees and retirees at the beginning of the year.
- Normal cost which is the actuarially-determined cost of future OPEB earned in the current year.

The following table summarizes the Town's annual OPEB for the year ended December 31, 2016:

Annual required contribution	
Normal cost	\$ 76,065
Amortization of unfunded actuarial accrued liability	329,515
Interest	17,631
ARC adjustment	<u>(17,995)</u>
	405,216
Contributions made	<u>(323,000)</u>
Increase in net OPEB obligation	82,216
Net OPEB obligation - beginning of year	<u>440,781</u>
Net OPEB obligation - end of year	<u>\$ 522,997</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

	Annual	Percentage of	Net OPEB
	OPEB Cost	Annual OPEB	Obligation
		Cost Contributed	
2016	\$ 405,216	79.7%	\$ 522,997
2015	405,184	109.6%	\$ 440,781
2014	405,001	82.0%	\$ 479,597

As of January 1, 2014, the actuarial accrued liability for benefits was \$7,940,436, all of which is unfunded. The annual payroll of employees covered by the Plan was \$2,160,700, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 367%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events 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 ARC of the Town are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. A schedule of funding progress is presented as required supplementary information and displays trend data on plan assets (if any) and the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the Plan as understood by the Town and Plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the Town and Plan members. 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 (if any), consistent with the long-term perspective of the calculations. The following assumptions were made:

- Retirement age for active employees** – active plan members begin to retire at age 55 through age 70
- Marital status** – 70% of future retirees are assumed to be married, with male spouses three years older than female spouses; actual ages for retirees
- Mortality** – RP-2010 mortality tables, with separate tables used for males and females
- Turnover** – 2003 Society of Actuaries small plan withdrawal rates
- Healthcare cost trend rate** – 7.8% with the ultimate trend rate of 4.2% beyond 2050
- Actuarial cost method** – Entry Age Normal Method over a level percent of pay
- Discount rate** – 4.0%
- Salary scale** – 3.0%
- Amortization method** – 30 years level percent of pay, open group

12. Risk Management

The Town 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.

13. Commitments and Contingencies

Significant outstanding encumbrances in the highway fund as of December 31, 2016 include \$213,000 for transportation equipment.

TOWN OF LOCKPORT, NEW YORK

**Required Supplementary Information
Schedule of Funding Progress
Postemployment Benefit Plan**

December 31, 2016

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2008	\$ -	\$ 4,031,432	\$ (4,031,432)	-	\$ 1,831,144	220%
January 1, 2011	\$ -	\$ 4,678,842	\$ (4,678,842)	-	\$ 2,020,320	232%
January 1, 2014	\$ -	\$ 7,940,436	\$ (7,940,436) *	-	\$ 2,160,700	367%

*The increase in the unfunded actuarial accrued liability is based on changes in rates, assumptions and health insurance premiums.

TOWN OF LOCKPORT, NEW YORK

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

As of the measurement date of March 31,	2016	2015
Town's proportion of the net pension liability	0.0079347%	0.0078031%
Town's proportionate share of the net pension liability	\$ 1,273,546	\$ 263,608
Town's covered payroll	\$ 2,060,724	\$ 1,935,965
Town's proportionate share of the net pension liability as a percentage of its covered payroll	61.80%	13.62%
Plan fiduciary net position as a percentage of the total pension liability	90.70%	97.90%

Data prior to 2015 is unavailable.

The following is a summary of changes in assumptions:

As of the measurement date of March 31,	2016	2015
Inflation	2.5%	2.7%
Salary increases	3.8%	4.9%
Cost of living adjustments	1.3%	1.4%
Investment rate of return	7.0%	7.5%
Discount rate	7.0%	7.5%

TOWN OF LOCKPORT, NEW YORK

**Required Supplementary Information
Schedule of Town Contributions
New York State and Local Employees' Retirement System**

December 31,	2016	2015	2014	2013
Contractually required contribution	\$ 287,963	\$ 316,118	\$ 360,495	\$ 352,961
Contribution in relation to the contractually required contribution	(287,963)	(316,118)	(360,495)	(352,961)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 2,060,724	\$ 1,935,965	\$ 1,948,601	\$ 1,851,074
Contributions as a percentage of covered payroll	<u>13.97%</u>	<u>16.33%</u>	<u>18.50%</u>	<u>19.07%</u>

Data prior to 2013 is unavailable.

TOWN OF LOCKPORT, NEW YORK

**Supplementary Information
Combining Balance Sheet - Nonmajor Governmental Funds**

December 31, 2016

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Fire Protection	Refuse	Other Special Districts	Debt Service	
Assets					
Cash	\$ 200,542	\$ 201,350	\$ 418,660	\$ 2,061	\$ 822,613
Due from other governments	-	798	-	-	798
Due from other funds	-	-	29,118	-	29,118
Total assets	\$ 200,542	\$ 202,148	\$ 447,778	\$ 2,061	\$ 852,529
Liabilities					
Accounts payable	1,082	140,918	9,913	-	151,913
Fund Balances					
Restricted:					
Debt service	-	-	-	2,061	2,061
Fire protection	199,460	-	-	-	199,460
Refuse	-	61,230	-	-	61,230
Special districts	-	-	437,865	-	437,865
Total fund balances	199,460	61,230	437,865	2,061	700,616
Total liabilities and fund balances	\$ 200,542	\$ 202,148	\$ 447,778	\$ 2,061	\$ 852,529

TOWN OF LOCKPORT, NEW YORK

**Supplementary Information
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds**

For the year ended December 31, 2016

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Fire Protection	Refuse	Other Special Districts	Debt Service	
Revenues					
Real property taxes	\$ 1,124,790	\$ 967,925	\$ 134,129	\$ -	\$ 2,226,844
Nonproperty tax items	371,500	-	-	-	371,500
Departmental income	-	5,127	29,119	-	34,246
Use of money and property	443	550	771	2	1,766
Miscellaneous local sources	28,185	-	-	-	28,185
Total revenues	1,524,918	973,602	164,019	2	2,662,541
Expenditures					
Public safety	1,127,543	-	-	-	1,127,543
Transportation	-	-	26,458	-	26,458
Home and community services	-	1,154,390	86,735	-	1,241,125
Employee benefits	374,209	-	-	-	374,209
Total expenditures	1,501,752	1,154,390	113,193	-	2,769,335
Excess revenues (expenditures)	23,166	(180,788)	50,826	2	(106,794)
Other financing sources (uses)					
Operating transfers, net	-	60,714	(450,431)	-	(389,717)
Net change in fund balances	23,166	(120,074)	(399,605)	2	(496,511)
Fund balances - beginning	176,294	181,304	837,470	2,059	1,197,127
Fund balances - ending	\$ 199,460	\$ 61,230	\$ 437,865	\$ 2,061	\$ 700,616