

TOWN OF LOCKPORT, NEW YORK

FINANCIAL STATEMENTS

DECEMBER 31, 2017

TOWN OF LOCKPORT, NEW YORK

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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, 2017, 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, 2017, and the respective changes in financial position and the respective budgetary comparisons for the general, highway, water, sewer, and fire protection funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Changes in Accounting Principles

As described in Note 2 to the financial statements, in 2017, the Town adopted GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68 and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to these matters.

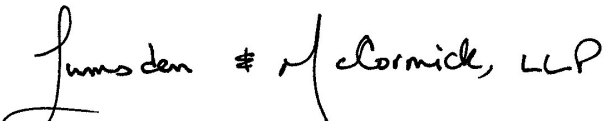
Required Supplementary Information

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 25, 2018

Town of Lockport, New York
Management's Discussion and Analysis
December 31, 2017
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, 2017. 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) required 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. In 2017, the Town adopted GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB 73). This statement requires the Town to account for its defined benefit length of service award program (LOSAP) in the same manner as those pensions that meet the criteria of GASB 68. In addition, the Town adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). The results of this statement include recognizing a total OPEB liability and related deferred outflows and deferred inflows of resources. The cumulative effect of implementing these required changes in accounting principles resulted in a restatement of beginning net position and fund balance of the fire protection fund as detailed in Note 2 to the financial statements. The comparative financial data in this MD&A for 2016 has not been restated.

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	2017	2016	Change	
			\$	%
Current and other assets	\$ 18,985,000	\$ 19,549,000	\$ (564,000)	-2.9%
Investments, restricted	4,213,000	-	4,213,000	100.0%
Capital assets	34,039,000	28,813,000	5,226,000	18.1%
Total assets	57,237,000	48,362,000	8,875,000	18.4%
Deferred outflows of resources	1,725,000	1,463,000	262,000	17.9%
Long-term liabilities	27,289,000	11,565,000	15,724,000	136.0%
Other liabilities	13,184,000	8,786,000	4,398,000	50.1%
Total liabilities	40,473,000	20,351,000	20,122,000	98.9%
Deferred inflows of resources	642,000	187,000	455,000	243.3%
Net position				
Net investment in capital assets	21,107,000	20,393,000	714,000	3.5%
Restricted	9,189,000	3,941,000	5,248,000	133.2%
Unrestricted	(12,449,000)	4,953,000	(17,402,000)	-351.3%
Total net position	\$ 17,847,000	\$ 29,287,000	\$ (11,440,000)	-39.1%

The Town's net position at December 31, 2017 and 2016 was \$17,847,000 and \$29,287,000. Capital assets (infrastructure, buildings, improvements, furniture and equipment) represent the largest portion (59.5%) of the Town's total assets (59.6% in 2016). Long-term liabilities outstanding total 67.4% in 2017 and 56.8% in 2016 of total liabilities. A majority of the Town's long-term obligations relate directly to infrastructure and other capital assets, as well as liabilities associated with the Town's other postemployment benefits (OPEB) and pension obligations.

Current and other assets decreased by \$564,000 (increase of \$2,948,000 or 17.8% in 2016). 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 \$5,226,000 (\$870,000 or 3.1% increase in 2016) due to continued work on Town water and sewer projects, offset by current year depreciation expense.

The addition of restricted investments of \$4,213,000, deferred outflows of resources of \$458,000, deferred inflows of resources of \$59,000 and the length of service award program liability (LOSAP) of \$6,679,000 is a result of the implementation of GASB 73. Also contributing to the increase in long-term liabilities of \$15,724,000 (\$5,007,000 increase in 2016) was the total OPEB liability of \$11,521,000 as required by the recognition of GASB 75. These increases were offset by required principal payments on debt obligations. The increase in other liabilities of \$4,398,000 (decrease of \$1,546,000 in 2016) was due to the increase in the bond anticipation note (BAN) balance of \$4,009,000.

Condensed Statement of Activities	2017	2016	Change	
			\$	%
Revenue				
Program revenues				
Charges for services	\$ 3,482,000	\$ 3,616,000	\$ (134,000)	-3.7%
Operating and capital grants and contributions	657,000	825,000	(168,000)	-20.4%
General revenues				
Property taxes	6,118,000	6,069,000	49,000	0.8%
Sales taxes	5,041,000	5,137,000	(96,000)	-1.9%
Other	167,000	40,000	127,000	317.5%
Total revenue	<u>15,465,000</u>	<u>15,687,000</u>	<u>(222,000)</u>	<u>-1.4%</u>
Expenses				
Support services				
General government	3,044,000	3,072,000	(28,000)	-0.9%
Public safety	1,954,000	1,783,000	171,000	9.6%
Health	5,000	4,000	1,000	25.0%
Transportation	2,970,000	2,978,000	(8,000)	-0.3%
Economic assistance and opportunity	60,000	75,000	(15,000)	-20.0%
Culture and recreation	99,000	189,000	(90,000)	-47.6%
Home and community services	5,423,000	6,142,000	(719,000)	-11.7%
Interest	435,000	253,000	182,000	71.9%
Total expenses	<u>13,990,000</u>	<u>14,496,000</u>	<u>(506,000)</u>	<u>-3.5%</u>
Change in net position	1,475,000	1,191,000	284,000	23.8%
Net position - beginning	29,287,000	28,096,000	1,191,000	4.2%
Cumulative effect adjustments - GASB 73 & 75	(12,915,000)			
Net position - ending	<u>\$ 17,847,000</u>	<u>\$ 29,287,000</u>	<u>\$ (11,440,000)</u>	<u>-39.1%</u>

The main revenue sources supporting the Town's programs are sales and property taxes which represent 72.2% of total revenues (71.4% in 2016). Property taxes were consistent with the prior year compared to 2016, which increased \$380,000 or 6.7%. 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 \$96,000 or 1.8% in 2016) reflecting a leveling off of consumer spending. Charges for services decreased \$134,000 (\$188,000 increase or 5.5% in 2016) due to a decrease in water usage in 2017 attributable to climatic changes. Operating and capital grants and contributions decreased \$168,000 (decrease of \$303,000 or 26.9% in 2016) due to \$127,000 of one-time local grants received in 2016 for park projects.

Total expenses decreased \$506,000 (increase of \$737,000 or 5.4% in 2016). 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 38.8% of total expenses (42.4% in 2016) and decreased by \$719,000 (increase of \$284,000 or 4.8% in 2016) which is largely due to the purchase of recycling totes for Town residents in 2016, as well as a reduction in refuse collection costs and a decrease in costs in the water fund. Employee benefit expenses, which are allocated across the applicable expense categories, increased due to an increase in health insurance costs for 2017.

Financial Analysis of the Town's Funds

Total fund balances for the governmental funds decreased from \$9,272,000 to \$8,822,000 as described below:

- The implementation of GASB 73 required recognition of the investments held to pay benefits for LOSAP in the fire protection fund. This resulted in an increase in beginning fund balance of \$3,960,000.
- Revenue for all funds totaled \$15,488,000 (\$15,702,000 in 2016) and decreased by \$214,000 or 1.4% (\$192,000 increase or 1.2% in 2016). The decrease in revenue was the result of decreases in water usage revenue and grants received.
- Capital projects expenditures were \$5,736,000 in 2017 compared to \$1,903,000 in 2016 due to the continuation of the water and sewer projects within the Town. This resulted in a deficit fund balance in the capital projects fund of \$5,816,000 which will be eliminated as BAN payments are made or as the Town converts the BANs to permanent financing.
- Payroll increased \$84,000 or 3.6% due to increases mandated through collective bargaining agreements and the hiring of a new employees.

General Fund Budgetary Highlights

Actual revenues exceeded budgeted revenues by \$30,000 or 1.0%. The largest variance was in nonproperty tax items which were underbudget by \$105,000. Expenditures (before other financing uses) were under budget by \$437,000 or 11.7% with the largest variance in general government support of \$263,000.

Capital Assets

	2017	2016
Land	\$ 1,115,000	\$ 1,115,000
Construction in progress	5,780,000	5,924,000
Land improvements	379,000	369,000
Infrastructure	81,595,000	75,715,000
Buildings and improvements	5,129,000	5,127,000
Furniture and equipment	6,238,000	6,020,000
	<u>100,236,000</u>	<u>94,270,000</u>
Accumulated depreciation	<u>(66,197,000)</u>	<u>(65,457,000)</u>
	<u>\$ 34,039,000</u>	<u>\$ 28,813,000</u>

Depreciation expense and disposals of capital assets totaled \$1,014,000 while capital asset additions totaled \$6,240,000. A majority of the capital asset additions relate directly to water and sewer projects as previously discussed.

Debt

At December 31, 2017, the Town had \$7,170,000 in bonds outstanding with \$980,000 due within one year (\$8,273,000 outstanding in 2016). 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, 2017 was \$1,164,000.

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

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, 2017

Assets

Cash	\$ 16,277,788
Accounts receivable	601,418
Due from other governments	740,896
Prepaid insurance	168,000
Due from fiduciary funds	32,057
Lease payments receivable	1,163,627
Investments, restricted	4,213,199
Capital assets (Note 7)	100,236,310
Accumulated depreciation	<u>(66,196,823)</u>
Total assets	<u>57,236,472</u>

Deferred Outflows of Resources

Defeasance loss	53,331
Deferred outflows of resources related to pensions, Other Post Employment Benefits (OPEB) and the Length of Service Award Program (LOSAP)	<u>1,671,625</u>
Total deferred outflows of resources	<u>1,724,956</u>

Liabilities

Accounts payable	731,768
Accrued liabilities	894,132
Due to other governments	3,853
Bond anticipation note payable	11,553,720
Long-term liabilities	
Due within one year	
Bonds	980,000
Financing lease	336,967
Due beyond one year	
Bonds	6,190,000
Financing lease	826,660
Net pension liability	756,158
LOSAP pension liability	6,678,636
Other postemployment benefits	<u>11,520,982</u>
Total liabilities	<u>40,472,876</u>

Deferred Inflows of Resources

642,049

Net Position

Net investment in capital assets	21,106,662
Restricted	9,188,776
Unrestricted	<u>(12,448,935)</u>
Total net position	<u>\$ 17,846,503</u>

See accompanying notes.

TOWN OF LOCKPORT, NEW YORK

Statement of Activities

For the year ended December 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
General government	\$ 3,044,302	\$ 490,010	\$ 419,347	\$ -	\$ (2,134,945)
Public safety	1,954,463	343,473	-	-	(1,610,990)
Health	4,667	-	-	-	(4,667)
Transportation	2,969,855	13,430	224,258	9,256	(2,722,911)
Economic assistance and opportunity	59,818	-	-	-	(59,818)
Culture and recreation	98,973	-	3,744	-	(95,229)
Home and community services	5,423,136	2,635,362	-	-	(2,787,774)
Interest expense	434,946	-	-	-	(434,946)
	<u>\$ 13,990,160</u>	<u>\$ 3,482,275</u>	<u>\$ 647,349</u>	<u>\$ 9,256</u>	<u>(9,851,280)</u>
General revenues					
					6,118,290
					5,041,049
					177,182
					(9,995)
					<u>11,326,526</u>
					Change in net position
					1,475,246
					Net position - beginning
					29,286,682
					Cumulative effect of changes in accounting principles (Note 2)
					(12,915,425)
					Net position - beginning, as restated
					<u>16,371,257</u>
					Net position - ending
					<u>\$ 17,846,503</u>

TOWN OF LOCKPORT, NEW YORK

Balance Sheet - Governmental Funds

December 31, 2017

	General	Highway	Water	Sewer	Fire Protection	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets								
Cash	\$ 5,491,796	\$ 545,396	\$ 2,876,163	\$ 421,555	\$ 215,945	\$ 6,174,374	\$ 552,559	\$ 16,277,788
Accounts receivable	48,780	35,916	311,668	205,054	-	-	-	601,418
Due from other governments	537,942	-	174,245	19,177	-	9,256	276	740,896
Prepaid expenses	38,587	20,687	7,353	7,353	-	-	-	73,980
Due from other funds, net	4,885	36,448	-	706,732	-	-	28,381	776,446
Lease payments receivable	-	-	-	1,163,627	-	-	-	1,163,627
Investments, restricted	-	-	-	-	4,213,199	-	-	4,213,199
Total assets	6,121,990	638,447	3,369,429	2,523,498	4,429,144	6,183,630	581,216	23,847,354
Liabilities and Fund Balances								
Accounts payable	67,406	44,091	163,582	17,258	-	436,810	2,621	731,768
Accrued liabilities	636,879	105,889	47,641	37,723	-	-	-	828,132
Due to other funds, net	-	-	735,133	-	-	9,256	-	744,389
Due to other governments	3,853	-	-	-	-	-	-	3,853
Bond anticipation note payable	-	-	-	-	-	11,553,720	-	11,553,720
Financing lease	-	-	-	1,163,627	-	-	-	1,163,627
Total liabilities	708,138	149,980	946,356	1,218,608	-	11,999,786	2,621	15,025,489
Fund Balances								
Nonspendable	38,587	20,687	7,353	7,353	-	-	-	73,980
Restricted:								
Debt service	-	-	-	-	-	-	2,063	2,063
Highway	-	467,780	-	-	-	-	-	467,780
Water	-	-	2,415,720	-	-	-	-	2,415,720
Sewer	-	-	-	1,297,537	-	-	-	1,297,537
Fire protection	-	-	-	-	4,429,144	-	-	4,429,144
Refuse	-	-	-	-	-	-	67,551	67,551
Other	-	-	-	-	-	-	508,981	508,981
Assigned:								
Designated for subsequent year's expenditures	1,320,459	-	-	-	-	-	-	1,320,459
Unassigned	4,054,806	-	-	-	-	(5,816,156)	-	(1,761,350)
Total fund balances (deficit)	5,413,852	488,467	2,423,073	1,304,890	4,429,144	(5,816,156)	578,595	8,821,865
Total liabilities and fund balances	\$ 6,121,990	\$ 638,447	\$ 3,369,429	\$ 2,523,498	\$ 4,429,144	\$ 6,183,630	\$ 581,216	\$ 23,847,354

TOWN OF LOCKPORT, NEW YORK

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

December 31, 2017

Total fund balances - governmental funds \$ 8,821,865

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. 34,039,487

The Town's postemployment benefit liabilities and related deferred outflows and deferred inflows of resources are recognized in the government-wide statements as follows:

Pension	(264,686)
LOSAP	(6,279,250)
OPEB	(11,456,244)

Prepaid insurance is charged to expense during the period of benefit, while the expenditure is recorded when paid in the governmental funds. 168,000

Defeasance losses associated with bond refundings are recognized as deferred outflows of resources in the government-wide statements. 53,331

Certain liabilities are not due and payable currently and therefore are not reported as liabilities of the governmental funds. These liabilities are:

Bonds	(7,170,000)	
Accrued interest	(66,000)	(7,236,000)

Net position - governmental activities \$ 17,846,503

TOWN OF LOCKPORT, NEW YORK

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

For the year ended December 31, 2017

	General	Highway	Water	Sewer	Fire Protection	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues								
Real property taxes	\$ -	\$ -	\$ 1,245,208	\$ 2,797,657	\$ 964,850	\$ -	\$ 1,110,575	\$ 6,118,290
Nonproperty tax items	2,049,776	2,401,100	-	-	590,173	-	-	5,041,049
Departmental income	22,493	-	1,493,864	1,108,690	-	-	32,808	2,657,855
Use of money and property	70,605	141	2,084	903	165,394	5,572	985	245,684
Licenses and permits	144,720	13,430	-	-	-	-	-	158,150
Fines and forfeitures	343,473	-	-	-	-	-	-	343,473
Miscellaneous local sources	83,996	28,042	65,855	47,130	29,272	-	-	254,295
Sale of property and compensation for loss	-	10,573	1,854	-	-	-	-	12,427
State sources	423,091	224,258	-	-	-	9,256	-	656,605
Total revenues	3,138,154	2,677,544	2,808,865	3,954,380	1,749,689	14,828	1,144,368	15,487,828
Expenditures								
General government	1,632,247	-	-	-	-	4,690	-	1,636,937
Public safety	285,401	-	-	-	1,150,752	-	-	1,436,153
Health	4,667	-	-	-	-	-	-	4,667
Transportation	211,075	2,209,815	-	-	-	13,956	24,588	2,459,434
Economic assistance and opportunity	59,818	-	-	-	-	-	-	59,818
Culture and recreation	162,545	-	-	-	-	-	-	162,545
Home and community services	211,606	-	1,116,971	2,669,838	-	5,717,748	981,628	10,697,791
Employee benefits	730,300	558,094	151,477	151,477	328,935	-	-	1,920,283
Debt service								
Principal	-	-	437,943	665,057	-	-	-	1,103,000
Interest	-	-	206,719	210,449	-	-	-	417,168
Total expenditures	3,297,659	2,767,909	1,913,110	3,696,821	1,479,687	5,736,394	1,006,216	19,897,796
Excess revenues (expenditures)	(159,505)	(90,365)	895,755	257,559	270,002	(5,721,566)	138,152	(4,409,968)
Other financing sources (uses)								
Operating transfers, net	56,023	(750)	(134,707)	15,887	-	124,260	(60,713)	-
Net change in fund balances	(103,482)	(91,115)	761,048	273,446	270,002	(5,597,306)	77,439	(4,409,968)
Fund balances (deficit) - beginning	5,517,334	579,582	1,662,025	1,031,444	199,460	(218,850)	501,156	9,272,151
Cumulative effect of change in accounting principle (Note 2)	-	-	-	-	3,959,682	-	-	3,959,682
Fund balances (deficit) - beginning, as restated	5,517,334	579,582	1,662,025	1,031,444	4,159,142	(218,850)	501,156	13,231,833
Fund balances (deficit) - ending	\$ 5,413,852	\$ 488,467	\$ 2,423,073	\$ 1,304,890	\$ 4,429,144	\$ (5,816,156)	\$ 578,595	\$ 8,821,865

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, 2017

Total net change in fund balances - governmental funds \$ (4,409,968)

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. 5,226,088

Pension, LOSAP, 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	(124,706)	
LOSAP	(189,375)	
OPEB	<u>(148,015)</u>	(462,096)

Payments of long-term liabilities are reported as expenditures in governmental funds and as a reduction of debt in the statement of net position. 1,103,000

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	<u>36,000</u>	18,222

Change in net position - governmental activities \$ 1,475,246

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, 2017

	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	\$ 2,154,800	\$ 2,154,800	\$ 2,049,776	\$ (105,024)	\$ 2,401,100	\$ 2,401,100	\$ 2,401,100	\$ -
Departmental income	20,000	20,000	22,493	2,493	-	-	-	-
Use of money and property	68,500	68,500	70,605	2,105	200	200	141	(59)
Licenses and permits	93,050	93,050	144,720	51,670	5,000	5,000	13,430	8,430
Fines and forfeitures	325,000	325,000	343,473	18,473	-	-	-	-
Miscellaneous local sources	53,000	53,000	83,996	30,996	15,000	15,000	28,042	13,042
Sale of property and compensation for loss	-	-	-	-	15,500	15,500	10,573	(4,927)
State sources	394,000	394,000	423,091	29,091	180,000	180,000	224,258	44,258
Total revenues	3,108,350	3,108,350	3,138,154	29,804	2,616,800	2,616,800	2,677,544	60,744
Expenditures								
General government	1,906,460	1,895,500	1,632,247	(263,253)	-	-	-	-
Public safety	313,171	316,416	285,401	(31,015)	-	-	-	-
Health	4,675	5,170	4,667	(503)	-	-	-	-
Transportation	210,069	215,514	211,075	(4,439)	2,245,140	2,268,470	1,997,125	(271,345)
Economic assistance and opportunity	66,500	67,085	59,818	(7,267)	-	-	-	-
Culture and recreation	184,624	184,984	162,545	(22,439)	-	-	-	-
Home and community services	218,206	245,486	211,606	(33,880)	-	-	-	-
Employee benefits	831,400	804,950	730,300	(74,650)	584,350	561,020	558,094	(2,926)
Total expenditures	3,735,105	3,735,105	3,297,659	(437,446)	2,829,490	2,829,490	2,555,219	(274,271)
Excess revenues (expenditures)	(626,755)	(626,755)	(159,505)	467,250	(212,690)	(212,690)	122,325	335,015
Other financing sources (uses)								
Operating transfers in	-	-	60,713	60,713	-	-	-	-
Operating transfers out	-	-	(4,690)	4,690	-	-	(750)	750
Appropriated fund balance	626,755	626,755	-	(626,755)	212,690	212,690	-	(212,690)
Total other financing sources (uses)	626,755	626,755	56,023	(570,732)	212,690	212,690	(750)	(213,440)
Excess revenue and other financing sources (uses)	\$ -	\$ -	\$ (103,482)	\$ (103,482)	\$ -	\$ -	\$ 121,575	\$ 121,575

See accompanying notes.

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, 2017

	Water Fund				Sewer Fund				Fire Protection Fund				
	Budgeted Amounts		Actual	Variance with	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)	Original	Final	(Budgetary Basis)	Final Budget Over/(Under)	
Revenues													
Real property taxes	\$ 1,245,221	\$ 1,245,221	\$ 1,245,208	\$ (13)	\$ 2,797,657	\$ 2,797,657	\$ 2,797,657	\$ -	\$ 964,850	\$ 964,850	\$ 964,850	\$ -	
Nonproperty tax items	-	-	-	-	-	-	-	-	590,173	590,173	590,173	-	
Departmental income	1,268,000	1,272,000	1,493,864	221,864	1,080,307	1,080,307	1,108,690	28,383	-	-	-	-	
Use of money and property	1,500	1,500	2,084	584	1,000	1,000	903	(97)	600	600	165,394	164,794	
Miscellaneous local sources	6,000	2,000	65,855	63,855	334,436	334,436	47,130	(287,306)	20,000	20,000	29,272	9,272	
Sale of property and compensation for loss	-	-	1,854	1,854	-	-	-	-	-	-	-	-	
Total revenues	2,520,721	2,520,721	2,808,865	288,144	4,213,400	4,213,400	3,954,380	(259,020)	1,575,623	1,575,623	1,749,689	174,066	
Expenditures													
Public safety	-	-	-	-	-	-	-	-	1,160,623	1,155,323	1,150,752	(4,571)	
Home and community services	1,463,500	1,463,500	1,153,400	(310,100)	2,757,000	2,757,000	2,669,838	(87,162)	-	-	-	-	
Employee benefits	172,700	172,700	151,477	(21,223)	172,700	172,700	151,477	(21,223)	415,000	420,300	328,935	(91,365)	
Debt service													
Principal	706,950	676,950	437,943	(239,007)	1,101,300	1,072,300	665,057	(407,243)	-	-	-	-	
Interest	177,571	207,571	206,719	(852)	182,400	211,400	210,449	(951)	-	-	-	-	
Total expenditures	2,520,721	2,520,721	1,949,539	(571,182)	4,213,400	4,213,400	3,696,821	(516,579)	1,575,623	1,575,623	1,479,687	(95,936)	
Excess revenues	-	-	859,326	859,326	-	-	257,559	257,559	-	-	270,002	270,002	
Other financing sources (uses)													
Operating transfers in	-	-	1,973	1,973	-	-	17,147	17,147	-	-	-	-	
Operating transfers out	-	-	(136,680)	136,680	-	-	(1,260)	1,260	-	-	-	-	
Total other financing sources (uses)	-	-	(134,707)	134,707	-	-	15,887	15,887	-	-	-	-	
Excess revenues and other financing sources (uses)	\$ -	\$ -	\$ 724,619	\$ 724,619	\$ -	\$ -	\$ 273,446	\$ 273,446	\$ -	\$ -	\$ 270,002	\$ 270,002	

See accompanying notes.

TOWN OF LOCKPORT, NEW YORK

Balance Sheet - Fiduciary Fund

December 31, 2017

	<u>Agency</u>
Assets	
Cash	\$ 606,352
Liabilities	
Due to governmental funds	\$ 32,057
Agency liabilities	574,295
Total liabilities	<u>\$ 606,352</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.
- *Fire protection fund.* This is a special revenue fund whose revenues, which are derived from property taxes levied specifically on the residents of these districts, are restricted for the operations of the Town's legally created fire protection districts.
- *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 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 and employee third party withholdings. 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 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:

	General	Highway	Water
GAAP basis expenditures	\$ 3,297,659	\$ 2,767,909	\$ 1,913,110
Encumbrances at 12/31/17	50,000	-	36,429
Encumbrances at 12/31/16	(50,000)	(212,690)	-
Expenditures budgetary basis	<u>\$ 3,297,659</u>	<u>\$ 2,555,219</u>	<u>\$ 1,949,539</u>

On a budgetary basis, the Town also reflects amounts received and paid for its sewer interceptor direct financing lease (Note 9) 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 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.

Investments

Investments represent resources restricted to the Town's length of service award program (LOSAP) and consists primarily of annuity contracts and cash value of life insurance policies. Annuity contracts are valued at cost plus accreted interest.

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:

	Capitalization Policy	Estimated Useful Life
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

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. On the government-wide statements, the Town 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 plan.

Unearned Revenue

Property tax payments for 2018 collected in 2017 are recorded as unearned revenue as of December 31, 2017.

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. The Board 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.

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. Changes in Accounting Principles

Effective January 1, 2017, the Town adopted GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement addresses accounting and financial reporting of the LOSAP plan sponsored by the Town and requires various note disclosures (Note 11) and required supplementary information.

Also effective January 1, 2017, the Town 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 Town and requires various note disclosures (Note 12) and required supplementary information. The impact of these required accounting changes is as follows:

Government-wide:

Net position previously reported, January 1, 2017		<u>\$ 29,286,682</u>
Investment assets restricted to LOSAP	3,959,682	
LOSAP pension liability	<u>(6,089,875)</u>	
Change in net position related to LOSAP, January 1, 2017		(2,130,193)
OPEB liability previously reported, January 1, 2017	522,997	
Total OPEB liability as of January 1, 2017	<u>(11,308,229)</u>	
Change in net position related to OPEB, January 1, 2017		<u>(10,785,232)</u>
Cumulative effect of changes in accounting principles as of January 1, 2017		<u>(12,915,425)</u>
Net position as restated, January 1, 2017		<u>\$ 16,371,257</u>

Fire protection fund:

Fund balance previously reported, January 1, 2017		\$ 199,460
Investment assets restricted to LOSAP		3,959,682
Fund balance as restated, January 1, 2017		<u>\$ 4,159,142</u>

The net effect of the implementation of GASB Statements No. 73 and No. 75 on net position is a decrease of \$12,915,425. 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 included in the cumulative effect adjustment.

3. Stewardship and Accountability

The capital projects fund's deficit fund balance of \$5,816,156 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 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, 2017, 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.

5. Due from Other Governments

Included in amounts due from other governments as of December 31, 2017 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. \$ 30,000

Principal and interest payments due the Town as of December 31, 2017 are expected to be as follows:

<u>Years ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 10,000	\$ 450
2019	10,000	300
2020	10,000	150
	<u>\$ 30,000</u>	<u>\$ 900</u>

6. Interfund Transactions – Fund Financial Statements

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>	<u>Transfers</u>	
			<u>In</u>	<u>Out</u>
General	\$ 41,333	\$ 36,448	\$ 60,713	\$ 4,690
Highway	36,448	-	-	750
Water	-	735,133	1,973	136,680
Sewer	706,732	-	17,147	1,260
Other special districts	28,381	-	-	60,713
Capital projects	-	9,256	143,380	19,120
Fiduciary	-	32,057	-	-
	<u>\$ 812,894</u>	<u>\$ 812,894</u>	<u>\$ 223,213</u>	<u>\$ 223,213</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 attributable to the revenue 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 general, highway, water, and sewer 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 other special districts to the general fund is related to the purchase of recycling carts. All transfers are considered permanent.

7. Capital Assets

	January 1, 2017	Increases	Retirements/ Reclassifications	December 31, 2017
Non-depreciable capital assets:				
Land	\$ 1,115,458	\$ -	\$ -	\$ 1,115,458
Construction in progress	5,923,974	5,736,394	(5,880,406)	5,779,962
Total non-depreciable assets	7,039,432	5,736,394	(5,880,406)	6,895,420
Depreciable capital assets:				
Land improvements	369,170	10,000	-	379,170
Infrastructure	75,714,711	-	5,880,406	81,595,117
Buildings and improvements	5,126,665	1,666	-	5,128,331
Furniture and equipment	6,019,963	491,902	(273,593)	6,238,272
Total depreciable assets	87,230,509	503,568	5,606,813	93,340,890
Less accumulated depreciation:				
Land improvements	336,548	24,040	-	360,588
Infrastructure	58,679,506	711,081	-	59,390,587
Buildings and improvements	2,228,710	102,531	-	2,331,241
Furniture and equipment	4,211,778	153,800	(251,171)	4,114,407
Total accumulated depreciation	65,456,542	991,452	(251,171)	66,196,823
Depreciable assets, net	21,773,967	(487,884)	5,857,984	27,144,067
	\$ 28,813,399	\$ 5,248,510	\$ (22,422)	\$ 34,039,487

Depreciation expense has been allocated to the following functions: general government \$507,227, transportation \$298,427, and home and community \$185,798.

As of December 31, 2017, net investment in capital assets consists of the following:

Capital assets, net of accumulated depreciation	\$ 34,039,487
Defeasance loss	53,331
Cash, net of related payables	5,737,564
Bond anticipation note payable	(11,553,720)
Serial bonds	(7,170,000)
	<u>\$ 21,106,662</u>

8. Short-Term Debt

The BAN outstanding at December 31, 2017 amounted to \$11,553,720 and carries interest at 2.5%. In 2017, \$136,680 was paid from available Town funds and \$4,145,020 was issued. The Town plans to reissue the BAN with annual reductions until converted to serial bonds.

9. Long-Term Liabilities

	January 1, 2017	Increases	Decreases	December 31, 2017	Amount Due in One Year
Serial bonds	\$ 8,273,000	\$ -	\$ 1,103,000	\$ 7,170,000	\$ 980,000
Sewer interceptor - direct financing lease	\$ 1,496,063	\$ -	\$ 332,436	\$ 1,163,627	\$ 336,967

Existing Obligations

Description	Final Maturity	Interest Rate	Balance
1998 Sewer Refunding	January 2019	4.00-4.75%	\$ 540,664
1998 Water Refunding	January 2019	4.00-4.75%	259,336
2002 NYS EFC 2002A	April 2021	1.2%	570,000
2007 Serial Bond Refunding	June 2020	4.00-5.00%	745,000
2016 Public Improvement Serial Bond	December 2036	3.25-4.00%	5,055,000
			\$ 7,170,000
2001 Sewer Interceptor - direct financing lease Niagara County	May 2021	5.125-5.50%	\$ 1,115,000

Debt Service Requirements

Years ending December 31,	Serial Bonds	
	Principal	Interest
2018	\$ 980,000	\$ 252,641
2019	1,005,000	209,987
2020	600,000	176,658
2021	365,000	157,730
2022	225,000	146,969
2023-2036	3,995,000	1,157,674
	\$ 7,170,000	\$ 2,101,659

Leases

The New York State Police lease a building from the Town under the terms of a noncancelable operating lease. Rental income amounted to \$68,502 for the year ended December 31, 2017.

Future minimum rentals to be received are:

2018	\$	76,008
2019		76,008
2020		76,008
2021		76,008
2022		78,507
2023-2027		<u>408,519</u>
	\$	<u>791,058</u>

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, 2017 is \$1,163,627. 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>
2018	\$ 315,000	\$ 21,967
2019	325,000	15,842
2020	335,000	9,065
2021	<u>140,000</u>	<u>1,753</u>
	<u>\$ 1,115,000</u>	<u>\$ 48,627</u>

10. New York State and Local Employees' Retirement System

The Town participates in ERS, which is 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. 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 2017, these rates ranged from 9.2% - 15.8%.

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

At December 31, 2017, the Town reported a liability of \$756,158 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2017, and the total pension liability was determined by an actuarial valuation as of April 1, 2016. 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, 2017 measurement date, the Town's proportion was 0.0080475%, an increase of 0.0001128 from its proportion measured as of March 31, 2016.

For the year ended December 31, 2017, the Town recognized pension expense of \$418,634 on the government-wide statements. At December 31, 2017, 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	\$ 18,949	\$ 114,827
Changes of assumptions	258,331	-
Net difference between projected and actual earnings on pension plan investments	151,035	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	5,790	49,743
Town contributions subsequent to the measurement date	295,917	-
	<u>\$ 730,022</u>	<u>\$ 164,570</u>

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years ending December 31,</u>	
2018	\$ 128,615
2019	128,615
2020	118,895
2021	<u>(106,590)</u>
	<u>\$ 269,535</u>

Actuarial Assumptions

The actuarial assumptions used in the April 1, 2016 valuation, with update procedures used to roll forward the total pension liability to March 31, 2017, 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 – 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	36%	4.6%
International equities	14%	6.4%
Private equities	10%	7.8%
Real estate	10%	5.8%
Inflation-indexed bonds	4%	1.5%
Bonds and mortgages	17%	1.3%
Short-term	1%	(0.3)%
Other	8%	4.0%-5.9%
	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)	\$ (2,415,019)	\$ (756,158)	\$ 646,406

11. Length of Service Award Program

The Town maintains a defined benefit LOSAP pension plan for 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 pension benefits to facilitate the recruitment and retention of volunteers. The Town is the sponsor of this single employer 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.

Program assets are held in trust for the exclusive purpose of providing benefits to participants and their beneficiaries or for defraying reasonable expenses of the operation and administration of the program. The Board created an Award Program Trust Fund through the adoption of the Trust document, copies of which are available from the Town Clerk. The trust is not legally protected from creditors, and therefore such amounts are included in investments on the accompanying financial statements rather than as a reduction of the total LOSAP pension liability.

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

At December 31, 2017, the Town reported a total pension liability of \$6,678,636. The total pension liability was measured as of December 31, 2017 and was determined by an actuarial valuation as of January 1, 2018.

For the year ended December 31, 2017, the Town recognized pension expense of \$419,784 on the government-wide statements. At December 31, 2017, 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	\$ -	\$ 58,721
Changes of assumptions	458,107	-
	\$ 458,107	\$ 58,721

Amounts reported as deferred outflows and deferred inflows of resources related to LOSAP will be recognized in pension expense as follows:

Years ending December 31,	
2018	\$ 44,920
2019	44,920
2020	44,920
2021	44,920
2022	44,920
Thereafter	174,786
	\$ 399,386

Actuarial Assumptions

The actuarial assumptions used in the January 1, 2018 valuation were based on the following assumptions, applied to all periods included in the measurement:

- Salary increases** – not applicable
- Investment rate of return** – 3.31%, net of investment expense, including inflation
- Mortality** – RP 2000 Combined - Unisex
- Discount rate** – 3.31%, based on the Fidelity 20-year Go AA Bond index

The following presents the Town’s total pension liability calculated using the discount rate of 3.31% 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 total pension liability	\$ (7,754,000)	\$ (6,678,636)	\$ (5,806,000)

12. Postemployment Benefits Other than Pensions (OPEB)

Plan Description

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. 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, 2017, employees covered by the Plan include:

Active employees	33
Inactive employees or beneficiaries currently receiving benefits	47
Inactive employees entitled to but not yet receiving benefits	-
	<u>80</u>

Total OPEB Liability

The Town’s total OPEB liability of \$11,520,982 was measured and determined by an actuarial valuation as of December 31, 2017.

The total OPEB liability 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** – short-term trend rate based on the National Health Expenditure Projections 2009-2025 and the Society of Actuaries Getzen Long-Term Healthcare Cost Trend Resource Model v2018_c (updated August 2017) for long-term rates, initially 5.3% and an ultimate rate of 4.17% after 2070
- Salary increases** – 3.00%
- Mortality** – Adjusted RP-2014 combined, fully generational using scale MP-2017
- Discount rate** – 3.50% based on the Fidelity Municipal Go AA 20-Year Bond rate
- Inflation rate** – 2.37%

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at January 1, 2017	\$ 11,308,229
Changes for the year:	
Service cost	169,534
Interest	343,538
Changes of benefit terms	-
Differences between expected and actual experience	713,732
Changes of assumptions or other inputs	(618,166)
Benefit payments	(395,885)
Net changes	212,753
Balance at December 31, 2017	\$ 11,520,982

The following presents the sensitivity of the Town's total OPEB liability to changes in the discount rate, including what the Town'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 (2.50%)	Discount Rate (3.50%)	1.0% Increase (4.50%)
Total OPEB liability	\$ (13,311,942)	\$ (11,520,982)	\$ (10,066,088)

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

	1.0% Decrease (4.30% to 3.17%)	Healthcare Cost Trend Rate (5.30% to 4.17%)	1.0% Increase (6.30% to 5.17%)
Total OPEB liability	\$ (9,754,532)	\$ (11,520,982)	\$ (13,776,195)

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

For the year ended December 31, 2017, the Town recognized OPEB expense of \$543,900. At December 31, 2017, the Town 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	\$ 483,496	\$ -
Changes of assumptions or other inputs	-	418,758
	\$ 483,496	\$ 418,758

Amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Years ending December 31,</u>	
2018	\$ 30,828
2019	30,828
2020	<u>3,082</u>
	<u>\$ 64,738</u>

13. 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.

14. Commitments and Contingencies

The Town has entered into contracts with various construction companies for several capital projects. Outstanding contract commitments at December 31, 2017 amounted to \$1,300,000.

TOWN OF LOCKPORT, NEW YORK

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

As of the measurement date of March 31,	2017	2016	2015
Town's proportion of the net pension position	0.0080475%	0.0079347%	0.0078031%
Town's proportionate share of the net pension liability	\$ 756,158	\$ 1,273,546	\$ 263,608
Town's covered payroll	\$ 2,202,099	\$ 2,060,724	\$ 1,935,965
Town's proportionate share of the net pension position as a percentage of its covered payroll	34.34%	61.80%	13.62%
Plan fiduciary net position as a percentage of the total pension liability	94.70%	90.70%	97.90%

Data prior to 2015 is unavailable.

The following is a summary of changes of assumptions:

	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,	2017	2016	2015	2014	2013
Contractually required contribution	\$ 295,917	\$ 287,963	\$ 316,118	\$ 360,495	\$ 352,961
Contribution in relation to the contractually required contribution	(295,917)	(287,963)	(316,118)	(360,495)	(352,961)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 2,202,099	\$ 2,060,724	\$ 1,935,965	\$ 1,948,601	\$ 1,851,074
Contributions as a percentage of covered payroll	<u>13.44%</u>	<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

**Required Supplementary Information
Schedule of the Town's Proportion and
Proportionate Share of the Length of Service
Award Program Total Pension Liability**

As of the measurement date of December 31, 2017	%	Amount
LOSAP total pension liability	100%	\$ 6,678,636

Data prior to 2017 is unavailable.

TOWN OF LOCKPORT, NEW YORK

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

December 31, 2017

Total OPEB liability - beginning	<u>\$ 11,308,229</u>
Changes for the year:	
Service cost	169,534
Interest	343,538
Changes of benefit terms	-
Differences between expected and actual experience	713,732
Changes of assumptions or other inputs	(618,166)
Benefit payments	<u>(395,885)</u>
Net change in total OPEB liability	<u>212,753</u>
Total OPEB liability - ending	<u>\$ 11,520,982</u>
Covered-employee payroll	<u>\$ 1,500,926</u>
Total OPEB liability as a percentage of covered-employee payroll	<u>767.6%</u>

Data prior to 2017 is unavailable.

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

TOWN OF LOCKPORT, NEW YORK

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

December 31, 2017

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	Refuse	Other Special Districts	Debt Service	
Assets				
Cash	\$ 67,643	\$ 482,853	\$ 2,063	\$ 552,559
Due from other governments	276	-	-	276
Due from other funds	-	28,381	-	28,381
Total assets	\$ 67,919	\$ 511,234	\$ 2,063	\$ 581,216
Liabilities				
Accounts payable	\$ 368	\$ 2,253	\$ -	\$ 2,621
Fund Balances				
Restricted:				
Debt service	-	-	2,063	2,063
Refuse	67,551	-	-	67,551
Special districts	-	508,981	-	508,981
Total fund balances	67,551	508,981	2,063	578,595
Total liabilities and fund balances	\$ 67,919	\$ 511,234	\$ 2,063	\$ 581,216

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, 2017

	<u>Special Revenue Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Refuse</u>	<u>Other Special Districts</u>	<u>Debt Service</u>	
Revenues				
Real property taxes	\$ 969,319	\$ 141,256	\$ -	\$ 1,110,575
Departmental income	4,427	28,381	-	32,808
Use of money and property	451	532	2	985
Total revenues	974,197	170,169	2	1,144,368
Expenditures				
Transportation	-	24,588	-	24,588
Home and community services	907,163	74,465	-	981,628
Total expenditures	907,163	99,053	-	1,006,216
Excess revenues	67,034	71,116	2	138,152
Other financing sources (uses)				
Operating transfers, net	(60,713)	-	-	(60,713)
Net change in fund balances	6,321	71,116	2	77,439
Fund balances - beginning	61,230	437,865	2,061	501,156
Fund balances - ending	\$ 67,551	\$ 508,981	\$ 2,063	\$ 578,595