

**STATEMENT OF SELECTED FINANCIAL  
AND OPERATING INFORMATION**

**CITY OF LOCKPORT  
NIAGARA COUNTY, NEW YORK**

**DATED: OCTOBER 20, 2011**

Prepared with the Assistance of:  
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**CITY OF LOCKPORT  
NIAGARA COUNTY, NEW YORK**

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**CITY COUNCIL**

Michael W. Tucker, Mayor

Andrew D. Chapman – Ward 4  
Kenneth M. Genewick – Ward 5  
Joseph C. Kibler – At Large  
Flora M. McKenzie – Ward 3  
Richelle J. Pasceri – Ward 1  
Jack L. Smith – Ward 2

\* \* \*

Michael E. White, Treasurer/Tax Collector  
Richard P. Mullaney, Clerk  
John J. Ottaviano, Esq., City Atty.

\* \* \*

**BOND COUNSEL**

Orrick, Herrington & Sutcliffe, LLP  
51 West 52<sup>nd</sup> Street  
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\* \* \*

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## THE CITY

### General Information

The City is centrally located in Niagara County at the western end of New York State and covers approximately nine square miles. The City is north of Buffalo and east of Niagara Falls, the major cities in the Western New York region. The Erie Barge Canal flows directly through the center of the City, and Locks 34 and 35 are in the heart of the City's Central Business District. Typical of the Niagara Region, the City has benefited from good transportation linkages. The City is situated at the intersections of Routes 31 and 78 and is served by the Conrail rail system. The area surrounding the City is primarily rural. The City is the Niagara County seat and functions as the commercial and shipping center for the surrounding truck and dairy farms. The City is shifting its dependence on heavy industry, and recently has experienced a significant increase in service, retail and travel related employment. The City also operates a sewage treatment plant and a water filtration plant.

Source: City Officials

### Other Information

The statutory authority for the power to spend money for the object or purpose, or to accomplish the object or purpose, for which Bonds or Notes are to be issued is the City Law, City Charter and the Local Finance Law.

The City is in compliance with the procedure for the validation of the Bonds provided in Title 6 of Article 2 of the Local Finance Law.

No principal or interest upon any obligation of the City is past due.

The fiscal year of the City is the calendar year.

This Statement does not include the financial data of any other political subdivisions of the State having power to levy taxes within the City.

### Governmental Organization

The City Treasurer is the chief fiscal officer of the City. The duties of the City Treasurer include administration, direction and control of financial operations of the City.

The governing body is the Common Council composed of an elected Mayor and six Aldermen. The Mayor is elected for a term of four years. The Aldermen are elected for a term of two years at elections held every other odd numbered year. The City Treasurer is elected for a term of four years.

### Employees

The City provides services through approximately 217 full-time and 10 part-time employees. Some of the employees of the City are represented by the following labor organizations:

<u>Association</u>	<u>Number of Employees</u>	<u>Contract Expiration Date</u>
Hickory Club P.B.A.	48	December 31, 2012
Lockport Professional Firefighters Association	49	December 31, 2012
AFSCME - Local 855	71	December 31, 2012
CSEA 1000 - Unit 832	35	December 31, 2012
Department Head Association	4	December 31, 2012

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Source: City Officials

## DEMOGRAPHIC AND STATISTICAL INFORMATION

The following tables present certain comparative demographic and statistical information regarding the City, the County, the State and the United States.

### Population

<u>Year</u>	<u>City of Lockport</u>	<u>Niagara County</u>	<u>New York State</u>	<u>United States</u>
1990	24,426	220,756	17,990,455	249,632,692
2000	22,279	219,846	18,976,457	281,421,906
2010	21,165	216,469	19,541,453	307,006,550

Source: US Census Bureau

### Median Household Income

<u>Year</u>	<u>City of Lockport</u>	<u>Niagara County</u>	<u>New York State</u>	<u>United States</u>
1990	\$25,000	\$28,408	\$32,965	\$30,056
2000	35,222	38,136	43,393	41,994

Source: US Census Bureau

### Per Capita Income

<u>Year</u>	<u>City of Lockport</u>	<u>Niagara County</u>	<u>New York State</u>	<u>United States</u>
1990	\$12,498	\$12,710	\$16,501	\$14,420
2000	19,219	16,620	23,389	21,587

Source: US Census Bureau

### Unemployment Rate Statistics

Unemployment statistics are available for the City. The information set forth below with respect to such City, County, the State and the United States is included for information purposes only.

<u>Annual Averages:</u>	<u>City of Lockport</u>	<u>Niagara County</u>	<u>New York State</u>	<u>United States</u>
2006	5.4%	5.5%	4.6%	4.6%
2007	5.4	5.4	4.6	4.6
2008	6.9	6.7	5.8	5.8
2009	10.3	9.5	9.3	9.3
2010	9.3	9.1	9.1	9.6

## Unemployment Rate Statistics - Continued

<u>2011 Monthly Rates:</u>	<u>City of Lockport</u>	<u>Niagara County</u>	<u>New York State</u>	<u>United States</u>
January	10.9%	10.1%	8.9%	9.8
February	10.1	9.6	8.7	9.5
March	9.3	9.0	8.0	9.2
April	8.4	8.1	7.6	8.7
May	7.8	7.6	7.8	8.7
June	7.8	7.7	8.0	9.3
July	8.2	8.0	8.0	9.3
August	8.2	7.7	7.7	9.1

Source: Department of Labor, State of New York, Bureau of Labor Statistics. Information not seasonally adjusted.

### Selected Listing of Larger Employers

<u>Name</u>	<u>Type</u>	<u>Approx. No. of Employees</u>
General Motors Corp*	Manufacturer - Auto Parts	1,700
County of Niagara	Government	1,542
Lockport City School District	Public Education	788
Eastern Niagara Hospital	Medical Services	817
Candle Light Cabinetry, Inc.	Custom Cabinets	75

Source: City Officials

Note: \* Delphi and GM are Reunited

General Motors (GM) is back in Lockport after spending nearly a decade apart. In October 2009, GM repurchased the Lockport plant, as well as four plants in the United States from Delphi Corporation. The purchases were part of Delphi's plan to emerge from its four-year bankruptcy odyssey. The other plants GM repurchased were Rochester, New York; Kokomo, Indiana; and Wyoming, Michigan; as well as Delphi's steering business. The plants will be under a subsidiary company called GM Components Holdings, while the steering business will be renamed Nexteer Automotive. The technical center in Lockport will remain under the new Delphi Company, Delphi Holdings.

Delphi, spun off from GM in 1999, became GM's largest parts supplier and entered into Chapter 11 bankruptcy in 2005. The repurchase came in after GM exited bankruptcy in July 2009 and helped Delphi emerge from bankruptcy in October 2009.

## INDEBTEDNESS OF THE CITY

### Details of Short-Term Indebtedness Outstanding

As of the date of this Statement, the City has no short-term indebtedness outstanding.

### Revenue and Tax Anticipation Notes

The City has not found it necessary to borrow in anticipation of taxes and revenues in recent years, nor does it anticipate such borrowing in the near future.

**Status of Outstanding Bond Issues**

Year of Issue:	2001	2002 <sup>1</sup>	2004D <sup>2</sup>
Amount Issued	\$4,750,000	\$2,685,000	\$856,338
Last Maturity:	08/15/12	Various - Ref SB	02/15/19
Interest Rate/Instrument:	Various - SB	03/15/11	Various - SB
Purpose:	Various	Sewer - EFC	STP - EFC
Balance Principal 12-31-10:	\$555,000	\$320,000	\$540,000

Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
<u>Ending December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$290,000 *	\$23,919	\$320,000 *	\$7,023	\$55,000 *	\$21,729
2012	265,000	11,594			55,000	19,718
2013					55,000	17,613
2014					60,000	15,322
2015					60,000	12,829
2016					60,000	10,245
2017					65,000	7,477
2018					65,000	4,526
2019					65,000	1,518
<b>Totals:</b>	<u>\$555,000</u>	<u>\$35,513</u>	<u>\$320,000</u>	<u>\$7,023</u>	<u>\$540,000</u>	<u>\$110,977</u>

Notes: \* Principal payments made prior to this Statement dated October 19, 2011

<sup>1</sup> The 1991 Bonds were paid in full from this Refunding Bond. Issued as "State Water Pollution Control Revolving Fund Revenue Bonds" (does not include the deduction of the 33 1/3% subsidy).

<sup>2</sup> The 1993 Bonds were paid in full with proceeds of this Refunding Bond.

**Status of Outstanding Bond Issues**

Year of Issue:	2005A	2005B	2007D <sup>3</sup>
Amount Issued:	\$2,805,900	\$1,055,000	\$1,392,363
Last Maturity:	03/01/19	03/01/11	03/01/37
Interest Rate/Instrument:	Various - SB	Various - SB	Various
Purpose:	Various	Pension	WWTP/Bar Screen
Balance Principal 12-31-10:	\$1,650,000	\$185,000	\$1,275,000

Fiscal Year Ending December 31:	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$215,000 *	\$57,113	\$185,000 *	\$4,348	\$35,000 *	\$57,109
2012	220,000	49,500			35,000	55,743
2013	220,000	41,690			35,000	54,353
2014	230,000	35,590			40,000	52,845
2015	150,000	26,637			40,000	51,221
2016	155,000	20,918			40,000	49,579
2017	155,000	15,106			40,000	47,917
2018	155,000	9,100			40,000	46,228
2019	150,000	3,000			40,000	44,498
2020					45,000	42,632
2021					45,000	40,629
2022					45,000	38,595
2023					45,000	36,541
2024					45,000	34,469
2025					45,000	32,376
2026					50,000	30,152
2027					50,000	27,811
2028					50,000	25,453
2029					50,000	23,077
2030					55,000	20,582
2031					55,000	17,968
2032					55,000	15,355
2033					55,000	12,731
2034					60,000	9,977
2035					60,000	7,104
2036					60,000	4,230
2037					60,000	1,397
Totals:	<u>\$1,650,000</u>	<u>\$258,654</u>	<u>\$185,000</u>	<u>\$4,348</u>	<u>\$1,275,000</u>	<u>\$880,571</u>

Notes: \* Principal payments made prior to this Statement dated October 19, 2011

<sup>3</sup> Issued as "State Water Pollution Control Revolving Fund Revenue Bonds" (does not include the deduction of the 50% interest subsidy).

**Status of Outstanding Bond Issues**

Year of Issue:	2008
Amount Issued:	\$1,421,316
Last Maturity:	3/1/2022
Interest Rate/Instrument:	Various - SB
Purpose:	Various
Balance Principal 12-31-10:	\$1,205,000

Fiscal Year	<u>Principal</u>	<u>Interest</u>
<u>Ending December 31:</u>	<u>Principal</u>	<u>Interest</u>
2011	\$110,000 *	\$48,374
2012	110,000	43,905
2013	110,000	39,368
2014	110,000	34,830
2015	110,000	30,293
2016	105,000	25,858
2017	105,000	21,461
2018	100,000	17,105
2019	100,000	12,855
2020	100,000	8,580
2021	95,000	4,340
2022	50,000	1,125
Totals:	<u>\$1,205,000</u>	<u>\$288,093</u>

Note: \* Principal payments made prior to this Statement dated October 19, 2011

**Total Annual Bond Principal and Interest Due**

Fiscal Year Ending December 31:	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>% Paid</u>
2011	\$1,210,000	\$219,615	\$1,429,615	21.12%
2012	685,000	180,460	865,460	33.07%
2013	420,000	153,024	573,024	40.40%
2014	440,000	138,587	578,587	48.08%
2015	360,000	120,980	480,980	54.36%
2016	360,000	106,600	466,600	60.65%
2017	365,000	91,961	456,961	67.02%
2018	360,000	76,959	436,959	73.30%
2019	355,000	61,871	416,871	79.49%
2020	145,000	51,212	196,212	82.02%
2021	140,000	44,969	184,969	84.47%
2022	95,000	39,720	134,720	86.13%
2023	45,000	36,541	81,541	86.91%
2024	45,000	34,469	79,469	87.70%
2025	45,000	32,376	77,376	88.48%
2026	50,000	30,152	80,152	89.35%
2027	50,000	27,811	77,811	90.23%
2028	50,000	25,453	75,453	91.10%
2029	50,000	23,077	73,077	91.97%
2030	55,000	20,582	75,582	92.93%
2031	55,000	17,968	72,968	93.89%
2032	55,000	15,355	70,355	94.85%
2033	55,000	12,731	67,731	95.81%
2034	60,000	9,977	69,977	96.86%
2035	60,000	7,104	67,104	97.91%
2036	60,000	4,230	64,230	98.95%
2037	60,000	1,397	61,397	100.00%
<b>Totals:</b>	<u><u>\$5,730,000</u></u>	<u><u>\$1,585,179</u></u>	<u><u>\$7,315,179</u></u>	

Source: City Bond Records

**Other Obligations**

As of the date of this Statement, the City does not have any outstanding installment purchase debt or energy performance contracts.

**Trend of Outstanding Debt**

	Fiscal Year Ending December 31:				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Bonds	\$9,605,061	\$7,908,373	\$9,170,817	\$7,435,000	\$5,730,000
Bond Anticipation Notes	3,390,000	3,224,000	0	0	0
<b>Total Debt Outstanding</b>	<u><u>\$12,995,061</u></u>	<u><u>\$11,132,373</u></u>	<u><u>\$9,170,817</u></u>	<u><u>\$7,435,000</u></u>	<u><u>\$5,730,000</u></u>

Source: Audited Financial Reports of the City

## Computation of Debt Limit and Calculation of Net Indebtedness

(As of October 20, 2011)

Fiscal Year Ended December 31:	Assessed Valuation	State Equalization Rate <sup>1</sup>	Full Valuation
2007	\$635,642,603	94.00%	\$676,215,535
2008	634,643,602	90.00%	705,159,558
2009	635,295,301	93.00%	683,113,227
2010	634,795,119	90.00%	705,327,910
2011	635,768,759	90.00%	706,409,732
<b>Total</b>	<u><u>\$3,176,145,384</u></u>		<u><u>\$3,476,225,962</u></u>

Average Five Year Full Valuation	\$695,245,192
Debt Limit: 7% of Full Valuation	\$48,667,163

### Outstanding Indebtedness (Principal Only):

Inclusions:	
Bonds	\$4,520,000
Bond Anticipation Notes	0
Total Inclusions	<u>\$4,520,000</u>
Exclusions:	
Water <sup>2</sup>	\$715,000
Sewer <sup>3</sup>	2,910,000
Total Exclusions	<u>\$3,625,000</u>
Total Net Indebtedness Before Giving Effect to This Issue	<u>\$895,000</u>
This Issue	630,400
This Issue Excludable <sup>2</sup>	630,400
Total Net Indebtedness After Giving Effect to This Issue <sup>4</sup>	<u><u>\$895,000</u></u>
<b>Net Debt-Contracting Margin</b>	<u><u>\$47,772,163</u></u>

Notes: <sup>1</sup> The latest completed assessment roll for which a State Equalization Rate has been established.

<sup>2</sup> Water indebtedness is automatically excluded pursuant to provisions of Article VIII, Section 5B of the New York State Constitution and Section 136.00 of the Local Finance Law.

<sup>3</sup> Excluded pursuant to Section 124.10 of the Local Finance Law by an Order of the State Comptroller dated April 22, 2005.

<sup>4</sup> Represents 1.84% of the City's Debt Limit.

### Authorized and Unissued Indebtedness

As of the date of this Statement the City has the following authorized but unissued indebtedness:

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount Unissued</u> <sup>1</sup>
10/05/11	Preliminary Plans and Surveys for Reconstruction of various Municipal Buildings	\$ 150,000
10/05/11	Reconstruction of Sewer Main on Route 78	462,000
10/05/11	Purchase of Firefighting Vehicle	265,000
10/05/11	Purchase of Municipal Refuse and Recycling Carts	860,000
10/05/11	Purchase and Installation of Computer Software	24,150
<b>Total:</b>		<b>\$ 1,761,150</b>

Source: City Officials

Note: <sup>1</sup> The City plans to borrow the unissued debt in the current fiscal year.

### Calculation of Estimated Overlapping and Underlying Indebtedness

Overlapping Units	Date of Report	Applicable Total Indebtedness	Exclusions <sup>1</sup>	Applicable Net Indebtedness	Full Value of City in Municipality	Total Full Value of Municipality	% Within City	Estimated Applicable Overlapping Debt
County:								
Niagara	2010	\$46,168,567	\$27,572,000	\$18,596,567	\$706,409,732	\$9,150,367,298	7.72%	\$1,435,658
School District:								
Lockport	2010	\$13,991,281	13,025,883	965,398	706,409,732	1,352,799,649	52.22%	504,115
Total Net Overlapping Debt:								\$1,939,773
Total Net Direct Debt:								895,000
Net Direct and Overlapping Debt:								\$2,834,773

Source: Annual Reports of the respective units for the most recently completed fiscal year on file with the Office of the State Comptroller or more recently published official statements.

Note: <sup>1</sup> Exclusions consist of indebtedness deductible from gross indebtedness for debt limit purposes pursuant to constitutional and statutory provisions (including water and sewer debt and revenue anticipation notes)

## FINANCES OF THE CITY

### Financial Statements and Accounting Procedures

The City annually retains a certified public accountant whose most recent certified report was prepared for the year ended December 31, 2010. A copy of the report is attached hereto as Appendix B.

The City complies with the Uniform System of Accounts as prescribed for cities in New York State by the State Comptroller. With respect to these guidelines, the New York and Local Employees' Retirement System has changed its

method of billing for contributions to the System. The accounting implications resulting from this change is different depending on the basis of expenditure recognition for retirement costs. However, this change does not represent a change in the Generally Accepted Accounting Principles (GAAP) as incorporated into the Uniform System of Accounts.

Beginning with the fiscal year ending December 31, 2003, the City issues its financial statements in accordance with GASB Statement No. 34. This statement includes reporting of all assets including infrastructure and depreciation in the Government Wide Statement of Activities, as well as the Management's Discussion and Analysis.

### **Financial Operations**

Subject to the New York State Constitution, the City operates pursuant to its Charter and the City Code, as well as various local laws. Additionally, certain New York State laws govern the City to the extent that such laws are applicable to cities operating under a charter form of government. The City of Lockport City Council is the legislative body responsible for overall operations, the Mayor serves as chief executive officer. The City Council, as a whole, serves as the finance board of the City and is responsible for authorizing, by resolution, all material financial transactions such as operating and capital budgets and bonded debt. The City Treasurer functions as the chief fiscal officer of the City.

The City presently maintains the following governmental funds: General Fund, Special Revenue Fund, Debt Service Fund, and the Capital Projects Fund. Fiduciary funds consist of Permanent and Private Purpose Trusts and Agency Fund. There are no proprietary funds. Account groups are maintained for fixed assets and long-term debt.

The City observes a calendar year (January 1 through December 31) for operating and reporting purposes.

### **Expenditures**

The major categories of expenditure for the City are General Government Support, Public Safety, Transportation, Culture and Recreation, Employee Benefits and Debt Service. A summary of the expenditures for the five most recently completed fiscal years ending December 31, 2010 and the budgeted expenditures for the 2011 fiscal year may be found in Appendix A – Financial Information.

### **Employee Pension Benefits**

Substantially all employees of the City are members of the New York State and Local Employees' Retirement System ("ERS") or the New York State Local Police and Fire Retirement System ("PFRS"). (Both Systems are referred to together hereinafter as the "Retirement Systems" where appropriate.) The ERS and PFRS together are generally also known as the "Common Retirement Fund". The Retirement Systems are cost-sharing multiple public employer retirement systems. The obligation of employers and employees to contribute and the benefit to employees are governed by the New York State Retirement System and Social Security Law (the "Retirement System Law"). The Retirement Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service. The Retirement System Law generally provides that all participating employers in each retirement system are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers.

Generally, all employees, except certain part-time employees, participate in the Retirement System. The Retirement System is non-contributory with respect to members hired prior to July 27, 1976. All members hired on or after July 27, 1976 must contribute 3% of gross annual salary, for the first ten years of service, toward the cost of retirement programs.

Due to unfavorable capital market returns over recent years, the employer contribution rate for the retirement systems has increased significantly.

The following schedule reflects the City’s contribution to the ERS and PFRS for the last five fiscal years and the amount budgeted for fiscal year 2010 and 2011:

<u>Fiscal Year Ending December 31:</u>	<u>ERS</u>	<u>PFRS</u>
Budgeted 2011	\$355,000	\$1,400,000
2010	656,392	1,295,086
2009	462,618	980,275
2008	473,933	1,053,112
2007	539,603	912,927
2006	673,809	1,175,900

The City is current with all required payments to the New York State Retirement System.

### **Other Post-Employment Benefits**

It should be noted that the City provides post-employment healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future.

GASB and OPEB. OPEB refers to “other post-employment benefits,” and refers to benefits other than pension benefits. OPEB consists primarily of health care benefits, and may include other benefits such as disability benefits and life insurance. Before GASB 45, OPEB costs were generally accounted for and managed.

GASB Statement No. 45 (“GASB 45”) of the Governmental Accounting Standards Board (“GASB”), requires state and local governments to account for and report their costs associated with post-retirement benefits and other non-pension benefits (“OPEC”), as it accounts for vested pension benefits. OPEB consists primarily of health care benefits, and may include other benefits such as disability benefits and life insurance.

GASB 45 requires municipalities and school districts to account for OPEB liabilities in the same manner as they already account for pension liabilities. It will require them to adopt the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside any funds against this liability. Unlike GASB Statement No. 27, which covers accounting for pensions, GASB 45 does not require municipalities or school districts to report a net OPEB obligation at the start.

Under GASB 45, based on actuarial valuation, an annual required contribution (“ARC”) will be determined for each municipality or school district. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality or school district contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 45 does not require that the unfunded liability actually be amortized nor that it be advance funded, only that the municipality or school district account for its unfunded accrued liability and its compliance in meeting its ARC.

The City’s annual required contribution, the percentage of costs contributed and the net OPEB obligation for fiscal years ending May 31, 2009 and 2010 are as follows:

<u>Fiscal Year Ending May 31:</u>	<u>Annual Required Obligation</u>	<u>Percentage of Annual OPEB Costs Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$2,029,649	55.73%	\$3,224,868
2010	3,224,867	47.01%	5,154,884

As of September 1, 2010, the actuarial accrued liability for future benefits was \$70,078,127, all of which is unfunded.

Actuarial valuation will be required every two years for OPEB plans with more than two hundred members, every three years if there are less than two hundred members.

Additional information about GASB 45 and other accounting rules applicable to municipalities and school districts may be obtained from GASB.

**REAL PROPERTY TAX INFORMATION**

**Real Property Taxes**

The City derives a significant portion of its annual revenue through a direct real property tax. The following table presents the total tax levy tax rates and collection performance for each of the last five fiscal years and the 2010 fiscal year.

<b>Tax Collection Record</b>					
	Fiscal Year Ending December 31:				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Taxes on Roll/Net Tax Levy	\$9,947,068	\$9,956,107	\$9,953,591	\$9,693,899	\$10,118,489
Other Items on Roll:					
Water Rents	302,818	327,047	345,387	367,957	371,791
Sewer Rents	366,560	362,489	381,805	348,949	378,699
Special Assessments	6,832	6,335	6,255	7,979	5,821
Demolition	0	2,905	5,475	7,737	5,538
Other	33,473	34,556	36,407	35,877	37,541
Net Taxes and Other Items:	<u>\$10,656,751</u>	<u>\$10,689,439</u>	<u>\$10,728,920</u>	<u>\$10,462,398</u>	<u>\$10,917,879</u>
Collections During Year	\$10,357,554	\$10,418,834	\$10,210,226	\$9,768,691	\$10,368,868
Total Uncollected Taxes	\$299,197	\$270,615	\$518,694	\$693,707	\$549,011
Percentage Collected	97.19%	97.47%	95.17%	93.37%	94.97%

Source: City Officials

**Tax Collection Procedure**

Taxes are due during the month of January. Taxes paid thereafter carry a penalty of 3% during February, 5% during March and 6% during April. Beginning May 1, the penalty is 6% plus 1/2% per month through December 15. Liens which are older than two years may be foreclosed, at which time title is transferred to the City and the City may sell the property.

**New Tax Levy Limitation Law**

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the “Tax Levy Limitation Law”). The Tax Levy Limitation Law applies to all local governments, including school districts (with the exception of New York City, and the counties comprising New York). It also applies to independent special districts and to town and county improvement districts as part of their parent municipalities tax levies.

The Tax Levy Limitation Law restricts, among other things, the amount of real property taxes (including assessments of certain special improvement districts) that may be levied by or on behalf of a municipality in a particular

year, beginning with fiscal years commencing on or after January 1, 2012. It expires on June 15, 2016 unless extended. Pursuant to the Tax Levy Limitation Law, the tax levy of a municipality cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the consumer price index ("CPI"), over the amount of the prior year's tax levy. Certain adjustments would be permitted for taxable real property full valuation increases or changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A municipality may exceed the tax levy limitation for the coming fiscal year only if the governing body of such municipality first enacts, by at least a sixty percent vote of the total voting strength of the board, a local law (resolution in the case of fire districts and certain special districts) to override such limitation for such coming fiscal year only. There are permissible exceptions to the tax levy limitation provided in the Tax Levy Limitation Law, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees' Retirement System, the Police and Fire Retirement System, and the Teachers' Retirement System. Municipalities are also permitted to carry forward a certain portion of their unused levy limitation from a prior year. Each municipality prior to adoption of its fiscal year budget must submit for review to the State Comptroller any information that is necessary in the calculation of its tax levy for such fiscal year.

The Tax Levy Limitation Law does not contain an exception from the levy limitation for the payment of debt service on either outstanding general obligation debt of municipalities or such debt incurred after the effective date of the Tax Levy Limitation Law (June 24, 2011).

Article 8 Section 2 of the State Constitution requires every issuer of general obligation notes and bonds in the State to pledge its faith and credit for the payment of the principal thereof and the interest thereon. This has been interpreted by the Court of Appeals, the State's highest court, in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), as follows:

"A pledge of the city's faith and credit is both a commitment to pay and a commitment of the city's revenue generating powers to produce the funds to pay. Hence, an obligation containing a pledge of the City's "faith and credit" is secured by a promise both to pay and to use in good faith the city's general revenue powers to produce sufficient funds to pay the principal and interest of the obligation as it becomes due. That is why both words, "faith" and "credit", are used and they are not tautological. That is what the words say and that is what courts have held they mean."

Article 8 Section 12 of the State Constitution specifically provides as follows:

"It shall be the duty of the legislature, subject to the provisions of this constitution, to restrict the power of taxation, assessment, borrowing money, contracting indebtedness, and loaning the credit of counties, cities, towns and villages, so as to prevent abuses in taxation and assessments and in contracting of indebtedness by them. Nothing in this article shall be construed to prevent the legislature from further restricting the powers herein specified of any county, city, town, village or school district to contract indebtedness or to levy taxes on real estate. The legislature shall not, however, restrict the power to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted."

On the relationship of the Article 8 Section 2 requirement to pledge the faith and credit and the Article 8 Section 12 protection of the levy of real property taxes to pay debt service on bonds subject to the general obligation pledge, the Court of Appeals in the Flushing National Bank case stated:

"So, too, although the Legislature is given the duty to restrict municipalities in order to prevent abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the city's power to levy taxes on real estate for the payment of interest on or principal of indebtedness previously contracted....While phrased in permissive language, these provisions, when read together with the requirement of the pledge of faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded".

In addition, the Court of Appeals in the Flushing National Bank case has held that the payment of debt service on outstanding general obligation bonds and notes takes precedence over fiscal emergencies and the police power of municipalities.

Therefore, while the Tax Levy Limitation Law may constrict an issuer’s power to levy real property taxes for the payment of debt service on debt contracted after the effective date of the Tax Levy Limitation Law, it is clear that no statute is able (1) to limit an issuer’s pledge of its faith and credit to the payment of any of its general obligation indebtedness or (2) to limit an issuer’s levy of real property taxes to pay debt service on general obligation debt contracted prior to the effective date of the Tax Levy Limitation Law. Whether the Constitution grants a municipality authority to treat debt service payments as a constitutional exception to such statutory tax levy limitation is not clear.

It is possible that the Tax Levy Limitation Law will be subject to judicial review to resolve the constitutional issues raised by its adoption. Although courts in New York have historically been protective of the rights of holders of general obligation debt of political subdivisions, the outcome of any such legal challenge cannot be predicted.

**Assessed and Full Valuation**

	Fiscal Year Ended December 31:				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Assessed Valuation: <sup>1</sup>	\$635,642,603	\$634,643,602	\$635,295,301	\$634,795,119	\$635,768,759
NYS Equalization Rate: <sup>1</sup>	94.00%	90.00%	93.00%	90.00%	90.00%
Full Valuation:	\$676,215,535	\$705,159,558	\$683,113,227	\$705,327,910	\$706,409,732
Tax Rate / \$1,000					
Assessed Valuation:	\$15.65	\$15.69	\$15.69	\$15.93	\$15.25

Note: <sup>1</sup> The assessed valuations and equalization rates shown here may not be the same as those required for debt limit purposes.

**Constitutional Tax Limit**

The Constitution limits the amount that may be raised by the City *ad valorem* tax levy on real estate in any fiscal year to two per centum (2%) of the five-year average full valuation of taxable real estate of the City plus (1) the amounts required for principal and interest on all capital indebtedness, and (2) current appropriations for certain capital purposes. The tax limit for the City for the 2011 fiscal year is as follows:

Five Year Average Full Valuation	\$695,245,192
Constitutional Tax Limit: (2%)	13,904,904
Tax Levy General City Purposes	9,693,899
Less: Exclusions for Debt and Capital Purposes	1,230,494
Tax Levy Subject to Debt Limit	8,463,405
Percentage of Tax Limit Exhausted	60.87%
<u>Constitutional Tax Margin</u>	<u>\$5,441,499</u>

Source: Constitutional Tax Limit Worksheet as submitted to the NYS Comptroller’s Office by the City.

**Ten Largest Taxpayers**

2011 Assessment Roll for 2012 Taxes

<u>Name</u>	<u>Type</u>	<u>Estimated Assessed Valuation</u>
NYS Electric & Gas Corporation	Utility	\$34,012,924
GM Components Holding	Industrial	19,698,800 <sup>1</sup>
Lockport Professional Park LLC	Commercial	9,285,800

Elmer A. Granchelli	Commercial	5,484,100
National Grid	Utility	5,356,837
SDK Villager Assoc LP	Apartment	3,658,600
Park Lane Circle, LLC	Apartment	2,966,300
Verizon New York Inc.	Utility	2,909,430
Manga LLC	Hotel	2,810,900
Lockport Plaza Associates	Shopping Center	2,700,000
		2
Total		\$88,883,691

Notes: <sup>1</sup> See 'Note' on page 4.

<sup>2</sup> Represents 13.98% of the 2011 Assessed Valuation of \$635,768,759 of the City.

### LITIGATION

In common with other local governments and school districts, the City from time to time receives notices of claim and is party to litigation. In the opinion of the City, after consultation with its attorney, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no significant claims or actions pending in which the City has not asserted a substantial and adequate defense, nor which if determined against the City, would have an adverse material effect on the financial condition of the City.

There is no action, suit, proceedings or investigation, at law or in equity, before or by any court, public board or body pending or, to the best knowledge of the City, threatened against or affecting the City to restrain or enjoin the issuance, sale or delivery of the Notes or the levy and collection of taxes or assessments to pay same, or in any way contesting or affecting the validity of the Notes or any proceedings or authority of the City taken with respect to the authorization, issuance or sale of the Notes or contesting the corporate existence or boundaries of the City.

Source: City Officials

### FINANCIAL ADVISOR

Municipal Solutions, Inc. has assisted the City as financial advisor in the preparation of this Statement.

### ADDITIONAL INFORMATION

Additional information may be obtained upon request from the office of the City Treasurer, 1 Locks Plaza Lockport, New York 14094-3623; telephone: 716-439-6743 or from the office of Municipal Solutions, Inc., 2528 State Route 21, Canandaigua, New York 14424, telephone number 585-394-4090, fax number 585-394-4092, and website at: <http://www.municipalsolution.com>.

October 20, 2011  
Lockport, New York

Michael E. White  
City Treasurer and Chief Fiscal Officer

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Additional copies of the Notice of Sale and Statement of Selected Financial and Operation Information may be obtained upon request from the office of Municipal Solutions, Inc., 2528 State Route 21, Canandaigua, New York 14424, telephone (585) 394-4090.  
Website: [www.municipalsolution.com](http://www.municipalsolution.com)

**APPENDIX A**

**FINANCIAL INFORMATION**

**Statement of Revenues, Expenditures and Fund Balances  
General Fund - City of Lockport**

	Fiscal Year Ending December 31:				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Revenues:</b>					
Real Property Taxes	\$9,428,349	\$9,647,872	\$9,685,492	\$9,569,328	\$9,768,459
Real Property Tax Items	393,716	397,459	419,715	417,045	416,496
Non-Property Tax Items	5,618,955	5,808,965	6,207,831	6,115,852	5,892,082
Departmental Income	783,627	962,526	787,350	711,199	851,843
Intergovernmental Charges	195,737	223,634	231,642	206,704	95,791
Use of Money and Property	253,408	322,824	200,578	32,066	30,266
Licenses & Permits	92,581	127,466	123,240	124,023	164,388
Fines & Forfeitures	348,271	459,560	345,436	276,606	250,130
Sale of Prop. & Comp. For Loss	369,576	295,164	537,309	173,618	157,149
Refund of Expenditures	37,251	7,220	175	1,429	102,130
Miscellaneous	17,187	17,469	12,624	78,689	5,501
State Aid	2,783,522	2,997,886	3,251,120	3,309,525	3,116,413
Federal Aid	0	0	0	0	0
Transfers In	220,000	220,000	220,000	105,000	220,000
<b>Total Revenues</b>	<u>\$20,542,180</u>	<u>\$21,488,045</u>	<u>\$22,022,512</u>	<u>\$21,121,084</u>	<u>\$21,070,648</u>
<b>Expenditures:</b>					
General Governmental Support	\$2,368,484	\$2,297,338	\$2,443,793	\$2,444,654	\$2,589,846
Public Safety	7,574,336	7,704,763	7,928,605	8,353,808	8,477,751
Health	5,356	5,336	6,932	9,352	3,438
Transportation	1,442,291	1,671,923	1,645,738	1,747,949	1,708,508
Economic Opport/Development	101,294	103,409	140,183	98,522	101,427
Culture & Recreation	359,238	414,725	451,522	524,833	603,043
Home & Community Service	1,276,873	1,231,116	1,455,583	1,355,945	1,318,104
Employee Benefits	6,013,876	6,111,206	6,154,535	6,272,739	6,465,158
Debt Service	982,566	836,405	819,014	676,773	793,276
Transfers Out	153,153	93,880	276,800	211,561	65,000
<b>Total: Expenditures</b>	<u>\$20,277,467</u>	<u>\$20,470,101</u>	<u>\$21,322,705</u>	<u>\$21,696,136</u>	<u>\$22,125,551</u>
<b>Excess (Deficit) Revenues</b>					
Over Expenditures	\$264,713	\$1,017,944	\$699,807	(\$575,052)	(\$1,054,903)
Fund Balance Beg. of Fiscal Year	990,195	1,254,908	2,272,852	2,972,659	2,397,607
Adjustments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(726,897) *</u>
Restated Fund Balance	990,195	1,254,908	2,272,852	2,972,659	1,670,710
<b>Fund Balance End of Fiscal Year</b>	<u>\$1,254,908</u>	<u>\$2,272,852</u>	<u>\$2,972,659</u>	<u>\$2,397,607</u>	<u>\$615,807</u>

Source: Audited Annual Financial Reports of the City

Notes: \* Monies transferred into the Trust and Agency Fund

This table NOT audited

**Statement of Revenues, Expenditures and Fund Balances**  
**Water Fund - City of Lockport**

	Fiscal Year Ending December 31:				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Revenues:</b>					
Departmental Income	\$3,578,654	\$3,638,833	\$3,385,667	\$3,589,409	\$3,535,432
Sale of Property & Comp. For Loss	0	12,263	596	2,701	0
Miscellaneous	25,102	48,954	23,644	5,788	28,192
Transfers In	25,000	25,000	25,000	25,000	25,000
<b>Total Revenues</b>	<u>\$3,628,756</u>	<u>\$3,725,050</u>	<u>\$3,434,907</u>	<u>\$3,622,898</u>	<u>\$3,588,624</u>
<b>Expenditures:</b>					
General Governmental Support	\$91,489	\$72,299	\$75,182	\$68,173	\$48,372
Home & Community Service	2,234,893	2,261,104	2,331,902	2,056,398	2,189,987
Employee Benefits	770,694	733,751	777,940	759,160	888,647
Debt Service	496,998	474,193	499,304	492,784	457,241
Transfers Out	115,000	115,000	115,000	0	115,000
<b>Subtotal: Expenditures</b>	<u>\$3,709,074</u>	<u>\$3,656,347</u>	<u>\$3,799,328</u>	<u>\$3,376,515</u>	<u>\$3,699,247</u>
<b>Excess (Deficit) Revenues</b>					
Over Expenditures	(\$80,318)	\$68,703	(\$364,421)	\$246,383	(\$110,623)
Fund Balance Beg. Of Fiscal Year	<u>325,139</u>	<u>244,821</u>	<u>313,524</u>	<u>(50,897)</u>	<u>195,486</u>
Fund Balance End of Fiscal Year	<u>\$244,821</u>	<u>\$313,524</u>	<u>(\$50,897)</u>	<u>\$195,486</u>	<u>\$84,863</u>

Source: Audited Annual Financial Reports of the City.

Note: This table NOT audited

**Statement of Revenues, Expenditures and Fund Balances  
Sewer Fund - City of Lockport**

	Fiscal Year Ending December 31:				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Revenues:</b>					
Departmental Income	\$3,600,597	\$3,820,390	\$3,781,409	\$3,450,220	\$3,276,505
Intergovernmental Charges	596,855	596,855	596,854	596,855	596,855
Sale of Property/Comp. For Loss	39,463	31,559	24,047	7,872	3,681
Transfers In	0	0	0	0	3,800
<b>Total Revenues</b>	<u>\$4,236,915</u>	<u>\$4,448,804</u>	<u>\$4,402,310</u>	<u>\$4,054,947</u>	<u>\$3,880,841</u>
<b>Expenditures:</b>					
General Governmental Support	\$109,101	\$89,411	\$83,735	\$75,269	\$35,747
Home & Community Service	1,968,703	2,333,441	2,438,244	2,598,159	2,581,555
Employee Benefits	660,328	668,464	683,267	687,998	930,775
Debt Service	602,142	766,553	665,069	724,816	711,225
Operating Transfers Out	130,000	130,000	130,000	130,000	130,000
<b>Total Expenditures</b>	<u>\$3,470,274</u>	<u>\$3,987,869</u>	<u>\$4,000,315</u>	<u>\$4,216,242</u>	<u>\$4,389,302</u>
<b>Excess (Deficit) Revenues</b>					
Over Expenditures	\$766,641	\$460,935	\$401,995	(\$161,295)	(\$508,461)
Fund Balance Beg. Of Fiscal Year	<u>512,501</u>	<u>1,279,142</u>	<u>1,740,077</u>	<u>2,142,072</u>	<u>1,980,777</u>
Fund Balance End of Fiscal Year	<u>\$1,279,142</u>	<u>\$1,740,077</u>	<u>\$2,142,072</u>	<u>\$1,980,777</u>	<u>\$1,472,316</u>

Source: Audited Annual Financial Reports of the City.

Note: This table NOT audited

**Balance Sheet**  
**Combined Funds - City of Lockport**  
Fiscal Year Ended December 31, 2010

	<u>General</u>	<u>Water</u>	<u>Sewer</u>
<b>Assets:</b>			
Cash	\$0	\$0	\$1,171,497
Receivables (Net allowances for Estimated Uncollectibles):			
Taxes	976,404	0	0
Accounts	653,886	0	0
Water Rents	0	367,236	0
Sewer Rents	0	0	200,939
Due from Other Funds	663,884	0	150,000
Due from Other Governments	567,301	100,363	209,388
Prepaid Expenses	778,517	93,724	90,865
Total Assets	<u>\$3,639,992</u>	<u>\$561,323</u>	<u>\$1,822,689</u>
<b>Liabilities:</b>			
Accounts Payable	\$94,240	\$190,070	\$8,125
Accrued Liabilities	198,171	21,390	20,071
Due to Other Governments	1,332,431	0	0
Due to Other Funds	0	265,000	322,177
Deferred Revenues	1,399,343	0	0
Total Liabilities	<u>\$3,024,185</u>	<u>\$476,460</u>	<u>\$350,373</u>
<b>Fund Balances:</b>			
Reserved for:			
Encumbrances	\$1,980	\$0	\$0
Prepaid Expenses	0	93,724	90,865
Unreserved:			
Undesignated	613,827	(8,861)	1,381,451
Total Fund Balance	<u>\$615,807</u>	<u>\$84,863</u>	<u>\$1,472,316</u>
Total Liabilities and Fund Balances	<u>\$3,639,992</u>	<u>\$561,323</u>	<u>\$1,822,689</u>

Source: Audited Annual Financial Reports of the City

Note: This table NOT audited

**Budget Summary**  
**Combined Funds - City of Lockport**  
Fiscal Year Ending December 31, 2011

	<u>General</u>	<u>Water</u>	<u>Sewer</u>
<b>Revenues:</b>			
Real Property Taxes	\$9,693,899	\$0	\$0
Real Property Tax Items	387,000	0	0
Non-Property Tax Items	6,261,100	0	0
Departmental Income	842,252	3,487,574	3,605,259
Intergovernmental Charges	140,665	0	596,000
Use of Money & Property	32,000	0	0
Licenses and Permits	128,000	0	0
Fines and Forfeitures	260,000	0	0
Sale of Property & Comp. for Loss	178,500	0	0
Miscellaneous Items	20,000	25,000	25,000
State Aid	3,036,086	0	0
Use of Fund Balance	0	0	175,048
Interfund Transfers	420,000	25,000	0
Total Revenues	<u>\$21,399,500</u>	<u>\$3,537,574</u>	<u>\$4,401,307</u>
<b>Expenditures:</b>			
General Support	\$2,487,352	\$113,500	\$109,000
Public Safety	8,534,471	0	0
Heath	9,500	0	0
Transportation	1,527,793	0	0
Economic Assistance and Opp.	127,100	0	0
Culture and Recreation	533,622	0	0
Home and Community Services	508,520	2,307,793	2,628,212
Employee Benefits	6,989,000	780,820	704,190
Debt Service	682,143	335,461	959,905
Total Expenditures	<u>\$21,399,500</u>	<u>\$3,537,574</u>	<u>\$4,401,307</u>

Source: Adopted Budgets of the City

Note: This table NOT audited

**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010**

**CITY OF LOCKPORT  
NIAGARA COUNTY, NEW YORK**

NOTE: SUCH FINANCIAL REPORT AND OPINIONS WERE PREPARED AS OF THE DATE THEREOF AND HAVE NOT BEEN REVIEWED AND/OR UPDATED BY THE CITY'S AUDITORS IN CONNECTION WITH THE PREPARATION AND DISSEMINATION OF THIS STATEMENT. CONSENT OF THE AUDITORS FOR INCLUSION OF THE AUDITED FINANCIAL REPORTS IN THIS OFFICIAL STATEMENT HAS NEITHER BEEN REQUESTED NOR OBTAINED.

**CITY OF LOCKPORT, NEW YORK**

**SINGLE AUDIT**  
**WITH**  
**INDEPENDENT AUDITOR'S REPORT**

**YEAR ENDED DECEMBER 31, 2010**

**CITY OF LOCKPORT, NEW YORK**

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**CITY OF LOCKPORT, NEW YORK**  
**BASIC FINANCIAL STATEMENTS**  
**AND**  
**SUPPLEMENTARY INFORMATION**  
**WITH**  
**INDEPENDENT AUDITOR'S REPORT**  
**YEAR ENDED DECEMBER 31, 2010**

**CITY OF LOCKPORT, NEW YORK**

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**CITY OF LOCKPORT, NEW YORK**

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## **Independent Auditor's Report**

Honorable Mayor and  
Members of Common Council  
City of Lockport  
Lockport, New York

We have audited the accompanying financial statements of the City of Lockport, New York, as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Lockport, New York as of December 31, 2010, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Independent Auditor's Report (Cont.)

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2011, on our consideration of the City of Lockport, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, and budgetary comparison information as listed in the foregoing table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United State of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lockport New York's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Lockport, New York. The combining and individual fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

September 30, 2011

## CITY OF LOCKPORT, NEW YORK

### Management's Discussion and Analysis December 31, 2010

This section of the City of Lockport's (City) annual financial report presents a discussion and analysis of the City's financial performance during the fiscal year ended December 31, 2010. Please read it in conjunction with the City's basic financial statements following this section.

#### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded liabilities at the close of the 2010 fiscal year by \$46,702,449 (net assets). Of this amount, \$1,646,838 is restricted, (\$4,577,747) is unrestricted net assets that may be used to meet ongoing obligations to citizens and creditors, and \$49,633,358 is invested in capital assets, net of related debt.
- The City's total net assets decreased by \$2,755,905.
- As of December 31, 2010, the City's governmental funds reported combined fund balances of \$4,510,569, a decrease of \$363,139 in comparison with the prior year. Approximately 63.5% of the combined fund balances, \$3,826,837 is available to meet the City's current and future needs (undesignated fund balance).
- At the end of the fiscal year, undesignated fund balance for the general fund was \$613,827 or 99.68% of total general fund balance.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts - *Management's Discussion and Analysis* (this section), and the *Basic Financial Statements*.

#### **Basic Financial Statements**

*Governmental-Wide Financial Statements* are two statements designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business.

The *Statement of Net Assets* presents information on all City assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

# CITY OF LOCKPORT, NEW YORK

## Management's Discussion and Analysis December 31, 2010

The *Statement of Activities* presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (i.e., unallocated taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities). The City does not have any functions that are intended to recover all or, in part, a portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, transportation, economic assistance and opportunity, culture and recreation, home and community services, interest and fiscal charges and depreciation.

**The government-wide financial statements can be found on pages 15-17 of this report.**

**Fund Financial Statements** are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate finance related legal compliance. All funds of the City can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as, balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a City's near term financing requirements.

Because of the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the governmental-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains four individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, the Capital Projects Fund, the Special Revenue Fund and the Debt Service Fund.

## CITY OF LOCKPORT, NEW YORK

### Management's Discussion and Analysis December 31, 2010

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

**The basic governmental fund financial statements can be found on pages 18-25 of this report.**

**Fiduciary funds** are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs. The City has three fiduciary funds. The Agency Fund is used to account for funds held by the City as agent for employee's withholdings, monies due to other governments, and other miscellaneous items. The Permanent and Private Purpose Trusts are used to account for donated funds used for the purposes designated by the donors.

**The basic fiduciary funds financial statements can be found on pages 26-27 of this report.**

**Notes to the Basic Financial Statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**The Notes can be found on pages 28-57 of this report.**

#### **GOVERNMENTAL-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$46,702,449 at the close of the fiscal year.

**CITY OF LOCKPORT, NEW YORK**

**Management's Discussion and Analysis**

**December 31, 2010**

**Summary of City of Lockport's Net Assets**

	<b>Total Governmental Activities <u>December 31, 2010</u></b>	<b>Total Governmental Activities <u>December 31, 2009</u></b>
Current and other assets	\$ 12,591,910	\$ 14,256,444
Capital assets	<u>55,645,086</u>	<u>57,657,377</u>
Total assets	<u>68,236,996</u>	<u>71,913,821</u>
Long-term liabilities	13,401,630	13,001,281
Other liabilities	<u>8,132,917</u>	<u>8,507,109</u>
Total liabilities	<u>21,534,547</u>	<u>21,508,390</u>
<b>Net assets:</b>		
Investment in capital assets, net of related debt	49,633,358	50,222,377
Restricted	1,646,838	1,332,697
Unrestricted	<u>(4,577,747)</u>	<u>(1,149,643)</u>
<b>Total net assets</b>	<b><u>\$ 46,702,449</u></b>	<b><u>\$ 50,405,431</u></b>

The largest portion of the City's net assets reflects its investment in capital assets of \$49,633,358 (106.3%) (e.g. land, buildings, improvements, infrastructure, and equipment), which is net of any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balances of the City's net assets (-9.8%) represent unrestricted net assets of (\$4,577,747), which may be used to meet the City's ongoing obligations to citizens and creditors and the restricted portion of the City's net assets (3.5%) is \$1,646,838 which represent resources that are subject to external restrictions on how they may be used.

**CITY OF LOCKPORT, NEW YORK**

**Management's Discussion and Analysis  
December 31, 2010**

At the end of the current fiscal year, the City is able to report positive balances in its investment in capital assets, net of related debt and restricted net asset categories.

**Governmental activities.** Governmental activities decreased the City's net assets by \$2,755,905.

The following table indicates the changes in net assets for governmental activities:

**Summary of City of Lockport's Changes in Net Assets**

	<u>2010</u>	<u>2009</u>
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for services	\$ 8,859,698	\$ 9,049,598
Operating grants and contributions	3,373,862	4,138,293
Capital grants and contributions	1,247,684	1,281,579
<b>General revenues:</b>		
Property taxes	9,768,459	9,569,328
Real property tax items	416,496	417,045
Non-property tax items	5,892,082	6,131,680
Use of money and property	33,632	49,993
Sale of property and compensation for loss	160,830	184,191
Miscellaneous	607,997	250,011
Total revenues	<u>30,360,740</u>	<u>31,071,718</u>

**CITY OF LOCKPORT, NEW YORK**

**Management's Discussion and Analysis  
December 31, 2010**

	<u><b>2010</b></u>	<u><b>2009</b></u>
<b>Expenses:</b>		
General government support	\$ 3,906,750	\$ 3,875,176
Public safety	15,163,559	14,417,801
Health	5,523	14,189
Transportation	2,594,610	2,589,979
Economic assistance and opportunity	108,004	137,978
Culture and recreation	910,612	1,110,087
Home and community services	10,212,533	11,141,444
Interest and fiscal charges	<u>215,054</u>	<u>483,867</u>
Total expenses	<u>33,116,645</u>	<u>33,770,521</u>
Change in net assets	(2,755,905)	(2,698,803)
Net assets - beginning	<u>49,458,354</u>	<u>52,157,157</u>
<b>Net assets - ending</b>	<u><b>\$ 46,702,449</b></u>	<u><b>\$ 49,458,354</b></u>

**Business-type activities.** The City does not have any business type activities.

# CITY OF LOCKPORT, NEW YORK

## Management's Discussion and Analysis December 31, 2010

### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

**Governmental Funds.** The general governmental functions are contained in the General, Special Revenue, Capital Projects, and Debt Service Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At December 31, 2010, the City's governmental funds reported combined fund balances of \$4,510,569 a decrease of \$363,139 in comparison with the prior year. Approximately 84.85% of the combined fund balances, \$3,826,837 constitutes *unreserved fund balance*, which is available to meet the City's current and future operational and capital needs. The remainder of fund balance is *reserved* to indicate that it is *not* available for new spending because it has already been committed: (1) \$681,752 reserved for debt service; and (2) \$1,980 reserved for encumbrances.

The General Fund is the chief operating fund of the City. At December 31, 2010, unreserved fund balance of the General Fund was \$613,827 while total fund balance was \$615,807. As a measure of General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 2.78% of total fund expenditures, while total fund balance also represents 2.79% of that same amount.

Revenues for governmental functions totaled \$30,360,559 in fiscal year ended December 31, 2010, which represents a decrease of 2.2% from the fiscal year ended December 31, 2009.

**CITY OF LOCKPORT, NEW YORK**

**Management's Discussion and Analysis  
December 31, 2010**

The following table presents the amount of revenues from various sources:

**Revenues Classified by Source**  
**Governmental Funds**

	<b>December 31, 2010 <u>Amount</u></b>	<b>Percent of Total</b>	<b>December 31, 2009 <u>Amount</u></b>	<b>Amount of Increase (Decrease)</b>	<b>Percent of Increase Decrease</b>
<b>Revenues:</b>					
Real property taxes and tax items	\$ 10,184,955	33.55%	\$ 9,986,373	\$ 198,582	-27.92%
Non-property tax items	5,892,082	19.41%	6,131,680	(239,598)	33.69%
Departmental income	7,752,534	25.53%	7,845,410	(92,876)	13.06%
Intergovernmental charges	692,646	2.28%	803,559	(110,913)	15.60%
Use of money and property	33,632	0.11%	49,993	(16,361)	2.30%
Licenses and permits	164,388	0.54%	124,023	40,365	-5.68%
Fines and forfeitures	250,130	0.82%	276,606	(26,476)	3.72%
Sale of property and compensation for loss	160,830	0.53%	184,191	(23,361)	3.28%
Retirement System Credits	102,130	0.34%	1,429	100,701	-14.16%
Miscellaneous	505,686	1.67%	248,582	257,104	-36.15%
State and Federal Aid	<u>4,621,546</u>	<u>15.22%</u>	<u>5,419,872</u>	<u>(798,326)</u>	<u>112.26%</u>
<b>Total Revenues</b>	<b><u>\$ 30,360,559</u></b>	<b><u>100.00%</u></b>	<b><u>\$ 31,071,718</u></b>	<b><u>\$ (711,159)</u></b>	<b><u>100.00%</u></b>

**CITY OF LOCKPORT, NEW YORK**

**Management's Discussion and Analysis  
December 31, 2010**

The following table presents expenditures, by function:

**Expenditures by Function**  
**Governmental Funds**

	<b>December 31,</b>		<b>December 31,</b>		<b>Percent of</b>
	<b>2010</b>	<b>Percent of</b>	<b>2009</b>	<b>Amount of</b>	<b>Increase</b>
	<b><u>Amount</u></b>	<b><u>Total</u></b>	<b><u>Amount</u></b>	<b><u>(Decrease)</u></b>	<b><u>(Decrease)</u></b>
<b>Expenditures:</b>					
General government support	\$ 2,714,566	8.84%	\$ 2,798,863	\$ (84,297)	5.45%
Public safety	8,477,751	27.59%	8,645,214	(167,463)	10.82%
Health	3,438	0.01%	9,352	(5,914)	0.38%
Transportation	1,708,508	5.56%	2,205,324	(496,816)	32.10%
Economic opportunity and development	101,427	0.33%	130,747	(29,320)	1.89%
Culture and recreation	603,043	1.96%	775,332	(172,289)	11.13%
Home and community services	6,868,643	22.36%	7,838,337	(969,694)	62.65%
Employee benefits	8,284,580	26.96%	7,719,897	564,683	-36.48%
<b>Debt service:</b>					
Principal	1,726,994	5.62%	1,735,817	(8,823)	0.57%
Interest	234,748	0.76%	412,597	(177,849)	11.49%
	<u>                    </u>		<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Expenditures</b>	<b><u>\$ 30,723,698</u></b>	<b><u>100.00%</u></b>	<b><u>\$ 32,271,480</u></b>	<b><u>\$ (1,547,782)</u></b>	<b><u>100.00%</u></b>

**CITY OF LOCKPORT, NEW YORK**

**Management's Discussion and Analysis  
December 31, 2010**

The current year excess of revenues over expenditures is presented below:

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

	<u>Major Funds</u>				
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
Revenues	\$ 20,850,648	\$ 7,790,937	\$ 1,716,392	\$ 2,582	\$ 30,360,559
Expenditures	<u>22,060,551</u>	<u>8,157,660</u>	<u>505,487</u>	<u>-</u>	<u>30,723,698</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,209,903)</u>	<u>(366,723)</u>	<u>1,210,905</u>	<u>2,582</u>	<u>(363,139)</u>
Other Financing Sources, Net	<u>155,000</u>	<u>(220,000)</u>	<u>65,000</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures	(1,054,903)	(586,723)	1,275,905	2,582	(363,139)
Fund Balance at January 1, 2010	<u>1,670,710</u>	<u>2,283,512</u>	<u>240,316</u>	<u>679,170</u>	<u>4,873,708</u>
<b>Fund Balance at December 31, 2010</b>	<b><u>\$ 615,807</u></b>	<b><u>\$ 1,696,789</u></b>	<b><u>\$ 1,516,221</u></b>	<b><u>\$ 681,752</u></b>	<b><u>\$ 4,510,569</u></b>

**CITY OF LOCKPORT, NEW YORK**

**Management's Discussion and Analysis**

**December 31, 2010**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The City's investment in capital assets for its governmental activities as of December 31, 2010, amounted to \$55,645,086 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings, and equipment.

Current assets net of depreciation are presented below:

**Summary of City of Lockport's Capital Assets**  
**(Net of Depreciation)**

Land	\$	3,173,000
Buildings and improvements		39,749,634
Machinery and equipment		1,452,502
Transportation network		513,064
Water and sewer network		8,892,309
Vehicles		<u>1,864,577</u>
<b>Total</b>	<b>\$</b>	<b><u>55,645,086</u></b>

**Long-term Debt**

At December 31, 2010, the City had total long-term debt outstanding of \$8,246,746 as compared to \$9,776,413 in the prior year. The amount is comprised of Serial Bonds of \$5,730,000, EFC Loan of 281,728, and Compensated Absences of \$2,235,018. During the year retirement of debt amounted to \$1,863,390 and there were no additions to debt during the fiscal year. New York State statutes limit the amount of general obligation debt a governmental entity may issue to 7% of its five-year valuation. The current debt-limitation for the City is \$46,232,787, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found on pages 43-46 of the Notes to the Financial Statements.

**CITY OF LOCKPORT, NEW YORK**

**Management's Discussion and Analysis  
December 31, 2010**

**Short-term Debt**

At December 31, 2010, the City had no short-term debt outstanding.

**Request for information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Office of the City Treasurer, One Locks Plaza, Lockport, New York 14094.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF LOCKPORT, NEW YORK**

**STATEMENT OF NET ASSETS**

**December 31, 2010**

**ASSETS**

	<b><u>Governmental Activities</u></b>
Cash	\$ 3,878,906
<b>Receivables (Net of Allowances for Estimated Uncollectibles):</b>	
Taxes	976,404
Accounts	1,249,610
Loans	4,646,832
Due from Other Governments	877,052
Prepaid Expenses	963,106
<b>Capital Assets:</b>	
Land	3,173,000
Other Capital Assets, Net of Depreciation	<u>52,472,086</u>
 <b>Total Assets</b>	 <b><u>\$ 68,236,996</u></b>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF LOCKPORT, NEW YORK**

**STATEMENT OF NET ASSETS**

**December 31, 2010**

**LIABILITIES AND NET ASSETS**

	<b><u>Governmental Activities</u></b>
<b>Liabilities:</b>	
<b>Current Liabilities:</b>	
Accounts Payable	\$ 299,027
Accrued Liabilities	291,208
Due to Other Governments	1,332,431
Deferred Revenues	6,073,724
Other Liabilities	136,527
<b>Long-term Liabilities:</b>	
Due within one year	1,385,730
Due in more than one year	6,861,016
Accrued Postemployment Benefit Obligation	5,154,884
Total Liabilities	<u>21,534,547</u>
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	49,633,358
Restricted	1,646,838
Unrestricted	<u>(4,577,747)</u>
Total Net Assets	<u>46,702,449</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 68,236,996</u></b>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF LOCKPORT, NEW YORK**

**STATEMENT OF ACTIVITIES**

**For the Year Ended December 31, 2010**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
<b>Functions/Programs:</b>					
<b>Governmental Activities:</b>					
General Government	\$ (3,906,750)	\$ 270,942	\$ 2,927,411	\$ -	\$ (708,397)
Public Safety	(15,163,559)	934,544	55,861	-	(14,173,154)
Health	(5,523)	-	-	-	(5,523)
Transportation	(2,594,610)	30,517	92,515	-	(2,471,578)
Economic Assistance and Opportunity	(108,004)	-	40,626	-	(67,378)
Culture and Recreation	(910,612)	25,649	-	-	(884,963)
Home and Community Services	(10,212,533)	7,598,046	257,449	1,247,684	(1,109,354)
Interest and Fiscal Charges	(215,054)	-	-	-	(215,054)
Total Governmental Activities	<u>\$ (33,116,645)</u>	<u>\$ 8,859,698</u>	<u>\$ 3,373,862</u>	<u>\$ 1,247,684</u>	<u>(19,635,401)</u>
<b>General Revenues:</b>					
Property Taxes Levied for General Purposes					9,768,459
Real Property Tax Items					416,496
Non-property Tax Items					5,892,082
Use of Money and Property					33,632
Sale of Property and Compensation for Loss					160,830
Miscellaneous					607,997
Total General Revenues					<u>16,879,496</u>
Change in Net Assets					(2,755,905)
Total Net Assets at Beginning of Year					<u>49,458,354</u>
<b>Total Net Assets at End of Year</b>					<u><b>\$ 46,702,449</b></u>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF LOCKPORT, NEW YORK**

**GOVERNMENTAL FUNDS**

**Balance Sheet  
December 31, 2010**

<u>ASSETS</u>	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Cash	\$ -	\$ 1,311,107	\$ 2,001,047	\$ 566,752	\$ 3,878,906
<b>Receivables (Net of Allowances for Estimated Uncollectibles):</b>					
Taxes	976,404	-	-	-	976,404
Accounts	653,886	568,175	-	27,549	1,249,610
Loans	-	4,646,832	-	-	4,646,832
Due from Other Funds	663,884	150,000	-	115,000	928,884
Due from Other Governments	567,301	309,751	-	-	877,052
Prepaid Expenditures	<u>778,517</u>	<u>184,589</u>	<u>-</u>	<u>-</u>	<u>963,106</u>
<b>Total Assets</b>	<b><u>\$ 3,639,992</u></b>	<b><u>\$ 7,170,454</u></b>	<b><u>\$ 2,001,047</u></b>	<b><u>\$ 709,301</u></b>	<b><u>\$ 13,520,794</u></b>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF LOCKPORT, NEW YORK**

**GOVERNMENTAL FUNDS**

**Balance Sheet  
December 31, 2010**

<u><b>LIABILITIES AND FUND BALANCES</b></u>	<u><b>General</b></u>	<u><b>Special Revenue</b></u>	<u><b>Capital Projects</b></u>	<u><b>Debt Service</b></u>	<u><b>Total Governmental Funds</b></u>
<b>Liabilities:</b>					
Accounts Payable	\$ 94,240	\$ 198,195	\$ 6,592	\$ -	\$ 299,027
Accrued Liabilities	198,171	41,461	-	-	239,632
Due to Other Funds	-	587,177	478,234	-	1,065,411
Due to Other Governments	1,332,431	-	-	-	1,332,431
Deferred Revenues	1,399,343	4,646,832	-	27,549	6,073,724
<b>Total Liabilities</b>	<u>3,024,185</u>	<u>5,473,665</u>	<u>484,826</u>	<u>27,549</u>	<u>9,010,225</u>
<b>Fund Balances:</b>					
<b>Reserved For:</b>					
Debt Service	-	-	-	681,752	681,752
Encumbrances	1,980	-	-	-	1,980
<b>Unreserved:</b>					
Undesignated	613,827	1,696,789	1,516,221	-	3,826,837
<b>Total Fund Balances</b>	<u>615,807</u>	<u>1,696,789</u>	<u>1,516,221</u>	<u>681,752</u>	<u>4,510,569</u>
<b>Total Liabilities and Fund Balances</b>	<u><b>\$ 3,639,992</b></u>	<u><b>\$ 7,170,454</b></u>	<u><b>\$ 2,001,047</b></u>	<u><b>\$ 709,301</b></u>	<u><b>\$ 13,520,794</b></u>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF LOCKPORT, NEW YORK**

**Reconciliation of Statement of Net Assets  
To Governmental Fund Balances  
December 31, 2010**

	<b><u>Governmental Activities</u></b>
Total Governmental Fund Balances	\$ 4,510,569
<b>Amounts reported for Governmental Activities in the Statement of Net Assets are different because:</b>	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	55,645,086
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore not reported in the funds.	(8,246,746)
Accrued postemployment benefit obligation	(5,154,884)
Accrued interest	<u>(51,576)</u>
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 46,702,449</u></b>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF LOCKPORT, NEW YORK**

**GOVERNMENTAL FUNDS**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended December 31, 2010**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Real Property Taxes	\$ 9,768,459	\$ -	\$ -	\$ -	\$ 9,768,459
Real Property Tax Items	416,496	-	-	-	416,496
Non-property Tax Items	5,892,082	-	-	-	5,892,082
Departmental Income	851,843	6,900,691	-	-	7,752,534
Intergovernmental Charges	95,791	596,855	-	-	692,646
Use of Money and Property	30,266	269	515	2,582	33,632
Licenses and Permits	164,388	-	-	-	164,388
Fines and Forfeitures	250,130	-	-	-	250,130
Sale of Property and Compensation for Loss	157,149	3,681	-	-	160,830
Refund of Expenditures	102,130	-	-	-	102,130
Miscellaneous	5,501	31,992	468,193	-	505,686
State Aid	3,116,413	-	1,247,684	-	4,364,097
Federal Aid	-	257,449	-	-	257,449
Total Revenues	<u>20,850,648</u>	<u>7,790,937</u>	<u>1,716,392</u>	<u>2,582</u>	<u>30,360,559</u>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF LOCKPORT, NEW YORK**

**GOVERNMENTAL FUNDS**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended December 31, 2010**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>Expenditures:</b>					
General Government Support	\$ 2,589,846	\$ 84,119	\$ 40,601	\$ -	\$ 2,714,566
Public Safety	8,477,751	-	-	-	8,477,751
Health	3,438	-	-	-	3,438
Transportation	1,708,508	-	-	-	1,708,508
Economic Opportunity and Development	101,427	-	-	-	101,427
Culture and Recreation	603,043	-	-	-	603,043
Home and Community Services	1,318,104	5,085,653	464,886	-	6,868,643
Employee Benefits	6,465,158	1,819,422	-	-	8,284,580
Debt Service - Principal	706,994	1,020,000	-	-	1,726,994
Debt Service - Interest	86,282	148,466	-	-	234,748
Total Expenditures	<u>22,060,551</u>	<u>8,157,660</u>	<u>505,487</u>	<u>-</u>	<u>30,723,698</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,209,903)</u>	<u>(366,723)</u>	<u>1,210,905</u>	<u>2,582</u>	<u>(363,139)</u>
<b>Other Sources and (Uses):</b>					
Transfers from Other Funds	220,000	25,000	65,000	-	310,000
Transfers to Other Funds	<u>(65,000)</u>	<u>(245,000)</u>	<u>-</u>	<u>-</u>	<u>(310,000)</u>
Total Other Sources and (Uses)	<u>155,000</u>	<u>(220,000)</u>	<u>65,000</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(1,054,903)	(586,723)	1,275,905	2,582	(363,139)
Fund Balance at Beginning of Year	<u>1,670,710</u>	<u>2,283,512</u>	<u>240,316</u>	<u>679,170</u>	<u>4,873,708</u>
<b>Fund Balance at End of Year</b>	<b><u>\$ 615,807</u></b>	<b><u>\$ 1,696,789</u></b>	<b><u>\$ 1,516,221</u></b>	<b><u>\$ 681,752</u></b>	<b><u>\$ 4,510,569</u></b>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF LOCKPORT, NEW YORK**

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2010**

	<b>Governmental <u>Activities</u></b>
<b>Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:</b>	
Net change in fund balances of governmental funds	\$ (363,139)
Depreciation recorded on the statement of activities but not in statement for governmental funds.	(2,012,111)
Net change in compensated absences not reflected in governmental funds.	106,395
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, in the statement of activities, it is reflected as a reduction of debt.	1,423,272
Net accrued interest for bonds not reported in funds.	19,694
Accrued postemployment benefit obligation liability increases long-term liabilities in the statement of net assets and related expenditures in the statement of activities, but not to governmental funds. Net post-employment benefit contribution is an expenditure in governmental funds, but the contribution reduces long-term liabilities in the statement of net assets. This is the amount by which accrued post-employment benefit liability adjustment exceeds the contribution.	<u>(1,930,016)</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u><u>\$ (2,755,905)</u></u></b>

The accompanying notes are an integral part of the financial statements.

**CITY OF LOCKPORT, NEW YORK**

**GENERAL FUND**

**Statement of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual (Non-GAAP Basis of Budgeting)  
For the Year Ended December 31, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budgetary Actual</u>	<u>Variance Final Budget Positive (Negative)</u>
<b>Revenues:</b>				
Real Property Taxes	\$ 10,118,429	\$ 10,118,429	\$ 9,768,459	\$ (349,970)
Real Property Tax Items	410,000	410,000	416,496	6,496
Non-property Tax Items	6,200,000	6,200,000	5,892,082	(307,918)
Departmental Income	950,000	950,000	851,843	(98,157)
Intergovernmental Charges	150,000	150,000	95,791	(54,209)
Use of Money and Property	137,000	137,000	30,266	(106,734)
Licenses and Permits	150,000	150,000	164,388	14,388
Fines and Forfeitures	350,000	350,000	250,130	(99,870)
Sale of Property and Compensation for Loss	170,000	170,000	157,149	(12,851)
Refund of Expenditures	5,000	5,000	102,130	97,130
Miscellaneous	25,000	25,000	5,501	(19,499)
State Aid	3,171,800	3,171,800	3,116,413	(55,387)
Total Revenues	<u>21,837,229</u>	<u>21,837,229</u>	<u>20,850,648</u>	<u>(986,581)</u>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF LOCKPORT, NEW YORK**

**GENERAL FUND**

**Statement of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual (Non-GAAP Basis of Budgeting)  
For the Year Ended December 31, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budgetary Actual</u>	<b>Variance Final Budget Positive (Negative)</b>
<b>Expenditures:</b>				
General Government Support	\$ 2,591,726	\$ 2,591,726	\$ 2,589,846	\$ 1,880
Public Safety	8,464,241	8,464,241	8,477,751	(13,510)
Health	9,500	9,500	3,438	6,062
Transportation	1,584,661	1,584,661	1,708,508	(123,847)
Economic Opportunity and Development	103,700	103,700	101,427	2,273
Culture and Recreation	650,214	650,214	605,023	45,191
Home and Community Services	1,309,256	1,309,256	1,318,104	(8,848)
Employee Benefits	7,459,929	7,459,929	6,465,158	994,771
<b>Debt Service:</b>				
Principal	706,995	706,995	706,994	1
Interest	<u>86,279</u>	<u>86,279</u>	<u>86,282</u>	<u>(3)</u>
Total Expenditures	<u>22,966,501</u>	<u>22,966,501</u>	<u>22,062,531</u>	<u>903,970</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,129,272)</u>	<u>(1,129,272)</u>	<u>(1,211,883)</u>	<u>(82,611)</u>
<b>Other Sources and (Uses):</b>				
Transfers from Other Funds	220,000	220,000	220,000	-
Transfers to Other Funds	<u>-</u>	<u>-</u>	<u>(65,000)</u>	<u>(65,000)</u>
Total Other Sources and (Uses)	<u>220,000</u>	<u>220,000</u>	<u>155,000</u>	<u>(65,000)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(909,272)	(909,272)	(1,056,883)	(147,611)
Fund Balance at Beginning of Year	<u>2,128,509</u>	<u>2,128,509</u>	<u>1,670,710</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u><b>\$ 1,219,237</b></u>	<u><b>\$ 1,219,237</b></u>	<u><b>\$ 613,827</b></u>	<u><b>\$ (147,611)</b></u>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF LOCKPORT, NEW YORK**

**FIDUCIARY FUNDS**

**Statement of Fiduciary Net Assets  
December 31, 2010**

	<b>Private Purpose Trust</b>	<b>Permanent Trust</b>	<b>Agency Funds</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 21,187	\$ 100,991	\$ 1,398,859
Due from other funds	<u>                    -</u>	<u>                    -</u>	<u>          158,802</u>
<b>Total Assets</b>	<b><u>          \$ 21,187</u></b>	<b><u>          \$ 100,991</u></b>	<b><u>          \$ 1,557,661</u></b>
<b>Liabilities</b>			
Due to General Fund	\$ -	\$ -	\$ 22,275
HRA liability	<u>                    -</u>	<u>                    -</u>	<u>          946,893</u>
<b>Net Assets</b>	<u>          21,187</u>	<u>          100,991</u>	<u>          588,493</u>
<b>Total Liabilities and Net Assets</b>	<b><u>          \$ 21,187</u></b>	<b><u>          \$ 100,991</u></b>	<b><u>          \$ 1,557,661</u></b>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF LOCKPORT, NEW YORK**

**Statement of Changes in Fiduciary Net Assets  
For the Year Ended December 31, 2010**

	<u>Private Purpose Trust</u>	<u>Permanent Trust</u>
<b>Additions:</b>		
Interest	\$ 174	\$ 732
Total Additions	<u>174</u>	<u>732</u>
 <b>Deductions:</b>		
Expenses	<u>-</u>	<u>-</u>
Total Deductions	<u>-</u>	<u>-</u>
Change in Net Assets	174	732
Net Assets at Beginning of Year	<u>21,013</u>	<u>100,259</u>
<b>Net Assets at End of Year</b>	<b><u><u>\$ 21,187</u></u></b>	<b><u><u>\$ 100,991</u></u></b>

The accompanying notes are an integral part of the basic financial statements.

## CITY OF LOCKPORT, NEW YORK

### Notes to Financial Statements December 31, 2010

#### **Note 1 - Summary of Significant Accounting Policies**

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

***Financial Reporting Entity*** - The City of Lockport, New York, which was incorporated in 1865, is located within the county of Niagara. The City is governed by City law and the other general laws of the state of New York and various local laws. The City Common Council is the legislative body responsible for overall operations of the City. The Mayor serves as Chief Executive Officer and the Treasurer as the Chief Fiscal Officer of the City.

The following basic services are provided: general administrative support, police and fire protection, street maintenance, culture and recreation, refuse, sanitary sewer service, water service, and community development.

For financial reporting purposes, the City includes all organizations, functions and activities over which elected officials (the Mayor and/or Common Council) exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependence, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Based on the foregoing criteria, the City has concluded that no other entities should be included on the financial statements of the City.

***Government-wide Financial Statements*** - The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government. The effects of interfund activity have been removed from these statements. Government activities are normally supported by taxes and intergovernmental revenues.

## CITY OF LOCKPORT, NEW YORK

### Notes to Financial Statements December 31, 2010

#### **Note 1 - Summary of Significant Accounting Policies (Cont.)**

***Government-wide Financial Statements (Cont.)*** - The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead of general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

***Measurement Focus, Basis of Accounting and Financial Statement Presentation*** - Measurement focus is the determination of what is expressed in reporting an entity's financial performance and position, (i.e., expenditures or expenses). A particular measurement focus is accomplished both by considering what resources will be measured and the basis of accounting.

Basis of accounting refers to when revenues, expenditures/expenses, and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to timing of the measurements made, regardless of the measurement focus.

**Accrual Basis** - Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

# CITY OF LOCKPORT, NEW YORK

## Notes to Financial Statements December 31, 2010

### **Note 1 - Summary of Significant Accounting Policies (Cont.)**

#### **Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont.)**

**Modified Accrual Basis** – Under this basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues from federal, state, or other grants designated for specific City expenditure are recognized when the related expenditures are incurred.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due and expenditures for inventory-type items and for prepayments (except retirement) are recognized at the time of the disbursements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Property taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

**General Fund** - The principal operating fund that includes all operations not required to be recorded in other funds.

**Water Fund** - This fund accounts for the revenues and expenditures derived from providing water services to City residents.

**CITY OF LOCKPORT, NEW YORK**

**Notes to Financial Statements  
December 31, 2010**

**Note 1 - Summary of Significant Accounting Policies (Cont.)**

*Measurement Focus, Basis of Accounting and Financial Statement Presentation (Concl.)*

**Sewer Fund** - This fund accounts for the revenues and expenditures derived from providing sanitary sewer services to City residents.

**Special Grant Fund** - This fund is used to account for the grant proceeds that are made available to the City by the United States Department of Housing and Urban Development.

**Debt Service Fund** - This fund is used to account for the financial resources accumulated for payment of future principal and interest on long-term indebtedness for all funds.

**Capital Projects Fund** - Used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Additionally, the City reports the following fiduciary fund types that are used to account for assets held by the City in a custodial capacity:

**Agency Fund** - Used to account for money and property received and held in the capacity of custodian or agent. The Agency Fund is custodial in nature and does not involve measurement of results of operations. Agency funds, such as payroll withholdings, are reported as liabilities.

**Permanent and Private Purpose Trusts** - Used to account for donated funds used for the purposes designated by the donors.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. General revenues are those that cannot be associated directly with program activities.

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

## CITY OF LOCKPORT, NEW YORK

### Notes to Financial Statements December 31, 2010

#### **Note 1 - Summary of Significant Accounting Policies (Cont.)**

***Property Tax Revenue Recognition*** - Property taxes attach an enforceable lien on property as of December 31. Taxes are levied on April 1. The City bills and collects its own taxes and also serves as collector of Niagara County and Lockport City School District property taxes. City property tax revenues are recognized when levied to the extent that they result in current receivables.

The City is responsible for School District taxes reaching fourteen months delinquency.

An allowance for uncollectible taxes has been recorded for those property taxes which have been deemed to be uncollectable.

The City may not annually levy taxes, other than the debt service on City indebtedness in excess of 2% of the average full valuation of taxable real estate in the City for the previous years. This maximum taxing power for the year ended December 31, 2010 amounted to \$13,626,873. The 2010 tax levy of \$10,118,429 represents approximately 74.25% of the maximum taxing power.

***Budgets and Budgetary Data*** - The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to June 19, each department head submits to the budget planning department their departmental estimates of expenditures for the ensuing fiscal year.
- b. The Board of Estimate and Apportionment estimates all revenues, reviews the departmental estimates and formulates the proposed budget for the fiscal year which will commence January 1.
- c. Prior to September 15, the Board of Apportionment submits to the Common Council a proposed budget.
- d. A public hearing is conducted to obtain taxpayer comments.

## CITY OF LOCKPORT, NEW YORK

### Notes to Financial Statements December 31, 2010

#### **Note 1 - Summary of Significant Accounting Policies (Cont.)**

##### ***Budgets and Budgetary Data (Cont.)***

- e. The Common Council has the power to delete, reduce, increase or add expenditure items to the budget, except as it relates to the city indebtedness or the estimate of revenue
- f. Prior to October 15<sup>th</sup>, the budget is legally enacted through passage of a resolution by the Common Council.
- g. The Treasurer is authorized to transfer budgeted amounts within departments within any fund; however any transfer between departments within any fund or any revisions that alter the total appropriations of any fund must be approved by the Common Council.
- h. Formal budgetary integration is employed as a management control device during the year for the General Fund, Sewer Fund and Water Fund. Formal budgetary integration is not employed for the Capital Projects and Special Grant Funds. Budgetary control over the Debt Service Fund and Capital Projects Fund are provided by Common Council approval of bond authorizations and provisions of bond indebtedness. Budgetary control for the Special Grant Fund is provided by annual grant entitlements that are approved by the United States Department of Housing and Urban Development.
- i. Budgets for the General and Special Revenue Fund types are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts are as originally adopted, or as amended by the Common Council. Individual amendments were not material in relation to the original appropriations which were amended. Budgets for the Special Grant Fund are made on a project basis, spanning more than one fiscal year.

***Encumbrances*** - Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in all City funds. Outstanding encumbrances at year end, exclusive of grant-related commitments, are presented for GAAP reporting purposes as reservations of fund balances, and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

**CITY OF LOCKPORT, NEW YORK**

**Notes to Financial Statements  
December 31, 2010**

**Note 1 - Summary of Significant Accounting Policies (Cont.)**

*Investments* - The City had no investments outstanding at December 31, 2010.

*Advances to Other Funds* - In the fund financial statements, as at December 31, 2010, there are no non-current portions of interfund loans receivable.

*Capital Assets* - Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost equal to or greater than \$35,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives is not capitalized. Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives.

<b><u>Description</u></b>	<b><u>Estimated Lives</u></b>
Buildings and Improvements	100 years
Wastewater Treatment Distribution Network	25-100 years
Machinery and Equipment	10-25 years
Transportation Network	10-75 years
Sanitary Sewer Network	25-100 years

When capital assets are retired, or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period in the government-wide statements.

## CITY OF LOCKPORT, NEW YORK

### Notes to Financial Statements

December 31, 2010

#### **Note 1 - Summary of Significant Accounting Policies (Cont.)**

***Capital Assets (Cont.)*** - Amortization is reflected in income for the period in the government-wide statements. Amortization of capital leases is computed using the straight-line method over the lease term or the estimated useful lives of the assets, whichever is shorter. Maintenance and repairs are charged to expense as incurred; significant renewals and betterments are capitalized.

***Pensions*** - Nearly all City employees are members of various New York State retirement systems. The City is invoiced annually by the Systems for its share of the costs.

***Vacation, Sick Leave and Compensatory Absences*** - City employees are granted vacation and sick leave, and earn compensatory absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and sick leave and unused compensatory absences at various rates subject to certain maximum limitations.

City employees are paid in December for unused vacation time applicable to the current year. Vacation days are earned on the first day of the year. Sick days are earned on the first day of each month, for the prior month of service, defined as being on the active payroll for one full pay period.

Payment of sick leave and compensatory absences is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of vacation, sick leave and compensatory damages when such payment becomes due.

***Economic Development and Rehabilitation Loans Receivable*** - These loans receivable are equally offset by deferred revenue which indicates that they do not constitute "available expendable resources" since they are not a component of net current assets.

***Federal Grants*** - Federal grants are recorded as grant receivable and deferred revenue when the entitlement period occurs. Revenue is recognized as the City incurs expenditures and meets the performance requirements of the grants.

## CITY OF LOCKPORT, NEW YORK

### Notes to Financial Statements

December 31, 2010

#### **Note 1 - Summary of Significant Accounting Policies (Cont.)**

***Post-employment Benefits*** - In addition to providing pension benefits, the City provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the City's employees may become eligible for these benefits if they reach normal retirement age while working for the City. Health care benefits and survivors benefits are provided through insurance companies whose premiums are based on the benefits paid during the year. These benefits terminate upon death of the retired employee. The City recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid. During the 2010 fiscal year, approximately \$1,712,066 was paid on behalf of 149 retirees and recorded as an expenditure in the General Fund.

***Restrictions, Reserves and Designations*** - The government-wide fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- ***Invested in Capital Assets, Net of Related Debt*** - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- ***Restricted Net Assets*** - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- ***Unrestricted Net Assets*** - This category represents net assets of the City not restricted for any project or other purpose.

## CITY OF LOCKPORT, NEW YORK

### Notes to Financial Statements

December 31, 2010

#### **Note 1 - Summary of Significant Accounting Policies (Cont.)**

*Restrictions, Reserves and Designations (Cont.)* - In the fund financial statements, reserves represent that portion of fund balance that has been legally segregated for a specific use or is not appropriable for expenditure by the City at December 31, 2010, and include:

*Reserved for Debt Service* – This reserve consists of unused proceeds of bond anticipation notes and any earned interest on these proceeds which is being held for future debt service payments on these notes.

*Reserved for Prepaid Expenditures* – Reserve for Prepaid Expenditures represents goods or services paid for during the current fiscal year, but the expenditures are associated with the next fiscal year.

#### **Note 2 - Reporting on Budgetary Basis**

The City reports its budgetary status with the actual data including encumbrances as charges against budget appropriations. In addition, budgetary comparison information is not presented for certain Special Revenue Funds because they are not considered part of the City's annual budgetary plan.

Budget columns presented in the accompanying financial statements reflect that there were no excesses of expenditures/expenses over appropriations.

Budgetary control of the General Fund is minimally exercised at the department and account level. There were no excesses of expenditures/expenses over appropriations at the established control level.

**CITY OF LOCKPORT, NEW YORK**

**Notes to Financial Statements  
December 31, 2010**

**Note 3 - Cash and Investments**

The City's investment policies are governed by state statutes. City monies must be deposited in FDIC-insured commercial banks or trust companies located within the state. The City Comptroller is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit in an amount equal to at least 105% of the amount of all deposits 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. The detail of cash and investments at December 31, 2010 consists of:

Petty Cash	\$	1,405
<b>Deposits:</b>		
Checking and Savings Account		<u>5,660,350</u>
<b>Total</b>		<u><b>\$ 5,661,755</b></u>

**CITY OF LOCKPORT, NEW YORK**

**Notes to Financial Statements  
December 31, 2010**

**Note 3 - Cash and Investments (Cont.)**

*Deposits* - Deposits at December 31, 2010 were entirely covered by federal depository insurance or by collateral held by the City's custodial bank in the City's name.

All deposits are carried at cost and consist of:

<u>Fund</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Insured (FDIC)	\$ 1,000,000	\$ 1,000,000
<b>Uninsured</b>		
Collateral held by bank's agent in same bank	<u>4,660,350</u>	<u>4,103,488</u>
<b>Total</b>	<b><u><u>\$ 5,660,350</u></u></b>	<b><u><u>\$ 5,103,488</u></u></b>

**CITY OF LOCKPORT, NEW YORK**

**Notes to Financial Statements  
December 31, 2010**

**Note 4 - Due from Other Governments**

Other government receivables accrued by the City at December 31, 2010 include the following:

<b>General Fund:</b>		
County of Niagara - Sales Tax	\$	567,301
<b>Sewer Fund:</b>		
Town of Lockport Sewer Charges		100,363
<b>Water Fund:</b>		
North Tonawanda & Niagara Falls Water Project		<u>209,388</u>
<b>Total</b>	<b>\$</b>	<b><u>877,052</u></b>

**CITY OF LOCKPORT, NEW YORK**

**Notes to Financial Statements  
December 31, 2010**

**Note 5 - Capital Assets**

Capital asset activity for the year ended December 31, 2010 was as follows:

<u>Type</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 3,173,000	\$ -	\$ -	\$ 3,173,000
<b>Total Capital Assets Not Being Depreciated</b>	<b><u>\$ 3,173,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,173,000</u></b>
<b>Capital Assets Being Depreciated:</b>				
Buildings and Improvements	\$ 66,360,446	\$ -	\$ -	\$ 66,360,446
Machinery and Equipment	5,504,822	-	-	5,504,822
Transportation Network	4,920,486	-	-	4,920,486
Water and Sewer Network	10,476,821	-	-	10,476,821
Vehicles	3,659,785	-	-	3,659,785
Total Capital Assets Being Depreciated	<u>90,922,360</u>	<u>-</u>	<u>-</u>	<u>90,922,360</u>
<b>Less: Accumulated Depreciation for:</b>				
Buildings and Improvements	25,504,908	1,105,904		26,610,812
Machinery and Equipment	3,536,411	515,909		4,052,320
Transportation Network	4,337,907	69,515		4,407,422
Water and Sewer Network	1,480,686	103,826		1,584,512
Vehicles	1,578,069	217,139	-	1,795,208
Total Accumulated Depreciation	<u>36,437,981</u>	<u>2,012,293</u>	<u>-</u>	<u>38,450,274</u>
<b>Total Capital Assets Being Depreciated, Net</b>	<b><u>\$ 54,484,379</u></b>	<b><u>\$ (2,012,293)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 52,472,086</u></b>

# CITY OF LOCKPORT, NEW YORK

## Notes to Financial Statements December 31, 2010

### Note 6 - Retirement Plans

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

**Funding Policy** - The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary. Employees in the System more than ten years are no longer required to contribute. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

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

	<u>ERS</u>	<u>PFRS</u>
2010	\$ 656,392	\$ 1,295,086
2009	462,618	980,275
2008	473,933	1,053,112

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

**CITY OF LOCKPORT, NEW YORK**

**Notes to Financial Statements  
December 31, 2010**

**Note 7 - Short-term Debt**

Liabilities for bond anticipation notes (BAN's) are generally accounted for in the Capital Projects Funds. Principal payments on BAN's must be made annually. The balance at December 31, 2010 was \$0.

State law generally requires that BAN's issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BAN's issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated reductions of principal are made on an annual basis.

**Note 8 - Long-term Debt**

- a. At December 31, 2010 the total outstanding long-term indebtedness of the City aggregated \$8,246,746. Of this amount, \$1,335,000 was subject to the constitutional debt limit and represented approximately 2.89% of its debt limit.
- b. Compensated Absences represents the value of earned and unused portion of the liability for compensated absences.
- c. Summary Long-term Debt. The following is a summary of long-term liabilities outstanding at December 31, 2010:

	<b><u>Long-term Debt</u></b>
EFC Loan	\$ 281,728
Serial Bonds	5,730,000
Compensated Absences	<u>2,235,018</u>
	<b><u>\$ 8,246,746</u></b>

**CITY OF LOCKPORT, NEW YORK**

**Notes to Financial Statements  
December 31, 2010**

**Note 8 - Long-term Debt (Cont.)**

d. The following is a summary of changes in long-term liabilities for the year ended December 31, 2010:

	<u>Serial Bonds</u>	<u>Compensated Absences</u>	<u>EFC Loan</u>
Balance at January 1, 2010	\$ 7,385,000	\$ 2,341,413	\$ 383,723
Additions	-	-	-
Deletions	1,655,000	106,395	101,995
<b>Balance at December 31, 2010</b>	<b><u>\$ 5,730,000</u></b>	<b><u>\$ 2,235,018</u></b>	<b><u>\$ 281,728</u></b>

Additions and deletions to compensated absences and other long-term debt are shown net since it is impracticable to determine these amounts separately.

**CITY OF LOCKPORT, NEW YORK**

**Notes to Financial Statements  
December 31, 2010**

**Note 8 - Long-term Debt (Cont.)**

*Serial Bond Transactions* - The following is a summary of general obligation bond transactions of the City for the year ended December 31, 2010.

<b>Fund Servicing Debt</b>	<b>Original Issue Amount</b>	<b>Year of Issue/ Maturity</b>	<b>Interest Rate</b>	<b>Principal Outstanding December 31, 2009</b>	<b>Payments 2010</b>	<b>Issued 2010</b>	<b>Principal Outstanding December 31, 2010</b>
General	\$ 3,655,000	1996/2010	5.10	\$ 120,000	\$ 120,000	\$ -	\$ -
	3,530,000	2001/2012	4.0-4.375	525,000	225,000	-	300,000
	300,000	2001/2012	4.0-4.4	90,000	30,000	-	60,000
	256,300	2005/2019	3.5-4.0	100,000	20,000	-	80,000
	1,055,000	2005/2011	4.6-4.7	360,000	175,000	-	185,000
	839,635	2008/2022	4.2349	775,000	65,000	-	710,000
Sewer	5,350,000	1991/2011	5.97	635,000	315,000	-	320,000
	250,000	2001/2012	4.0-4.375	85,000	25,000	-	60,000
	856,338	2004/2019	1.2-4.67	595,000	55,000	-	540,000
	2,031,600	2005/2019	3.5-4.0	1,390,000	165,000	-	1,225,000
	152,811	2008/2022	4.2349	140,000	10,000	-	130,000
Water	1,392,363	2008/2037	4.6275	1,310,000	35,000	-	1,275,000
	4,967,500	2004/2010	1.5-3	285,000	285,000	-	-
	670,000	2001/2012	4.0-4.375	200,000	65,000	-	135,000
	518,000	2005/2019	3.5-4.0	380,000	35,000	-	345,000
	428,870	2008/2022	4.2349	395,000	30,000	-	365,000
<b>Total</b>				<b>\$ 7,385,000</b>	<b>\$ 1,655,000</b>	<b>\$ -</b>	<b>\$ 5,730,000</b>

**CITY OF LOCKPORT, NEW YORK**

**Notes to Financial Statements  
December 31, 2010**

**Note 8 - Long-term Debt (Cont.)**

*Maturity Schedule* - The following schedule sets forth the remaining annual maturities of long-term debt, by debt type, at December 31, 2010:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 1,210,000	\$ 188,973
2012	685,000	149,646
2013	420,000	132,125
2014	440,000	118,163
2015	360,000	105,210
2016-2020	1,585,000	344,741
2021-2025	370,000	186,267
2026-2030	255,000	127,075
2031-2035	285,000	63,134
2036-2037	<u>120,000</u>	<u>5,627</u>
	<u>\$ 5,730,000</u>	<u>\$ 1,420,961</u>

\*Payments of compensated absences are dependent upon many factors; therefore, timing of future payments is not readily determinable.

**CITY OF LOCKPORT, NEW YORK**

**Notes to Financial Statements  
December 31, 2010**

**Note 9 - Interfund Receivables and Payables**

Interfund receivables and payables at December 31, 2010 were as follows:

<b>Fund</b>	<b>Interfund Receivables</b>	<b>Interfund Payables</b>
<b>Governmental Fund Types:</b>		
General Fund	\$ 663,884	\$ -
<b>Special Revenue Fund Types:</b>		
Water Fund	-	265,000
Sewer Fund	150,000	322,177
Capital Projects Funds	-	478,234
Debt Service Fund	115,000	-
Agency Funds	158,802	22,275
<b>Total</b>	<b>\$ 1,087,686</b>	<b>\$ 1,087,686</b>

**CITY OF LOCKPORT, NEW YORK**

**Notes to Financial Statements  
December 31, 2010**

**Note 10 - Interfund Operating Transfers**

Individual fund operating transfers for the year ended at December 31, 2010 are as follows:

<b><u>Fund</u></b>	<b><u>Transfer In</u></b>	<b><u>Transfer Out</u></b>
<b>Governmental Fund Types:</b>		
General Fund	\$ 220,000	\$ 65,000
<b>Special Revenue Fund Types:</b>		
Water Fund	25,000	115,000
Sewer Fund	-	130,000
Capital Projects	65,000	-
<b>Total</b>	<b><u>\$ 310,000</u></b>	<b><u>\$ 310,000</u></b>

**CITY OF LOCKPORT, NEW YORK**

**Notes to Financial Statements  
December 31, 2010**

**Note 11 - Fund Balance Reservations**

Reservations of fund balances of governmental fund types are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriate for future expenditures. Specific reservations of the fund balance accounts are summarized below.

<u>Fund</u>	<u>Balance</u>
<b>Government Fund Type:</b>	
General Fund - Encumbrances	\$ 1,980
General Fund - Prepaid Expenditures	778,517
<b>Special Revenue Fund Type:</b>	
Water Fund - Prepaid Expenditures	93,724
Sewer Fund - Prepaid Expenditures	90,865
Debt Service Fund - Debt Service	<u>681,752</u>
<b>Total</b>	<b><u>\$ 1,646,838</u></b>

**Note 12 - Fund Balance Designations**

Designations are not legally required segregations but are segregated for a specific purpose by the City at December 31, 2010. At December 31, 2010 no designations were made.

**CITY OF LOCKPORT, NEW YORK**

**Notes to Financial Statements  
December 31, 2010**

**Note 13 - Deferred Revenue**

Deferred revenues represent the following receivables and aid, which is not recognized during the current operating cycle. These amounts will be recognized in future periods as the amounts are collected and/or expanded.

<b>General Fund:</b>	
Taxes Receivable	\$ 797,196
Ambulance Fees	<u>602,147</u>
	<u>1,399,343</u>
 <b>Special Revenue Fund:</b>	
Special Grants Fund - Loans Receivable	<u>4,646,832</u>
	<u>4,646,832</u>
 <b>Debt Service Fund:</b>	
Special Assessments Receivable	<u>27,549</u>
 <b>Total</b>	 <b><u>\$ 6,073,724</u></b>

**Note 14 - Contingencies**

The City of Lockport has closed the former City landfill. Post-closure monitoring will be required at an undetermined cost.

The City is involved in litigation arising in the ordinary course of its operations. The City believes that its ultimate liability, if any, in connection with these matters will not have a material effect on the City's financial condition or results of operations.

## CITY OF LOCKPORT, NEW YORK

### Notes to Financial Statements

December 31, 2010

#### **Note 14 - Contingencies (Cont.)**

In a normal course of operations the City receives grant funds from various federal and state agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed expenditures resulting from such audits could become liability of the governmental funds. While the amount of any expenditures which may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

#### **Note 15 - Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all revenue attributable to those amounts, property or rights are (until paid or made available to the employee beneficiary) solely the property and rights of the City, subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plan but does have the duty of due care that would be required of any prudent investor. City management believes that it is unlikely that it will use the Plan's assets to satisfy the claims of general creditors in the future.

#### **Note 16 - Post Employment Benefits**

In addition to providing pension benefits, the City of Lockport provides health insurance coverage for retired employees. Certain employees may become eligible for these benefits if they reach normal retirement age while working for the City. Health care benefits are provided to an insurance company whose premiums are based on the benefits paid during the year. The City records its share of insurance premiums as an expenditure in the year paid.

## CITY OF LOCKPORT, NEW YORK

### Notes to Financial Statements December 31, 2010

#### **Note 17 - Other Postemployment Benefits/implementation of GASB Statement 45**

*City* - In addition to providing pension benefits, the City also provides health care benefits for retired employees, their dependents and certain survivors. Substantially all of the City's employees may become eligible for those benefits if they reach normal retirement age while working for the City. Prior to 2008, the City recognized the cost of providing postretirement health insurance benefits by expensing those costs when paid.

During 2008, the City implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, prospectively. This statement establishes standards for the recognition, measurement, and display of other postemployment benefits (retiree health insurance) expenses and related liabilities and note disclosure.

*Plan Description* - The City administers its Retiree Medical Plan (the Plan) as a single-employer defined benefit other postemployment benefit (OPEB) plan. The Plan provides for the continuation of medical benefits to certain qualifying retirees of the City, and their spouses and can be amended by action of the City. The Plan does not carry issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

*Funding Policy* - The obligations of the Plan members, employers and other entities are established by employment agreements. The required contribution rates of the employer and the members varies depending on the applicable agreement covering the retiree, the retiree's hiring date and number of years of service to the City. The City currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. For 2010, the City contributed approximately \$1,712,066 for current premiums. The costs of administering this plan are paid by the City.

CITY OF LOCKPORT, NEW YORK

Notes to Financial Statements  
December 31, 2010

**Note 17 - Other Postemployment Benefits/implementation of GASB Statement 45, (Cont.)**

*Funded Status and Funding Progress* - The schedule of funding progress presents multi year (when available) trend information that is useful in determining whether the actuary's value of Plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liability. The following table sets forth the actuarial accrued liability and funded status of the Plan as of September 1, 2010 the latest valuation date.

**Actuarial Accrued Liability (AAL)**

Actuarial accrued liability	\$ 70,078,127
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>70,078,127</u>
Funded ratio	<u>0%</u>
Annual covered payroll	<u>14,279,519</u>
Ratio of unfunded actuarial accrued liability to covered payroll	<u>490.76%</u>
2010 normal cost	<u>597,233</u>

**CITY OF LOCKPORT, NEW YORK**

**Notes to Financial Statements**

**December 31, 2010**

**Note 17 - Other Postemployment Benefits/implementation of GASB Statement 45, (Cont.)**

***Funded Status and Funding Progress, (cont.)*** - The following table summarizes the amortization calculation of the UAAL as of the latest valuation date:

UAAL	\$ 70,078,127
Amortization period (years)	30
Amortization discount rate	1.94175%
Present value factor	23.0153
2010 UAAL amortization amount	3,044,850

***Annual OPEB Cost and Net OPEB Obligation*** - The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfounded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for 2010:

Normal cost	\$ 597,233
Amortization of UAAL	3,044,850
	3,642,083
Interest	-
ARC	3,642,083
Interest on OPEB obligation	-
Adjustment to ARC	-
	\$ 3,642,083
OPEB expense	

CITY OF LOCKPORT, NEW YORK

Notes to Financial Statements

December 31, 2010

**Note 17 - Other Postemployment Benefits/implementation of GASB Statement 45, (Cont.)**

*Funded Status and Funding Progress, (cont.)* - The following table reconciles the City's OPEB obligation at December 31, 2010:

Net OPEB obligation at beginning of year	\$ 3,224,867
2010 OPEB expense	3,642,083
2010 OPEB contributions	<u>(1,712,066)</u>
Net OPEB obligation at end of year	5,154,884
Less: estimated current portion of OPEB obligation	<u>-</u>
Estimated long-term portion of OPEB obligation	<u>\$ 5,154,884</u>
Percentage of expense contributed	<u>47.01%</u>

*Actuarial Methods and Assumptions* - Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs (if any) between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**CITY OF LOCKPORT, NEW YORK**

**Notes to Financial Statements  
December 31, 2010**

**Note 17 - Other Postemployment Benefits/implementation of GASB Statement 45, (Cont.)**

*Actuarial Methods and Assumptions, (cont.)* - The actuarial cost method used to calculate the costs of the Plan for age, disability, vested and surviving spouse's benefits is the Projected Unit Credit Actuarial Cost Method. Under this method, each participant's projected benefit is calculated at all possible ages based on the Plan provisions as well as the initial data and actuarial assumptions. For active participants, that AAL is determined by pro-rating the projected benefit based upon service accrued to the valuation date divided by service projected to be accrued at the first age of benefit eligibility. The normal cost is determined by dividing the projected benefit by service projected to be accrued at the first age of benefit eligibility.

The measurement date for the calculation was September 1, 2009 and the discount rate utilized was 5%. No salary increases were assumed since benefits are not based on compensation. Health care costs for both governmental and business-type activities were assumed to increase as follows:

<u>Trend Increase</u>	
<u>Year</u>	<u>Medical Trend Rate</u>
2008	10.5%
2009	10.0%
2010	9.5%
2011	9.0%
2012	8.5%

**Note 18 – Subsequent Events**

The City has evaluated events and transactions for potential recognition or disclosure in the financial statements through September 30, 2011 (the date the financial statements were available to be issued).

\* \* \* \* \*

**CITY OF LOCKPORT, NEW YORK**

**SPECIAL REVENUE FUNDS**

**Combining Balance Sheet  
December 31, 2010**

<u><b>ASSETS</b></u>	<u><b>Water Fund</b></u>	<u><b>Sewer Fund</b></u>	<u><b>Special Grant Fund</b></u>	<u><b>Total</b></u>
Cash	\$ -	\$ 1,171,497	\$ 139,610	\$ 1,311,107
Water Rents Receivable	367,236	-	-	367,236
Sewer Rents Receivable	-	200,939	-	200,939
Loans Receivable	-	-	4,646,832	4,646,832
Due from Other Funds	-	150,000	-	150,000
Due from Other Governments	100,363	209,388	-	309,751
Prepaid Expenditures	93,724	90,865	-	184,589
<b>Total Assets</b>	<u><b>\$ 561,323</b></u>	<u><b>\$ 1,822,689</b></u>	<u><b>\$ 4,786,442</b></u>	<u><b>\$ 7,170,454</b></u>
 <u><b>LIABILITIES AND FUND BALANCES</b></u>				
<b>Liabilities:</b>				
Accounts Payable	\$ 190,070	\$ 8,125	\$ -	\$ 198,195
Accrued Liabilities	21,390	20,071	-	41,461
Due to Other Funds	265,000	322,177	-	587,177
Deferred Revenues	-	-	4,646,832	4,646,832
<b>Total Liabilities</b>	<u>476,460</u>	<u>350,373</u>	<u>4,646,832</u>	<u>5,473,665</u>
 <b>Fund Balances:</b>				
Reserved for Prepaid Expenditures	93,724	90,865	-	184,589
<b>Unreserved:</b>				
Undesignated	(8,861)	1,381,451	139,610	1,512,200
<b>Total Fund Balance (Deficit)</b>	<u>84,863</u>	<u>1,472,316</u>	<u>139,610</u>	<u>1,696,789</u>
<b>Total Liabilities and Fund Balances</b>	<u><b>\$ 561,323</b></u>	<u><b>\$ 1,822,689</b></u>	<u><b>\$ 4,786,442</b></u>	<u><b>\$ 7,170,454</b></u>

See Independent Auditor's Report.

**CITY OF LOCKPORT, NEW YORK**

**SPECIAL REVENUE FUNDS**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended December 31, 2010**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Special Grant Fund</u>	<u>Total</u>
<b>Revenues:</b>				
Departmental Income	\$ 3,535,432	\$ 3,276,505	\$ 88,754	\$ 6,900,691
Intergovernmental Charges	-	596,855	-	596,855
Use of Money and Property	-	-	269	269
Sale of Property and Compensation for Loss	-	3,681	-	3,681
Miscellaneous	28,192	3,800	-	31,992
Federal Aid	-	-	257,449	257,449
<b>Total Revenues</b>	<u>3,563,624</u>	<u>3,880,841</u>	<u>346,472</u>	<u>7,790,937</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government Support	48,372	35,747	-	84,119
Home and Community Services	2,189,987	2,581,555	314,111	5,085,653
Employee Benefits	888,647	930,775	-	1,819,422
Debt Service - Principal	415,000	605,000	-	1,020,000
Debt Service - Interest	42,241	106,225	-	148,466
<b>Total Expenditures</b>	<u>3,584,247</u>	<u>4,259,302</u>	<u>314,111</u>	<u>8,157,660</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(20,623)</u>	<u>(378,461)</u>	<u>32,361</u>	<u>(366,723)</u>
<b>Other Sources and (Uses):</b>				
Transfers from Other Funds	25,000	-	-	25,000
Transfers to Other Funds	<u>(115,000)</u>	<u>(130,000)</u>	<u>-</u>	<u>(245,000)</u>
<b>Total Other Sources and (Uses)</b>	<u>(90,000)</u>	<u>(130,000)</u>	<u>-</u>	<u>(220,000)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	(110,623)	(508,461)	32,361	(586,723)
Fund Balances at Beginning of Year	<u>195,486</u>	<u>1,980,777</u>	<u>107,249</u>	<u>2,283,512</u>
<b>Fund Balances (Deficit) at End of Year</b>	<u><b>\$ 84,863</b></u>	<u><b>\$ 1,472,316</b></u>	<u><b>\$ 139,610</b></u>	<u><b>\$ 1,696,789</b></u>

See Independent Auditor's Report.

**CITY OF LOCKPORT, NEW YORK**

**WATER FUND**

**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
For the Year Ended December 31, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>			
Departmental Income	\$ 3,742,356	\$ 3,535,432	\$ (206,924)
Miscellaneous	<u>25,000</u>	<u>28,192</u>	<u>3,192</u>
Total Revenues	<u>3,767,356</u>	<u>3,563,624</u>	<u>(203,732)</u>
<b>Expenditures:</b>			
General Government Support	115,500	48,372	67,128
Home and Community Services	2,323,822	2,189,987	133,835
Employee Benefits	780,820	888,647	(107,827)
Debt Service - Principal	415,000	415,000	-
Debt Service - Interest	<u>42,214</u>	<u>42,241</u>	<u>(27)</u>
Total Expenditures	<u>3,677,356</u>	<u>3,584,247</u>	<u>93,109</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>90,000</u>	<u>(20,623)</u>	<u>(110,623)</u>
<b>Other Sources and (Uses):</b>			
Transfers from Other Funds	25,000	25,000	-
Transfers to Other Funds	<u>(115,000)</u>	<u>(115,000)</u>	<u>-</u>
Total Other Sources and (Uses)	<u>(90,000)</u>	<u>(90,000)</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	-	(110,623)	(110,623)
Fund Balances at Beginning of Year	<u>195,486</u>	<u>195,486</u>	<u>-</u>
<b>Fund Balances (Deficit) at End of Year</b>	<b><u>\$ 195,486</u></b>	<b><u>\$ 84,863</u></b>	<b><u>\$ (110,623)</u></b>

See Independent Auditor's Report.

**CITY OF LOCKPORT, NEW YORK**

**SEWER FUND**

**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
For the Year Ended December 31, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>			
Departmental Income	\$ 3,585,116	\$ 3,276,505	\$ (308,611)
Intergovernmental Charges	596,000	596,855	855
Sale of Property and Compensation for Loss	25,000	3,681	(21,319)
Miscellaneous	<u>-</u>	<u>3,800</u>	<u>3,800</u>
Total Revenues	<u>4,206,116</u>	<u>3,880,841</u>	<u>(325,275)</u>
<b>Expenditures:</b>			
General Government Support	114,000	35,747	78,253
Home and Community Services	2,619,093	2,581,555	37,538
Employee Benefits	704,190	930,775	(226,585)
Debt Service - Principal	605,000	605,000	-
Debt Service - Interest	<u>161,649</u>	<u>106,225</u>	<u>55,424</u>
Total Expenditures	<u>4,203,932</u>	<u>4,259,302</u>	<u>(55,370)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,184</u>	<u>(378,461)</u>	<u>(380,645)</u>
<b>Other Sources and (Uses):</b>			
Transfers to Other Funds	<u>(130,000)</u>	<u>(130,000)</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	(127,816)	(508,461)	(380,645)
Fund Balances at Beginning of Year	<u>1,980,777</u>	<u>1,980,777</u>	<u>-</u>
<b>Fund Balances at End of Year</b>	<b><u>\$ 1,852,961</u></b>	<b><u>\$ 1,472,316</u></b>	<b><u>\$ (380,645)</u></b>

See Independent Auditor's Report.

**CITY OF LOCKPORT, NEW YORK**

**SPECIAL GRANT FUND**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended December 31, 2010**

**Revenues:**

Departmental Income	\$ 88,754
Use of Money and Property	269
Federal Aid	<u>257,449</u>
Total Revenues	<u>346,472</u>

**Expenditures:**

Home and Community Services	<u>314,111</u>
Total Expenditures	<u>314,111</u>

Excess (Deficiency) of Revenues Over Expenditures 32,361

Fund Balances at Beginning of Year 107,249

**Fund Balances at End of Year** \$ 139,610

See Independent Auditor's Report.

**Report on Internal Control over Financial Reporting and On Compliance and Other Matters  
Based on an Audit Of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

Honorable Mayor and  
Members of Common Council  
City of Lockport, New York

We have audited the financial statements of the governmental activities, and each major fund of the City of Lockport, New York as of and for the year ended December 31, 2010, which collectively comprise the City of Lockport, New York's basic financial statements and have issued our report thereon dated September 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the City of Lockport, New York's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lockport, New York's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Lockport, New York's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

**Report on Internal Control over Financial Reporting and On Compliance and Other Matters  
Based on an Audit Of Financial Statements Performed in Accordance  
with *Government Auditing Standards* (Cont.)**

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Lockport, New York's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Lockport, New York's financial statements that is more than inconsequential will not be prevented or detected by the City of Lockport, New York's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Lockport, New York's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and accordingly, would not disclose all significant deficiencies that are considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we noted a certain matter in a separate letter that we considered to be a significant deficiency that we reported to management of the City of Lockport, New York.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Lockport, New York's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Lockport, New York, in a separate letter dated September 30, 2011.

This report is intended solely for the information and use of management, the audit committee, the City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

September 30, 2011

## Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

Honorable Mayor and  
Members of Common Council  
City of Lockport  
Lockport, New York

### Compliance

We have audited the compliance of the City of Lockport, New York with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2010. The City of Lockport, New York's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Lockport, New York's management. Our responsibility is to express an opinion on the City of Lockport, New York's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Lockport, New York's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Lockport, New York's compliance with those requirements.

In our opinion, the City of Lockport, New York complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2010.

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Tonawanda, New York 14150  
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email: info@amatofox.com

**Report on Compliance with Requirements Applicable to Each Major Program  
And Internal Control Over Compliance in Accordance with OMB Circular A-133 (Cont.)**

**Internal Control Over Compliance**

The management of the City of Lockport, New York is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Lockport, New York's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Lockport, New York's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiency, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information and use of management, the Common Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

September 30, 2011

**CITY OF LOCKPORT, NEW YORK**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2010**

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identification Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Housing and Urban Development:</u></b>			
<b><u>Pass-through Programs:</u></b>			
<b><u>Governor's Office for Small Cities:</u></b>			
Homeownership*	14.228	GSOC663H0111-09	\$ <u>289,466</u>
			<u>289,466</u>
<b><u>U.S. Department of Housing and Urban Development:</u></b>			
<b><u>Pass-through Programs:</u></b>			
<b><u>New York State Division of Housing and Community Renewal:</u></b>			
HOME Rehabilitation Program*	14.239	N/A	<u>411,372</u>
<b>Total Expenditures of Federal Awards</b>			<b><u><u>\$ 700,838</u></u></b>

\* Denotes Major Program

The accompanying note is an integral part of this schedule. See Note 1 to the City of Lockport, New York's Financial Statements with Independent Auditor's Report for the Year Ended December 31, 2010 for the Summary of Significant Accounting Policies.

See Report on compliance with Requirements Applicable to each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.

**CITY OF LOCKPORT, NEW YORK**

**Note to Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2010**

**Note 1 - Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Lockport, New York and is presented on the Modified Accrual Basis of Accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the financial statements.

## CITY OF LOCKPORT, NEW YORK

### Schedule of Findings and Questioned Costs For the Year Ended December 31, 2010

#### 1. Summary of Auditor's results:

- i) An unqualified opinion was issued on the financial statements of the City of Lockport, New York.
- ii) No significant deficiencies in internal control were disclosed by the audit.
- iii) No noncompliance material to the financial statements of the City of Lockport, New York was disclosed by the audit.
- iv) No significant deficiencies in internal control over major programs were disclosed by the audit.
- v) An unqualified opinion was issued on compliance for the major program of the City of Lockport, New York.
- vi) The audit of the City of Lockport, New York did not disclose any audit findings which would be required to be reported under Subsection .510(a) of the OMB Circular A-133.
- vii) The City of Lockport, New York has one major program as of and for the year ended December 31, 2010: Homeownership and HOME rehabilitation. Homeownership is a Type A Program under Subsection .520(b)(1) and was determined to be major under Subsection 520(f) percentage of coverage rule. HOME rehabilitation is a Type B Program and was determined to be major under Subsection 520(f) percentage of coverage rule.
- viii) The dollar threshold used to distinguish between Type A and Type B Programs for the City of Lockport, New York is \$300,000 as determined by Subsection .520(b).
- ix) The City of Lockport, New York qualified as a low-risk auditee under Subsection .530 of the OMB Circular A-133.

#### 2. Findings related to the financial statements which are required to be reported in accordance with GAGAS:

- i) As of and for the year ended December 31, 2010, the City of Lockport, New York has no findings that were required to be reported in accordance with GAGAS. However, certain matters were noted involving the internal control structure and its operation that we have reported to the management of the City of Lockport, New York in a separate letter dated September 30, 2011.

**CITY OF LOCKPORT, NEW YORK**

**Schedule of Findings and Questioned Costs (Cont.)  
For the Year Ended December 31, 2010**

3. Findings and questioned costs for Federal Awards:

i) As of and for the year ended December 31, 2010, the City of Lockport, New York had no findings and questioned costs as defined in Subsection .510(a) of the OMB Circular A-133.

**CITY OF LOCKPORT, NEW YORK**

**Summary Schedule of Prior Audit Findings  
For the Year Ended December 31, 2010**

There were no audit findings included in the prior audit's schedule of findings and questioned costs relative to federal awards.