

CITY OF NIAGARA FALLS, NEW YORK

**Financial Statements as of
December 31, 2015
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

CITY OF NIAGARA FALLS, NEW YORK

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SECTION A

**CITY OF NIAGARA FALLS, NEW YORK
BASIC FINANCIAL STATEMENTS**

INDEPENDENT AUDITOR'S REPORT

June 10, 2016

To the Honorable Members of City Council of
City of Niagara Falls, New York:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Niagara Falls, New York (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Niagara Falls Public Library, which represents approximately 1%, 1% and 74%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Niagara Falls Public Library, is based solely on the report of the other auditor. 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 from material misstatement.

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

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

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Opinions

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, in 2015 the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Correction of an Error

As described in Note 3 to the financial statements, the City corrected an error related to prior year net investment in capital assets. Our opinion is not modified with respect to this matter.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules of funding progress, contributions-pension plans, and proportionate share of the net pension liability (asset) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The schedule of state transportation assistance expended is presented for purposes of additional analysis as required by Draft Part 43 of the New York State Codes, Rules, and Regulations, and is not a required part of the basic financial statements.

INDEPENDENT AUDITOR'S REPORT

(Continued)

Report on Supplementary Information (continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2016 on our consideration of the City'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

CITY OF NIAGARA FALLS, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 (UNAUDITED)

INTRODUCTION

It is a privilege to present the financial picture of The City of Niagara Falls, New York (the City). This discussion and analysis includes an overall review of the City's financial activities for the year ended December 31, 2015. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the City's financial position and results of activities.

FINANCIAL HIGHLIGHTS

Overall, net position decreased by \$13,919,341, or 25%.

The City does not generally experience huge swings in revenues and expenses. Due to this, the City can maintain a healthy, but not excessive balance in unassigned fund balance, allowing for available funds to deal with unexpected problems, pay for routine capital equipment acquisitions, and to help keep tax rates stable.

- The City planned to use \$4.9 million of its fund balance (reserve) as a form of property tax relief to balance the 2015 Budget. Not all of the \$4.9 million appropriated fund balance was needed. Actual results at year end 2015 showed expenditures exceeding revenue by \$3.5 million. The City unassigned fund balance in the General Fund (exclusive of risk retention, tourism and grant funds activity) at the end of 2015 is \$7.3 million.
- As of the date of the Auditor's report, the City had collected \$205,203,697 in Casino funds for the period of 2003 through December 31, 2015. Of this amount, \$57,170,590 was paid out to other entities or restricted for City road repair in accordance with the Laws of New York Section 99h. The remainder of \$148,033,107 of discretionary funds were used for City capital equipment, economic development, infrastructure, neighborhood revitalization and health and public safety.
- The City's local share of Casino funds for 2013, 2014 and 2015 was \$20,138,918, \$18,621,447 and \$16,978,163 respectively. The continual decrease has created some concern since the City has been increasing the use of casino funds in its General Fund operating budget to help offset increases in debt service payments, loss of tax revenue from the land the Seneca Niagara Casino is located on, to offset increases in public safety overtime costs in the area of the Seneca Niagara Casino and a very small portion for property tax relief. In 2014, 2015 and 2016 the City used \$6.6 million, \$7.6 million and \$12.6 million respectively. If the City's local share continues to drop, the City will not be able to pay for its Capital Projects and Equipment as "Pay/Go" and may have to look at future borrowing.

FINANCIAL HIGHLIGHTS (Continued)

- In June 2011, New York State enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandated Relief Provisions, which includes a 2% property tax cap for municipalities. For fiscal years beginning in 2012 and lasting through at least June 15, 2016, no local government is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less). Local governments can exceed the tax levy limit by a 60% vote of the governing body and annually adopting a local law. There are permitted exceptions and adjustments. The City has not exceeded the 2% property tax levy since its inception in 2012. The 2014 tax levy was \$28,057,069, a decrease of \$42,931 over the 2013 tax levy. The 2014 tax levy was \$550,725 below the 2% allowance. The Mayor's 2015 Budget proposed a tax levy that was over the tax cap, however the governing body would not adopt the local law to allow the excess nor would the Council decrease the tax levy. As a result the 2015 Budget tax levy was adopted with a property tax levy that exceeded the allowable levy amount by \$280,485. The City has placed the excess amount in a reserve and will have to deduct the excess in the 2016 property tax levy calculation. The City will be allowed to add back the \$280,485 into the 2017 property tax cap which will assist in providing additional property tax revenue.
- The final 2013-14 NYS Budget includes a new "Alternative Contribution Stabilization Program" that is similar to the pension amortization program currently available to State and local governments. Under the new program, municipalities will have the option to pay a portion of their annual pension contribution over time using a stable contribution rate system. Once a municipal employer decides to opt into the alternate program, they cannot withdraw from the program. The City did not elect to opt into the alternate program. In 2015, the City did amortize its ERS and Police & Fire retirement expense under Chapter 57 (Laws of 2010); and does not anticipate borrowing in 2016 as well. The City prepays the expense on December 15 rather than the alternative date of February 1, to save additional interest expense.
- The City's 2015 Constitutional Tax Limit was 79.36% of the percentage of tax limit exhausted with a \$6,934,633 constitutional tax margin remaining. In the past several years, the tax limit percentage has been decreasing indicating the City has had minimal increases in taxes.
- The City's 2015 taxable assessed value is \$1,290,750,632 with a 90% equalization rate. The taxable full value is \$1,434,167,369.
- In 2015 the City's Constitutional Debt Limit was 64.19% of the percentage of debt limit exhausted with a total of outstanding principal on existing debt at the end of the year of \$59,482,781, with a \$34.9 million dollar debt margin. Since 2011, the City has not borrowed any funds. The debt percentage has been decreasing as a result of using Casino funds as "Pay/Go" rather than borrowing. At the time of the 2015 audit, the City issued and approved a bond resolution in the amount of \$3.1 million for reconstruction and the construction of improvements to the City's Indoor Ice Pavilion on March 9, 2015. Borrowing for this bond resolution should occur in 2017.

FINANCIAL HIGHLIGHTS (Continued)

- In 2015, new development in the downtown area was the construction and completion of a new Courtyard by Marriott, Double Tree, and a Fairfield Inn. National restaurant chains continue to open primarily in the area where there is a major shopping center called the Prime Fashion Outlets (located in the Town of Niagara). The City now has a QDoba, Bed Bath & Beyond and Ulta Beauty Shop. The City benefits greatly in its general fund budget with additional sales tax revenue from any new hotel and restaurants opening within the City limits since it pre-empts its sales tax for hotels, restaurants and utilities.
- Starting in 2013, the City partnered with USA Niagara and Empire State Development to develop the City's Third Street downtown area. The commitment to Third Street was over \$950,000 to renovate buildings to assist in the start of new businesses and creating new market-rate apartments. Four property owners completed renovations in 2015 for the market-rate apartments.
- The City's Parking Fund is not an Enterprise Fund. The 2015 City's General Fund's budget included a revenue transfer from the Parking Funds in the amount of \$604,810. City Council approved a rate increase for parking and as a result parking revenue increased in 2015. The actual transfer from the Parking Funds to the General Fund was in the amount of \$783,390. The Parking Funds help offset property taxes and/or other related expenditures in the General Fund.
- The City's Golf Course Fund is not an Enterprise Fund and is subsidized by the City's General Fund through property taxes. The 2015 City's General Fund budget included an expense for a transfer of funds to the Golf Course Fund in the amount \$510,444. Golf Course revenues were slightly down however expenses were also down and therefore the actual transfer from the General Fund to the Golf Course was \$461,526.
- The homestead base increased, in large measure because of placing city-owned properties back onto the hands of private owners and the non-homestead base decreased as a result of numerous demolitions and grievances. The 2015 Budget included a 20% shift in the homestead/non-homestead base proportions to continue to equalize the tax rates from the City's two tier tax system.
- The City continues to maintain its five-year financial, debt and capital plans. These plans are good tools that allow City officials to monitor the City's existing debt and plan for future major capital projects and to see how this will impact future budgets.

OVERVIEW OF THE FINANCIAL STATEMENTS

Using this Annual Report

This annual report consists of a series of financial statements and the notes to those statements. The financial statements are organized so that the reader can understand the City as a financial whole.

Two statements portray information about the City as an entire operating entity with a broad overview of finances similar to a private sector business. The focus of these statements is a long-term view. Fund financial statements provide the next level of detail. These statements provide a detailed look at the most significant governmental activities at the fund level. The fund statements show how services were financed in the short term as well as what remains for future spending. The remaining statement provides financial information about activities for which the City acts solely as an agent for the benefit of those outside the government.

Reporting on the City as a Whole (City-wide)

There are two statements that present an aggregate view of the City: the Statement of Net Position and the Statement of Activities. Both of these City-wide financial statements distinguish functions of the City defined as governmental activities. These are activities principally supported by property taxes, sales tax, capital grants and contributions, and other intergovernmental revenues such as state and federal grants, along with charges for services and sales. These statements also include the City's three component units, which are shown in a separate column and described in detail in the notes to the financial statements. Although legally separate, these component units are important because the City is financially accountable for them. N.F.C. Development Corporation and the Niagara Falls Public Library each issue separate, stand-alone financial statements. Bellevue Local Development Corporation does not issue separate financial statements.

Statement of Net Position - presents information on all of the City's assets, deferred outflow of resources, liabilities and deferred inflow of resources using the accrual basis of accounting, with the difference reported as net position. The most important aspect of accrual accounting is that all of the year's revenues and expenses are reported regardless of when cash is received or paid. Increases or decreases in net position serve as a useful indicator of whether the financial position is improving or deteriorating.

Statement of Activities - presents information showing how net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, there may be revenues and expenses reported in this statement for items that will result in cash flows in future fiscal periods.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Reporting on the City's Most Significant Funds (Fund Level)

Governmental Funds

The governmental funds financial statements provide detail at the fund level, which is in contrast to the previously described City-wide reporting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. The City uses fund accounting in its financial records to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds are used to account for most of the same functions reported as governmental activities in the City-wide financial statements. However, the governmental funds financial statements focus on how money flows in and out of the funds and the balances remaining at the end of the fiscal year available for future spending. The funds are reported using the modified accrual basis of accounting that measures cash and all other financial assets that can be readily converted to cash. Therefore, these statements provide a detailed short-term view of City operations and the services it can provide.

There are relationship differences between the governmental funds and governmental activities reported in the Statement of Net Position and the Statement of Activities. These differences are the result of two distinct bases of accounting (accrual versus modified-accrual) and have been reconciled within the financial statements.

The City's financial statements provide detailed information about the funds. Under the GASB definition of major versus nonmajor funds, the City's major funds have been presented separately with the other funds grouped together as nonmajor and presented in total in one column.

Proprietary Funds

The City maintains one type of proprietary fund, which is an internal service fund. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its postage, stationary, telephone, and central garage services. Because these services benefit solely the governmental functions, they have been included within the governmental activities in the government-wide financial statements. The City's internal service funds are provided in the form of combining statements in the proprietary fund financial statements.

Fiduciary Funds

The City is an agent, or fiduciary, for assets that belong to others, such as performance deposits and payroll and other third party withholdings. The City is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the City's fiduciary activities are reported in a separate Statement of Net Position – Fiduciary Funds. These activities have been excluded from the City's other financial statements because the assets cannot be used to finance City operations.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Notes to Financial Statements

The notes to the financial statements follow the City-wide and fund financial statements in the report. They complement the financial statements by describing pertinent details as of year-end and other changes that occurred during the fiscal year. The notes are essential to a full understanding of the financial information provided in the statements.

Required Supplementary Information

This information further explains and supports the financial statements and includes budgetary comparisons of the general fund and other major operating funds.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Statements of Net Position

	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 86,350,563	\$ 102,116,770
Capital assets	<u>156,135,794</u>	<u>126,861,972</u>
Total assets	<u>242,486,357</u>	<u>228,978,742</u>
Deferred outflow of resources – pension related	<u>9,579,841</u>	<u>-</u>
Long-term liabilities	185,813,063	161,636,087
Other liabilities	<u>24,884,207</u>	<u>27,295,819</u>
Total liabilities	<u>210,697,270</u>	<u>188,931,906</u>
Deferred inflow of resources – pension related	<u>361,231</u>	<u>-</u>
Net position:		
Net investment in capital assets	96,653,013	64,284,779
Restricted	3,142,749	3,723,219
Unrestricted	<u>(58,788,065)</u>	<u>(27,961,162)</u>
Total net position	<u>\$ 41,007,697</u>	<u>\$ 40,046,836</u>

The largest portion of the City's total assets (64% at 2015 and 55% at 2014) represents its investment in capital assets (land, buildings, improvements, machinery and equipment). Liabilities consist primarily of long-term debt. The City uses these capital assets to provide services and, as such, these assets are not available for future use. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

During 2015 the City implemented GASB 68 & 71 which resulted in an increase of long term debt of approximately \$3.6 million. The City also had a significant increase in other post employment benefits as a result of a change in the mortality tables. This resulted in an increase in long term debt of approximately \$26 million.

Restricted net position represents amounts required by law to be used for a specific purpose and include reserves for future capital projects and funds restricted for future debt service. These funds can only be used for expenditures for their respective purpose.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (Continued)

Unrestricted net position may be used to fund City programs in the next fiscal year. However, this does not mean that the City has significant surplus resources available to pay its bills next year. Rather, it is the result of having long-term commitments that are less than currently available resources.

Statements of Activities

	Governmental Activities	
	<u>2015</u>	<u>2014</u>
Revenues:		
Program revenues -		
Charges for services	\$ 6,217,557	\$ 6,628,550
Operating grants and contributions	6,970,550	7,797,326
Capital grants and contributions	13,511,539	8,856,529
General revenues -		
Taxes and related items	52,100,057	52,679,214
State aid not received for a specific purpose	17,794,424	17,794,424
Seneca-Niagara casino funds, Section 99-H	16,978,163	20,760,367
Interest and other	<u>4,839,834</u>	<u>2,535,599</u>
Total revenue	<u>118,412,124</u>	<u>117,052,009</u>
Program expenses:		
General government	25,080,889	27,112,108
Public safety	67,660,435	67,207,406
Transportation	11,228,320	16,059,142
Economic assistance and opportunity	3,806,226	2,912,780
Culture and recreation	7,532,480	7,345,082
Home and community service	14,527,286	14,516,089
Interest	<u>2,495,829</u>	<u>2,636,102</u>
Total expenses	<u>132,331,465</u>	<u>137,788,709</u>
Decrease in net position	(13,919,341)	(20,736,700)
Net position - beginning of year	<u>40,046,836</u>	<u>60,783,536</u>
Cumulative effect of change in accounting principle	<u>2,571,531</u>	<u>-</u>
Prior period adjustment	<u>12,308,671</u>	<u>-</u>
Net position - beginning of year, as restated	54,927,038	-
Net position - end of year	<u>\$ 41,007,697</u>	<u>\$ 40,046,836</u>

The primary support for the City's programs is local property taxes, State Aid, and sharing of sales tax from Niagara County and New York State. Taxes and related items represent 44% of total revenues (45% in 2014). Charges for services, approximating 5.3% of total revenues (5.7% in 2014), consist mainly of parking tickets, permits and City Clerk fees.

Program expenses include an allocable share of insurance and depreciation on capital assets for each category presented. Interest expense is not allocated. The most significant category of expense is public safety at approximately 51% of total expenses in 2015 (49% in 2014), consisting principally of the City's police and fire departments. Total expenses decreased by \$5,457,244 (or 4%).

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

General Fund

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

The General Fund experienced a decrease in fund balance of \$3,342,074 for 2015 (exclusive of risk retention, tourism and grant fund activities). This decrease is directly related to the City not receiving as many transfers in from the casino funds as in the prior years.

Miscellaneous Special Revenue Fund

The Miscellaneous Special Revenue Fund is a special revenue fund supported from the Seneca Niagara Casino received in an allocation from New York State. The fund balance decreased by \$2,812,327 in 2015.

Revenues were \$17,423,762, while expenditures were \$20,236,089. The increase in expenditures was due to the transfer out to other funds to support operations and other projects.

Community Development Fund

The Community Development Fund is a special revenue fund supported by money from the U.S. Department of Housing and Urban Development. The fund balance decreased by \$450,490 in 2015.

Capital Projects Funds

Used to account for financial resources to be used for the acquisition of construction of major capital facilities.

Other Governmental Funds

Nonmajor funds include the Debt Service, Golf Course, Parking Ramp, and Public Library funds. The increase in fund balance of \$426,650 during 2015 was principally due to the excess funds transferred to the debt service fund for debt costs. These amounts will be used to pay down debt in future years.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were less than budget by \$477,538. The largest variance was in the non-property tax items which accounted for a deficit of \$842,799. A majority of this was due to the City receiving less sales tax revenue because of a declining Canadian dollar.

Actual expenditures were less than budgeted by \$1,561,662. This was due to employee retirements as well as departments controlling spending.

GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

Amendments to the budget occur throughout the year for a variety of reasons. These include reserves for encumbrances from prior year unexpended purchase orders which are added to the current year budget at time of closing of the prior year, grants or other forms of financial aid which were received during the year but not anticipated in the original budget, appropriations of fund balances needed to offset unanticipated and unavoidable expenditures, and transfers of appropriations among object classes within department budgets to address particular requirements not anticipated at the level of object class totals within each department. The department heads and Comptroller have the authority to transfer appropriations among line items within each object class within departments. The reserve for encumbrances on prior year purchase orders are added to the budget as part of the annual financial closing process. All other budget amendments must be authorized by formal resolution of the City Council.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets, net of depreciation, are as follows:

	<u>2015</u>	<u>2014</u>
Capital assets, not being depreciated:		
Land	\$ 2,891,293	\$ 2,891,293
Land improvements	1,334,807	256,620
Construction work in progress	55,810,487	25,782,531
Works of art/historical	<u>17,378</u>	<u>17,378</u>
Total capital assets, not being depreciated	60,053,965	28,947,822
Capital assets, being depreciated:		
Infrastructure	66,019,366	67,164,356
Land improvement - exhaustible	1,746,917	1,875,733
Building and building improvements	21,898,493	21,665,797
Furniture, office, and other equipment	851,236	1,085,676
Vehicles	<u>5,565,817</u>	<u>6,122,588</u>
Total capital assets, being depreciated	96,081,829	97,914,150
Total capital assets	<u>\$ 156,135,794</u>	<u>\$ 126,861,972</u>

Net capital assets increased by \$29,273,822 during the current year. This reflects new improvement and infrastructure projects under construction of \$21,404,184, machinery and equipment of \$680,993, and a prior period adjustment of \$12,308,671 (described in Note 3), and reduced by current year depreciation expense of \$5,120,026.

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Debt

A summary of the City's outstanding obligations are:

	<u>2015</u>	<u>2014</u>
Debt to finance capital assets:		
Serial bonds	\$ 58,752,331	\$ 62,438,221
Installment purchase debt	<u>730,450</u>	<u>869,421</u>
Total debt to finance capital assets	<u>\$ 59,482,781</u>	<u>\$ 63,307,642</u>

At December 31, 2015, the City has total long-term debt outstanding of \$59,482,781, of which \$3,959,211 is estimated to be payable within the next year. The City has pledged its full faith and credit for the serial bonds that are outstanding. The remainder of the City's outstanding obligations arise out of contractual or other legal obligations.

The State of New York has a statutory limit for the amount of general obligation debt a local governmental entity may enter into. This limitation is applicable to the serial bonded debt of the City. In general the City may issue such obligations not to exceed 7% of its annual average five-year valuation. The current debt-margin for the City approximates \$34,909,824; therefore the City is in compliance with its constitutional debt limit.

The City has a bond rating of BBB+ from Standard and Poor's, BBB from Fitch Rating Services, and Moody's Investors Service, Inc. Baa2 to the uninsured outstanding bonded indebtedness of the City.

FACTORS BEARING ON THE CITY'S FUTURE

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

The City has been using a portion of its discretionary Casino funds in the City's General Fund as part of economic development property tax relief. The problem the City is facing is the decline in its annual share of Casino funds making less available in its General Fund. Since 2011, the City's local share has been declining. In 2011 the Casino local share of revenues was \$21.6 million and it is now at \$16.9 million.

IMPACT OF SENECA NATION/NEW YORK STATE COMPACT

In August of 2002 a Nation-State Gaming Compact was entered into by and between the Seneca Nation of Indians (Senecas) and the State of New York. This compact was to expire at 12/31/2016 and has now been extended until 12/31/2023. This compact permits the Senecas to operate Class III gaming facilities in certain geographic areas in Western New York. In consideration for this exclusivity, the Senecas agreed to pay New York State a percentage of the net drop from a certain type of gaming device. Legislation was enacted that provided for New York State to pay a certain amount that it receives from the Senecas to the host communities. That Legislation is Section 99-h of the New York State Finance Law and the City is one of those host communities. Since the compact came into existence, the City has benefited from this compact and the legislation. Section 99-h provides for the host community, the City, to pay certain amounts to various entities such as the Niagara Falls School District and the Niagara Falls Memorial Medical Center Hospital from its share of host community benefit revenues. The balance is retained by the City for economic development purposes.

MINIMUM FUND BALANCE POLICY

Under the City's minimum fund balance policy, approximately 5% of the General Fund appropriations should be reported as unassigned fund balance. At December 31, 2015, the unassigned fund balance of the general fund (exclusive of risk retention, tourism and grant fund activities) was 7,353,127.

CONTACT FOR CITY'S FINANCIAL MANAGEMENT

This report is designed for those interested parties to provide a general overview of the City's finances. Questions concerning any information within this report or requests for additional information should be addressed to the Office of the City Controller, City of Niagara Falls, 745 Main Street, P.O. Box 69, Niagara Falls, New York 14302.

CITY OF NIAGARA FALLS, NEW YORK

STATEMENT OF NET POSITION

DECEMBER 31, 2015

	Governmental <u>Activities</u>	Component <u>Units</u>
ASSETS		
Cash and cash equivalents	\$ 44,254,976	\$ 1,205,883
Accounts receivable	2,412,143	3,936
Due from federal and state governments	16,708,245	-
Loans receivable, net	3,632,958	434,881
Notes receivable	255,145	-
Taxes receivable, net	14,829,912	-
Due from other funds	-	1,721
Due from other governments	1,629,274	170,464
Prepaid expenses	2,027,741	-
Inventory	600,169	-
Capital assets, net	<u>156,135,794</u>	<u>33,354,317</u>
Total assets	<u>242,486,357</u>	<u>35,171,202</u>
DEFERRED OUTFLOW OF RESOURCES		
Pension related	<u>9,579,841</u>	<u>-</u>
LIABILITIES		
Accounts payable	5,496,355	25,370
Accrued liabilities	4,831,284	47,082
Due to other funds, net	1,236,583	-
Due to other governments	9,561,644	-
Unearned revenue	3,758,341	16,850
Long-term liabilities -		
Due within one year	4,711,067	-
Due in more than one year	<u>181,101,996</u>	<u>-</u>
Total liabilities	<u>210,697,270</u>	<u>89,302</u>
DEFERRED INFLOW OF RESOURCES		
Pension related	<u>361,231</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	96,653,013	33,354,317
Restricted -		
Risk retention	2,356,622	-
Trolley services	413,957	-
Tourism	372,170	-
Unrestricted	<u>(58,788,065)</u>	<u>1,727,583</u>
Total net position	<u>\$ 41,007,697</u>	<u>\$ 35,081,900</u>

The accompanying notes are an integral part of these statements.

CITY OF NIAGARA FALLS, NEW YORK

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Component Units
PRIMARY GOVERNMENT:						
Governmental activities -						
General governmental support	\$ 25,080,889	\$ 2,783,066	\$ 460,729	\$ -	\$ (21,837,094)	
Public safety	67,660,435	597,511	924,332	-	(66,138,592)	
Transportation	11,228,320	1,011,278	-	13,425,512	3,208,470	
Economic assistance and opportunity	3,806,226	24,350	-	-	(3,781,876)	
Culture and recreation	7,532,480	941,920	24,850	86,027	(6,479,683)	
Home and community services	14,527,286	859,432	5,560,639	-	(8,107,215)	
Interest on long-term debt	<u>2,495,829</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,495,829)</u>	
Total governmental activities	<u>132,331,465</u>	<u>6,217,557</u>	<u>6,970,550</u>	<u>13,511,539</u>	<u>(105,631,819)</u>	
COMPONENT UNITS	<u>\$ 4,060,293</u>	<u>\$ 37,520</u>	<u>\$ 2,789,735</u>	<u>\$ -</u>		<u>\$ (1,233,038)</u>
GENERAL REVENUES:						
Real property taxes and real property tax items					31,813,414	-
Nonproperty tax items					20,286,643	-
Use of money and property					684,939	582
Sale of property and compensation for loss					110,655	-
State aid not received for a specific purpose					17,794,424	-
Seneca-Niagara casino funds, Section 99-H					16,978,163	-
Miscellaneous					<u>4,044,240</u>	<u>-</u>
Total general revenues and transfers					<u>91,712,478</u>	<u>582</u>
Change in net position					<u>(13,919,341)</u>	<u>(1,232,456)</u>
Net position - beginning of year					40,046,836	36,314,356
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE (NOTE 2)					2,571,531	-
PRIOR PERIOD ADJUSTMENT (NOTE 3)					<u>12,308,671</u>	<u>-</u>
Net position - beginning of year, as restated					<u>54,927,038</u>	<u>-</u>
Net position - end of year					\$ 41,007,697	\$ 35,081,900

The accompanying notes are an integral part of these statements.

CITY OF NIAGARA FALLS, NEW YORK

**BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	<u>General</u>	<u>Community Development</u>	<u>Capital Projects</u>	<u>Miscellaneous Special Revenue</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ 9,928,592	\$ 2,503,238	\$ 6,158,576	\$ 24,736,420	\$ 869,249	\$ 44,196,075
Due from federal and state governments	1,468,672	449,645	6,320,994	4,347,782	-	12,587,093
Due from other governments	1,629,274	-	-	-	-	1,629,274
Loans receivable, net	-	3,632,958	-	-	-	3,632,958
Notes receivable	255,145	-	-	-	-	255,145
Taxes receivable, net	14,829,912	-	-	-	-	14,829,912
Accounts receivable	2,378,356	23,916	9,871	-	-	2,412,143
Prepaid expenditures	2,027,741	-	-	-	-	2,027,741
Due from other funds	<u>1,874,144</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,874,144</u>
Total assets	<u>\$ 34,391,836</u>	<u>\$ 6,609,757</u>	<u>\$ 12,489,441</u>	<u>\$ 29,084,202</u>	<u>\$ 869,249</u>	<u>\$ 83,444,485</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES						
LIABILITIES:						
Accounts payable	\$ 1,915,759	\$ 276,412	\$ 2,026,398	\$ 1,086,945	\$ 98,173	\$ 5,403,687
Accrued liabilities	4,484,748	-	-	-	1,410	4,486,158
Due to other funds	1,162,479	1,890,421	1,965	-	40,416	3,095,281
Due to other governments	8,390,009	1,171,503	-	-	132	9,561,644
Unearned revenue	<u>-</u>	<u>3,632,958</u>	<u>115,928</u>	<u>-</u>	<u>9,455</u>	<u>3,758,341</u>
Total liabilities	<u>15,952,995</u>	<u>6,971,294</u>	<u>2,144,291</u>	<u>1,086,945</u>	<u>149,586</u>	<u>26,305,111</u>
DEFERRED INFLOW OF RESOURCES:						
Deferred property taxes	7,539,940	-	-	-	-	7,539,940
Deferred tax revenue - reserve for excess tax levy	<u>280,485</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>280,485</u>
Total deferred inflow of resources	<u>7,820,425</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,820,425</u>
FUND BALANCES:						
Nonspendable	2,129,548	-	-	-	-	2,129,548
Restricted	3,142,749	-	-	-	-	3,142,749
Assigned	236,042	-	10,345,150	27,997,257	719,663	39,298,112
Unassigned	<u>5,110,077</u>	<u>(361,537)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,748,540</u>
Total fund balances	<u>10,618,416</u>	<u>(361,537)</u>	<u>10,345,150</u>	<u>27,997,257</u>	<u>719,663</u>	<u>49,318,949</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 34,391,836</u>	<u>\$ 6,609,757</u>	<u>\$ 12,489,441</u>	<u>\$ 29,084,202</u>	<u>\$ 869,249</u>	<u>\$ 83,444,485</u>

The accompanying notes are an integral part of these statements.

CITY OF NIAGARA FALLS, NEW YORK

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION DECEMBER 31, 2015

Total fund balance - governmental funds		\$ 49,318,949
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not current financial resources and; therefore, are not reported in the funds.		
Cost of capital assets	276,019,344	
Accumulated depreciation	<u>(119,883,550)</u>	156,135,794
The net position of the internal service funds are not included in the fund financial statements, but are included in the governmental activities of the statement of net position.		
Assets	659,070	
Liabilities	<u>(108,114)</u>	550,956
Deferred outflows/inflows of resources related to pensions are applicable to future periods and; therefore are not reported in the funds.		
Deferred outflow - pension related	9,579,841	
Deferred inflow - pension related	<u>(361,231)</u>	9,218,610
Net pension obligations are not due and payable in the current period and; therefore are not reported in the funds.		
		(3,634,036)
Revenue related to the tax levy is recognized when earned in the statement of activities, but recorded as a deferred inflow of resources in the fund statements if collection is anticipated to exceed sixty days after year-end.		
		7,820,425
Accrued interest on long-term debt, including serial bonds, is an expense in the funds when paid, but a liability in the statement of net position when incurred.		
		(345,126)
Casino revenue earned, but not received at year-end related to State Finance Law Section 99-H are not considered receivables under the modified accrual basis of accounting.		
		4,121,152
Long-term liabilities, excluding the net pension liability, is not due and payable in the current period and; therefore, is not reported as fund liabilities.		
		<u>(182,179,027)</u>
Total net position of governmental activities		<u>\$ 41,007,697</u>

CITY OF NIAGARA FALLS, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>General</u>	<u>Community Development</u>	<u>Capital Projects</u>	<u>Miscellaneous Special Revenue</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total</u>
REVENUES:						
Real property taxes and tax items	\$ 33,044,725	\$ -	\$ -	\$ -	\$ -	\$ 33,044,725
Nonproperty tax items	20,286,643	-	-	-	-	20,286,643
Interdepartmental charges	1,243,106	-	26,781	-	2,814	1,272,701
Departmental income	615,949	787,704	-	-	1,858,257	3,261,910
Use of money and property	646,881	5,742	-	15,821	16,495	684,939
Licenses and permits	1,042,701	-	-	-	-	1,042,701
Fines and forfeitures	567,095	-	-	-	-	567,095
Interfund revenue	228,036	-	-	-	-	228,036
Sale of property and compensation for loss	88,185	-	-	-	-	88,185
Miscellaneous	345,616	254,001	1,619,951	-	868,426	3,087,994
State aid	19,129,560	-	3,743,523	17,388,327	-	40,261,410
Federal aid	74,772	5,560,639	9,768,016	-	-	15,403,427
Total revenues	<u>77,313,269</u>	<u>6,608,086</u>	<u>15,158,271</u>	<u>17,404,148</u>	<u>2,745,992</u>	<u>119,229,766</u>
EXPENDITURES:						
General governmental support	10,970,870	-	81,800	6,471,114	445,545	17,969,329
Public safety	38,495,728	-	1,871,077	-	-	40,366,805
Transportation	4,086,874	-	20,379,072	-	-	24,465,946
Economic assistance and opportunity	3,022,991	39,281	479,066	-	-	3,541,338
Culture and recreation	2,440,255	-	3,132,659	-	2,488,150	8,061,064
Home and community services	5,452,377	7,019,295	-	-	-	12,471,672
Employee benefits	17,194,150	-	-	-	463,572	17,657,722
Debt service -						
Principal	-	-	-	-	3,824,861	3,824,861
Interest	-	-	-	-	2,526,436	2,526,436
Total expenditures	<u>81,663,245</u>	<u>7,058,576</u>	<u>25,943,674</u>	<u>6,471,114</u>	<u>9,748,564</u>	<u>130,885,173</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(4,349,976)</u>	<u>(450,490)</u>	<u>(10,785,403)</u>	<u>10,933,034</u>	<u>(7,002,572)</u>	<u>(11,655,407)</u>
OTHER FINANCING SOURCES (USES):						
Operating transfers - in	9,741,207	-	6,439,278	19,614	9,248,842	25,448,941
Operating transfers - out	(9,171,126)	-	(693,220)	(13,764,975)	(1,819,620)	(25,448,941)
Total other financing sources and uses	<u>570,081</u>	<u>-</u>	<u>5,746,058</u>	<u>(13,745,361)</u>	<u>7,429,222</u>	<u>-</u>
CHANGE IN FUND BALANCE	(3,779,895)	(450,490)	(5,039,345)	(2,812,327)	426,650	(11,655,407)
FUND BALANCE - beginning of year	<u>14,398,311</u>	<u>88,953</u>	<u>15,384,495</u>	<u>30,809,584</u>	<u>293,013</u>	<u>60,974,356</u>
FUND BALANCE - end of year	<u>\$ 10,618,416</u>	<u>\$ (361,537)</u>	<u>\$ 10,345,150</u>	<u>\$ 27,997,257</u>	<u>\$ 719,663</u>	<u>\$ 49,318,949</u>

The accompanying notes are an integral part of these statements.

CITY OF NIAGARA FALLS, NEW YORK

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2015

Net change in fund balances - governmental funds \$ (11,655,407)

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. Depreciation expense is recorded in the statement of activities over the estimated useful lives, but not as a change in fund balance of the governmental funds, since no expenditures are made.

Capital additions	22,085,177	
Depreciation	<u>(5,120,026)</u>	
		16,965,151

Unearned tax revenues are recorded on the modified accrual basis, but are not reported in the government-wide financial statements. (1,231,311)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 3,824,861

Receipt of accrued casino revenue is reported on the modified accrual basis since the amounts were received in the current year; however they are reported as a reduction of the receivable in the statement of net position (410,161)

The change in accrued interest on bonds is an expenditure in the statement of activities of the government-wide statement, but is not reported as an expenditure in the governmental funds. 30,607

The change in accrued compensated absences is reported in the statement of activities, but does not require the use of current financial resources and; therefore, this is not reported as an expenditure in the governmental funds. (418,209)

The change in accrued workers' compensation is reported in the statement of activities, but does not require the use of current financial resources and; therefore, this is not reported as an expenditure in the governmental funds. 1,551,631

(Continued)

CITY OF NIAGARA FALLS, NEW YORK

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2015 (Continued)

Deferrals and amortization of the amounts owed to the New York State Retirement System do not require the use of current financial resources and; therefore, these are not reported as expenditures in the governmental funds. 725,312

The change in other post employment benefits is reported in the statement of activities, but does not require the use of current financial resources and; therefore, this is not reported as an expenditure in the governmental funds. (26,226,535)

Government funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employer contributions is reported as pension expense:

Pension contributions	8,110,964	
Cost of benefits earned, net of employee contributions	<u>(5,097,921)</u>	3,013,043

Internal service funds are used by management to charge the cost of certain activities, such as self insurance and workers' compensation claims, to individual funds. The change in net position of the internal service funds is reported with governmental activities. (88,323)

Change in net position of governmental activities \$ (13,919,341)

CITY OF NIAGARA FALLS, NEW YORK

**COMBINING STATEMENT OF NET POSITION - PROPRIETARY FUNDS - INTERNAL SERVICE FUNDS
DECEMBER 31, 2015**

	<u>Postage</u>	<u>Stationary</u>	<u>Telephone</u>	<u>Central Garage</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 3,772	\$ -	\$ 55,129	\$ -	\$ 58,901
Inventory	<u>924</u>	<u>1,075</u>	<u>604</u>	<u>597,566</u>	<u>600,169</u>
Total assets	<u>4,696</u>	<u>1,075</u>	<u>55,733</u>	<u>597,566</u>	<u>659,070</u>
LIABILITIES					
Accounts payable	3,300	-	-	89,368	92,668
Due to other funds	<u>-</u>	<u>924</u>	<u>-</u>	<u>14,522</u>	<u>15,446</u>
Total liabilities	<u>3,300</u>	<u>924</u>	<u>-</u>	<u>103,890</u>	<u>108,114</u>
NET POSITION					
Unrestricted	<u>1,396</u>	<u>151</u>	<u>55,733</u>	<u>493,676</u>	<u>550,956</u>
Total net position	<u>\$ 1,396</u>	<u>\$ 151</u>	<u>\$ 55,733</u>	<u>\$ 493,676</u>	<u>\$ 550,956</u>

The accompanying notes are an integral part of these statements.

CITY OF NIAGARA FALLS, NEW YORK

**COMBINING STATEMENT OF ACTIVITIES - PROPRIETARY FUNDS - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Postage</u>	<u>Stationary</u>	<u>Telephone</u>	<u>Central Garage</u>	<u>Total</u>
REVENUES:					
Charges for services	<u>\$ 57,508</u>	<u>\$ 2,292</u>	<u>\$ 55,655</u>	<u>\$ 708,376</u>	<u>\$ 823,831</u>
Total revenues	<u>57,508</u>	<u>2,292</u>	<u>55,655</u>	<u>708,376</u>	<u>823,831</u>
EXPENSES:					
Contractual expenses	<u>57,508</u>	<u>2,292</u>	<u>55,653</u>	<u>796,701</u>	<u>912,154</u>
Total expenses	<u>57,508</u>	<u>2,292</u>	<u>55,653</u>	<u>796,701</u>	<u>912,154</u>
OPERATING INCOME (LOSS)	<u>-</u>	<u>-</u>	<u>2</u>	<u>(88,325)</u>	<u>(88,323)</u>
NET POSITION - beginning of year	<u>1,396</u>	<u>151</u>	<u>55,731</u>	<u>582,001</u>	<u>639,279</u>
NET POSITION - end of year	<u>\$ 1,396</u>	<u>\$ 151</u>	<u>\$ 55,733</u>	<u>\$ 493,676</u>	<u>\$ 550,956</u>

The accompanying notes are an integral part of these statements.

CITY OF NIAGARA FALLS, NEW YORK

**COMBINING STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Postage</u>	<u>Stationary</u>	<u>Telephone</u>	<u>Central Garage</u>	<u>Total</u>
CASH FLOW FROM OPERATING ACTIVITIES:					
Cash received from providing services	\$ 57,508	\$ 2,292	\$ 55,655	\$ 708,376	\$ 823,831
Cash payments for contractual expenses	<u>(55,901)</u>	<u>(2,292)</u>	<u>(55,653)</u>	<u>(774,684)</u>	<u>(888,530)</u>
Net cash flow from operating activities	<u>1,607</u>	<u>-</u>	<u>2</u>	<u>(66,308)</u>	<u>(64,699)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	1,607	-	2	(66,308)	(64,699)
CASH AND CASH EQUIVALENTS - beginning of year	<u>2,165</u>	<u>-</u>	<u>55,127</u>	<u>66,308</u>	<u>123,600</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 3,772</u>	<u>\$ -</u>	<u>\$ 55,129</u>	<u>\$ -</u>	<u>\$ 58,901</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ -	\$ -	\$ 2	\$ (88,325)	\$ (88,323)
Adjustments to reconcile operating income to net cash used by operating activities:					
Changes in:					
Inventory	3,307	824	-	-	4,131
Accounts payable	(1,700)	(155)	-	7,495	5,640
Due to other funds	<u>-</u>	<u>(669)</u>	<u>-</u>	<u>14,522</u>	<u>13,853</u>
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>\$ 1,607</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ (66,308)</u>	<u>\$ (64,699)</u>

CITY OF NIAGARA FALLS, NEW YORK

STATEMENT OF NET POSITION - FIDUCIARY FUNDS DECEMBER 31, 2015

	Private Purpose Trust	Agency
ASSETS:		
Cash and cash equivalents	\$ 75,497	\$ 3,180,351
Due from other funds	-	1,236,583
Total assets	75,497	4,416,934
LIABILITIES:		
Agency liabilities	-	4,416,934
Total current liabilities	-	\$ 4,416,934
NET POSITION:		
Held in trust for private purposes	75,497	
Total net position	\$ 75,497	

The accompanying notes are an integral part of these statements.

CITY OF NIAGARA FALLS, NEW YORK

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2015

	Private Purpose Trust
ADDITIONS:	
Interest and earnings	\$ 1,580
DEDUCTIONS:	
Economic assistance and opportunity	5,445
CHANGE IN NET POSITION	(3,865)
NET POSITION - beginning of year	79,362
NET POSITION - end of year	\$ 75,497

The accompanying notes are an integral part of these statements.

CITY OF NIAGARA FALLS, NEW YORK

COMBINING STATEMENT OF NET POSITION - COMPONENT UNITS DECEMBER 31, 2015

	Bellevue Local Development Corporation	N.F.C. Development Corporation	Niagara Falls Public Library	Total
ASSETS				
Cash and cash equivalents	\$ -	\$ 946,637	\$ 259,246	\$ 1,205,883
Accounts receivable	-	-	3,936	3,936
Loans receivable, net	-	434,881	-	434,881
Due from other funds	-	-	1,721	1,721
Due from other governments	-	-	170,464	170,464
Capital assets, net	<u>33,343,620</u>	<u>-</u>	<u>10,697</u>	<u>33,354,317</u>
Total assets	<u>33,343,620</u>	<u>1,381,518</u>	<u>446,064</u>	<u>35,171,202</u>
LIABILITIES				
Accounts payable	-	2,118	23,252	25,370
Accrued liabilities	-	-	47,082	47,082
Unearned revenue	<u>-</u>	<u>-</u>	<u>16,850</u>	<u>16,850</u>
Total current liabilities	<u>-</u>	<u>2,118</u>	<u>87,184</u>	<u>89,302</u>
NET POSITION				
Net investment in capital assets	33,343,620	-	10,697	33,354,317
Unrestricted	<u>-</u>	<u>1,379,400</u>	<u>348,183</u>	<u>1,727,583</u>
Total net position	<u>\$ 33,343,620</u>	<u>\$ 1,379,400</u>	<u>\$ 358,880</u>	<u>\$ 35,081,900</u>

The accompanying notes are an integral part of these statements.

CITY OF NIAGARA FALLS, NEW YORK

COMBINING STATEMENT OF ACTIVITIES - COMPONENT UNITS FOR THE YEAR ENDED DECEMBER 31, 2015

	Bellevue Local Development Corporation	N.F.C. Development Corporation	Niagara Falls Public Library	Total
OPERATING REVENUE:				
Transfers from City of Niagara Falls	\$ -	\$ 696,678	\$ 1,855,265	\$ 2,551,943
Charges for services	-	15,788	21,732	37,520
Grants and aid	-	-	184,782	184,782
Other operating revenue	-	14,291	38,719	53,010
Total operating revenue	-	726,757	2,100,498	2,827,255
OPERATING EXPENSES:				
Contractual expense	-	76,316	2,043,433	2,119,749
Grant expense	-	940,477	-	940,477
Depreciation	995,332	-	4,735	1,000,067
Total operating expenses	995,332	1,016,793	2,048,168	4,060,293
OPERATING LOSS	(995,332)	(290,036)	52,330	(1,233,038)
NON-OPERATING REVENUE:				
Interest income	-	582	-	582
CHANGE IN NET POSITION	(995,332)	(289,454)	52,330	(1,232,456)
NET POSITION - beginning of year	34,338,952	1,668,854	306,550	36,314,356
NET POSITION - end of year	\$ 33,343,620	\$ 1,379,400	\$ 358,880	\$ 35,081,900

The accompanying notes are an integral part of these statements.

CITY OF NIAGARA FALLS, NEW YORK

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background

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

Financial Reporting Entity

The City is a unit of local government created by the State of New York. The City operates under provisions of New York State law and with authority vested by those statutes and under the provisions of the City Charter adopted by the City Council. The City provides services and facilities in the areas of police, highway, sanitation, parks, recreation, library, community development, fire and general administration. The five-member City Council is the legislative body responsible for overall operations. The Mayor serves as Chief Executive Officer of the City. The City Administrator serves as the Chief Administrative Officer. The City Controller serves as the Chief Financial Officer. Independently elected officials of the City include the Mayor and five council members.

The County of Niagara, New York, is a unit of local government, whose boundaries include the City. Public education is provided by an independent school district within the City, the Niagara Falls City School District.

The decision to include a potential component unit in the City's reporting entity is based on several criteria set forth by the GASB including legal standing, fiscal dependency, and financial accountability. A component unit is included in the City's reporting entity if it is both fiscally dependent on the City and there is a potential for the component unit to provide specific financial benefits to or impose specific financial burdens on the primary government. Based on the application of these criteria, the N.F.C. Development Corporation, Bellevue Local Development Corporation, and the Niagara Falls Public Library are all considered component units.

Basis of Presentation

Component Units

In conformity with generally accepted accounting principles, the financial statements of the component units have been included in the financial reporting entity as discretely presented component units. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Component Units (Continued)

The N.F.C. Development Corporation's (NFC) purpose is to identify and develop business opportunities within the City, to package needed financing and to develop financial programs to support business development. The governing body of NFC is comprised of the Mayor, the five members of the City Council, four members appointed by the Mayor and nine at large members elected by the existing NFC Board. Additionally, NFC is managed by the City; therefore, the City is able to impose its will on NFC. Complete financial statements for NFC may be obtained at their offices located at 1022 Main Street, Niagara Falls, New York.

The Bellevue Local Development Corporation's (Bellevue) purpose was to develop and construct a new public safety facility, plus other functions related to the administration of justice for the City. The governing body of Bellevue is comprised of the Mayor and additional Board members appointed by the Mayor. Additionally, Bellevue is managed by the City; therefore, the City is able to impose its will on Bellevue. Upon the completion of the facility the asset will be transferred to the City. The facility has been completed, but it is awaiting approval related to environmental matters before being transferred to the City. Bellevue does not issue stand-alone financial statements.

The Niagara Falls Public Library's (the Library) purpose is to provide the citizens of the City with quality library service, access to excellent collections, assistance in using emerging technologies and a pleasing, safe environment. The Library operates two city-owned buildings, one of which is commonly referred to as the Main Library or Earl W. Brydges Public Library and the other which is commonly known as the LaSalle Library. Complete financial statements for the Library can be obtained from their offices located at 1425 Main Street, Niagara Falls, New York.

Government-Wide Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds and aggregate non-major funds). The Statement of Net Position and the Statement of Activities present financial information about the reporting government as a whole. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operation or capital) grants while the capital grants column reflects capital-specific grants. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities presents a comparison between direct expenses and direct revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Direct revenues include charges paid by the recipients of goods or services offered by the City, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as direct revenues, including all taxes, are presented as general revenues.

The government-wide focus is on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five (5) percent of the corresponding total for all governmental and enterprise funds combined.

Major Governmental Funds

The City reports the following major governmental funds:

- **General Fund** - the principal operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- **Community Development Fund** - this is used to account for the various programs of financial assistance (principally federal aid) for urban development. Community Development administers programs directly, as well as acting as a conduit to pass through funds to sub-recipients whose goal is also to benefit the community.
- **Capital Projects Fund** - used to account for and report financial resources to be used in the acquisition, construction or renovation of major capital facilities.
- **Miscellaneous Special Revenue Fund** - used to account for the receipts and disbursements of the Seneca Niagara Casino money received by the City.

Nonmajor Governmental Funds

The City reports the following non-major governmental funds:

- **Special Revenue Funds** (Debt Service, Golf Course, Public Library and Parking Ramp) - used to account for the proceeds of revenues that are legally restricted for specified purposes.

Proprietary Funds (Business-Type Activities)

- **Internal Service Funds** - used to account for postage, stationary, telephone and central garage services provided to other departments or agencies of the government on a cost reimbursement basis.

Fiduciary Funds (Trust and Agency Funds)

Fiduciary Fund Types include Private Purpose Trust Funds and Agency Funds. The Private Purpose Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governments.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fiduciary Funds (Trust and Agency Funds) (Continued)

Private Purpose Trust Funds are accounted for on the accrual basis. Agency Funds are custodial in nature (assets equal liabilities) and generally are accounted for on the cash basis, which approximates the accrual basis of accounting.

Basis of Accounting/Measurement Focus

The Government-wide, proprietary funds, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Property Taxes

The City property taxes are levied in December of each year, based on the assessed valuation as of the preceding July 1. On January 1 of each year, property taxes become a lien on property.

Tax payments are due and payable in equal installments on January 31 and May 31, after which it becomes delinquent and interest and penalties accrue. The City also bills for re-levied sewer and water user charges and for unpaid school taxes.

The State Constitution limits the amount that may be raised by the City tax levy on real estate in any fiscal year to two percent (2%) of the last five-year average full valuation of taxable real estate of the City plus (1) the amounts required for principal and interest on all capital indebtedness, and (2) current appropriations for certain capital purposes. The City is responsible for collection of delinquent City school taxes. In the event that school taxes are not collected from the City's re-levy, the City is obligated to remit taxes in full to the school district.

A provision for uncollectible taxes is estimated based on historical collection experience.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Seneca Niagara Casino Revenue

In accordance with State Finance Law Section 99-H (Section 99-H), the City is authorized to receive an allocation of casino revenue directly from New York State. This revenue is restricted for various purposes as determined by law. Amounts are recognized when received in the fund financial statements. Within the government-wide financial statements, revenues are recorded when earned. No allowance has been recorded, as the City is legally authorized to receive the allocation.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations.

Open encumbrances are reported within the fund balance category from which their spending authorization has been recorded since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

Budgetary Basis of Accounting

The budgets are adopted annually on a cash basis, which is a basis of accounting other than generally accepted accounting principles. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year. The City is not legally required to adopt a budget for the miscellaneous special revenue fund. Therefore, budget comparison information for this fund is not included in the City's financial statements. Budgetary controls are established for the capital projects fund through ordinances as adopted by the City Council authorizing individual contracts, which remain in effect for the life of the project.

Cash and Cash Equivalents

The City's cash and cash equivalents consists of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

Restricted Assets

Certain assets are classified on the balance sheet as restricted because their use is limited. The proceeds of bond sales can only be used for the stated purpose of the borrowing. The proceeds from the State for the City's share of the casino revenue are restricted for various purposes, primarily capital projects, per State Finance Law Section 99-H.

Inventory

All inventories are valued at cost using the first-in/first-out (FIFO) method for proprietary funds. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed.

Accounts Receivable

Accounts receivable, with the exception of taxes receivable, are shown gross, with uncollectible amounts recognized under the direct write-off method. Generally accepted accounting principles require the establishment of an allowance for doubtful accounts; however, no allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

Taxes Receivable

The City accounts for taxes receivable at outstanding billed amounts, net of the allowance for uncollectible taxes. Accounts for which no payments have been received for one year are considered delinquent and further collection efforts are begun. After all collection efforts are exhausted, the account is written off. As of December 31, 2015, the allowance for uncollectible taxes is \$3,529,038, which is estimated based on historical collection experience.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Expenditures

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Due to/from Other Funds

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.”

The amounts reported on the Statement of Net Position for due to and due from other funds represents amounts due between different fund types (governmental and business-type activities, and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type.

Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual cost is unavailable, except for donated assets which are recorded at their estimated fair value at the date of donation. Prior to January 1, 1980, governmental funds' infrastructure assets were not capitalized. The City elected to retroactively report only major general infrastructure assets acquired, significantly reconstructed or that received significant improvements in fiscal years ending after December 31, 1979. Capital assets are reported at actual cost for acquisitions subsequent to January 1, 2003.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the Government-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and building improvements	\$ 100,000	Straight-line	25 - 50 years
Land improvements - exhaustible	\$ 100,000	Straight-line	20 - 100 years
Infrastructure	\$ 100,000	Straight-line	30 - 50 years
Furniture, office, and other equipment	\$ 5,000	Straight-line	3 - 10 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Insurance

The City is self-insured for general liability including, but not limited to, property damage and personal injury, workers' compensation and medical insurance.

The City has purchased reinsurance agreements to reduce exposure to large losses. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned Revenue

Unearned revenue arises when potential revenues do not meet both the measurable and available criteria for recognition in the current period. This occurs when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the City has legal claim to resources, the liability for revenue received in advance is removed and revenue is recognized.

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the Statement of Net Position will sometimes report a separate section for deferred outflows/inflows of resources. The separate financial statement element, *deferred outflows of resources*, represents a use of resources that applies to a future period and so will be recognized as an outflow (expense/expenditure) until then. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

Long-Term Obligations

All long-term liabilities to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of serial bonds payable, installment purchase debt, due to other governments, due to retirement system, workers' compensation, compensated absences and other postemployment benefits.

Long-term liabilities for governmental funds are not reported as liabilities in the fund financial statements. The proceeds from issuance of debt are reported as other financing sources and payment of principal, interest and other long-term obligations are reported as expenditures.

Compensated Absences

The City labor agreements and City Council rules and regulations provide for sick and vacation leave. Upon retirement certain eligible employees qualify for partially paid medical and dental insurance premiums and/or payment for fractional values of unused sick leave. These payments are budgeted annually without accrual.

Compensated absences for governmental fund type employees are reported as a liability and expenditure in the government-wide financial statements. Payment of compensated absences recorded in the government-wide financial statements is dependent upon many factors; therefore timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payment of compensated absences when such payments become due.

Postemployment Benefits

The City provides health insurance coverage for certain retired employees and their spouses who have met the minimum eligibility criteria as established under the respective collective bargaining agreement or City Council rules. The City made no provision for the recognizing the cost of postemployment benefits which may eventually be paid to employees who have not yet retired, on the governmental funds statements. On the government-wide statements, these amounts attributable to past service have been recorded as a liability.

Interfund Transfers

The operations of the City give rise to certain transactions between funds, including transfers of expenditures and revenues to provide services and construct assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position - Government-Wide Financial Statements

The government-wide financial statements displays net position in three components as follows:

- **Net investment in capital assets**
Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bond anticipation notes, bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted net position**
Consists of net position with constraints on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- **Unrestricted net position**
All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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

Fund Balances - Fund Financial Statements

The governmental fund financial statements present fund balances according to classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable Fund Balances**
These are amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- **Restricted Fund Balances**
These are amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- **Committed Fund Balances**
These are amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through resolutions approved by the City Council, prior to the end of the year.
- **Assigned Fund Balances**
These are amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The City’s policy is that the assignment of fund balances is at the discretion of the Mayor, subject to the majority vote of the City Council.
- **Unassigned Fund Balances**
These are all other spendable amounts.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances - Fund Financial Statements (Continued)

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

The City has established a minimum fund balance policy for the General Fund whereby the unassigned fund balance should be equal to 5% of the City's total General Fund appropriations. At year ended December 31, 2015, the City was in compliance with this policy.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Labor Relations

Some City employees are represented by collective bargaining units with the balance of employees governed by City Council rules and regulations.

2. CHANGE IN ACCOUNTING PRINCIPLE

The City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and GASB Statement No. 71*. Statement No. 68 and Statement No. 71 established accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of Statement No. 68 and Statement No. 71, as well as for non-employer governments that have a legal obligation to contribute to those plans. Accordingly, Beginning Net Position and Net Pension Liability (Asset) on the Statement of Net Position was adjusted as noted in the following table:

	Government - Wide Statement of Net Position		
	Net Pension Liability	Deferred Outflows	Net Position
Balance at December 31, 2014, as previously reported	\$ -	\$ -	\$ 40,046,836
Restatement of beginning balance - Adoption of GASB Statement No. 68 and 71			
Contributions subsequent to measurement date	-	7,799,719	7,799,719
NYS Employee Retirement System Plan	(2,051,103)	-	(2,051,103)
NYS Police and Firefighters' Retirement System Plan	(3,177,085)	-	(3,177,085)
	<u>(5,228,188)</u>	<u>7,799,719</u>	<u>2,571,531</u>
Balance at December 31, 2014, as restated	<u>\$ (5,228,188)</u>	<u>\$ 7,799,719</u>	<u>\$ 42,618,367</u>

3. PRIOR PERIOD ADJUSTMENT

The City restated its December 31, 2014 net position for \$12,308,671 to increase work in process relating to ongoing construction projects. These projects started in 2012 and were not captured within work in process at the time the funds were expended. The impact of this correction was an increase net investment in capital assets and the related asset, work in process, for the year ended December 31, 2014.

4. STEWARDSHIP

Budget Policies

The City adopts an annual formal budget for the General Fund on a basis consistent with generally accepted accounting principles; except that encumbrances are treated as budgeted expenditures in the year a commitment to purchase occurs. All unencumbered appropriations lapse at the end of the fiscal year. Budgetary comparisons presented in this report are on the budgetary basis and represent the budget as modified.

Capital Projects Fund appropriations are not included in the City's annual budget. Instead appropriations are approved through a City Council resolution at the project's inception and lapse upon termination of the project.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. On October 1, for the subsequent fiscal year beginning January 1, the Mayor submits to the Common Council a complete operating plan of proposed expenditures and estimated revenues for the City.
- b. The Council has the power to delete, reduce or add expenditure items to the budget except for debt service and other items required by law and an appropriation for a reserve for uncollected taxes, capital equipment and estimated deficit. The Council must act by December 1.
- c. The Mayor has a line item veto power which must be exercised within 10 days of Council action. The Council then has 5 days to override such vetoes.
- d. Reallocation of the budget among municipal service categories must be approved by the Council.
- e. Appropriations generally expire at the end of the fiscal year except amounts administratively approved for reappropriation. These reappropriations are included in assigned fund balance for encumbrances in the fund financial statements.
- f. Expenditures for each department may not legally exceed the total appropriations for that department. During the year, several supplemental appropriations were necessary.

The City reports its budgetary status with the actual data including outstanding encumbrances as charges against budget appropriations. This data does not include revenues and expenditures in the Risk Retention fund, the tourism fund or the Grant fund, as these are combined into the General Fund on the financial statements, but is not included in the City's budgeted amounts. This results in the following reconciliation of fund balance as computed on a GAAP basis and budgetary basis.

4. STEWARDSHIP (Continued)

Budget Policies (Continued)

	<u>General Fund</u>
GAAP Basis Fund Balance - December 31, 2015	\$ 10,618,416
Deduct Risk Retention fund balance - December 31, 2015	(2,356,622)
Deduct Tourism fund balance - December 31, 2015	(786,127)
Deduct Grant fund balance - December 31, 2015	(122,540)
Deduct outstanding encumbrances	<u>(227,929)</u>
 BUDGETARY BASIS - Fund balance - December 31, 2015	 \$ <u>7,125,198</u>

Revenue Restrictions

The City has various restrictions placed over certain revenues from sources subject to state or local requirements. The primary restricted revenues sources are those revenues raised for the special revenue funds.

5. CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents and Investments

The City's investment policies are governed by State statutes. In addition, the City has its own written investment policy. City monies must be deposited in FDIC insured commercial banks or trust companies located within the State. Permissible investments include demand accounts and certificates of deposit, 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 and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and municipalities and school districts.

Investment and Deposit Policy

The City follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Controller of the City.

Investment and Deposit Policy (Continued)

Investments (included in cash equivalents) consist of the following at December 31, 2015:

Money market funds	\$ <u>36,769,780</u>
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The following deposits held with one financial institution represent five percent or more of the City's total cash and cash equivalents at December 31, 2015:

M&T Bank	\$ <u>47,378,354</u>
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Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The City's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

5. CASH AND CASH EQUIVALENTS (Continued)

Credit Risk

The City's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The City's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts.
- Certificates of deposit.
- Obligations of the United States Treasury and United States agencies.
- Obligations of the New York State and its localities.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the City's investment and deposit policy, all deposits of the City including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIA) shall be secured by a pledge of securities with an aggregate value equal of the aggregate amount of deposits. The City restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by the New York State and its localities.

At December 31, 2015, the bank balance of the City's cash and cash equivalents of its primary government, including Internal Service Funds and Fiduciary Funds, was exposed to custodial credit risk as follows:

<u>Description</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash and cash equivalents	<u>\$ 47,378,354</u>	<u>\$ 47,510,824</u>
Category 1: Covered by FDIC insurance	\$ 500,000	
Category 2: Uninsured and collateral held by pledging bank	<u>46,878,354</u>	
Total	<u>\$ 47,378,354</u>	

6. RECEIVABLES

Major revenues accrued by the City at December 31, 2015 include the following:

Accounts Receivable

General Fund:

Tourism - 4th quarter occupancy tax & hotel trolley service	\$ 492,233
Franchise fees	151,345
Gross utilities taxes	46,534
Other miscellaneous receivables	<u>1,688,244</u>

2,378,356

Community Development	23,916
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Capital Projects	<u>9,871</u>
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\$ 2,412,143

State and Federal Receivables

Represents amounts due primarily from New York State and the federal government. Amounts accrued at December 31, 2015, consist of:

State and Federal Receivables

General Fund:

NYS sales tax	\$ 510,116
NYS Capital Highway Improvement (CHIPS)	60,553
NYS arterial maintenance	200,812
Medicare Part D	355,675
Other miscellaneous state and federal receivables	<u>341,516</u>

1,468,672

Capital Projects Fund:

DPW Capital Highway Improvement (CHIPS) 2015	225,947
Inter-modal Train Station	5,551,909
Custom House Restoration Project	10,000
Jayne Park	134,234
Buffalo Avenue	45,434
City Hall Restoration	74,390
Sidewalks (CHIPS)	133,720
Library Improvements	86,027
LaSalle Blueway Trail	37,699
Other miscellaneous state and federal receivables	<u>21,634</u>

6,320,994

Community Development

HUD receivables	<u>449,645</u>
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Miscellaneous Special Revenue:

Seneca Casino	<u>4,347,782</u>
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Total state and federal receivables	<u>\$ 12,587,093</u>
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6. RECEIVABLES (Continued)

Due from Other Governments

Represents amounts due primarily from the County of Niagara, New York, and other governmental entities. Amounts accrued at December 31, 2015 consist of:

Due from Other Governments

General Fund:

Niagara Falls Water Board	\$ 705,842
NFBOE School tax fees	75,096
Niagara County - Sales tax	810,176
Other	<u>38,160</u>

Total due from other governments	<u>\$ 1,629,274</u>
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Note Receivable

During 1987, Nitec Paper Corporation filed for bankruptcy with several years of outstanding taxes and water and sewer charges due to the City, the County of Niagara (County), and the Niagara Falls Board of Education. The City obtained the deed in lieu of foreclosure and sold the plant to Cascades Company for outstanding taxes and charges totaling \$5,400,000. Upon closing, \$100,000 was paid to the City with the remaining \$5,300,000 to be paid over 30 years as follows: Commencing November 1, 1988 through October 1, 1997 monthly payments of interest only at 3% and beginning on November 1, 1997 through October 1, 2017 monthly payments of interest and principal of \$29,394. Under the terms of the agreement, the Niagara Falls Water Board and the City receive 59.4% and 40.6% respectively. Upon receipt of its portion of the funds, the City retains 16.2% and distributes 17.6% to Niagara Falls Board of Education and 6.8% to the County. At December 31, 2015, the City's outstanding balance was \$255,145.

Loans Receivable

The loans receivable recorded in the Community Development Fund represent amounts owed to the City relating to the U.S. Department of Housing and Urban Development Community Development loan program. Loans outstanding as of December 31, 2015 were as follows:

Community Development Fund:

Loans receivable - Community Development Block Grant	\$ 2,295,868
Loan receivable - Miscellaneous	1,074,414
Loan receivable - HOME	<u>262,676</u>

Total loans receivable	<u>\$ 3,632,958</u>
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6. RECEIVABLES (Continued)

Taxes Receivable, net

The taxes receivable, net recorded in the General Fund represents amounts owed to the City relating to real property taxes were as follows at December 31, 2015:

City taxes receivable - current	\$ 3,467,842
City taxes receivable - overdue	8,025,589
School taxes receivable	<u>6,865,519</u>
Total taxes receivable	18,358,950
Less: Allowance for uncollectible taxes	<u>(3,529,038)</u>
Total taxes receivable, net	<u>\$ 14,829,912</u>

Interfund Receivables, Payables, Revenues and Expenses

To improve cash management, all City disbursements are made from a consolidated account in the general fund. Also, the cash balances of certain capital funds are consolidated to maximize investment return. Both these cash management practices, as well as normal delays in processing interfund transfers and reimbursements, are the main reason why interfund receivables and payables exist. These receivables and payables are short term in nature and are typically repaid in less than one year.

Transfers among funds are provided for as part of the annual budget process. They facilitate annual contributions from the operating budget to fund capital projects and debt service. They also facilitate contributions from the special revenue fund to capital projects funds.

Interfund receivables, payables and transfers as of and for the year ended December 31, 2015 are as follows:

	Interfund <u>Receivables</u>	Interfund <u>Payables</u>	Operating <u>Transfers-in</u>	Operating <u>Transfers-out</u>
General Fund	\$ 1,874,144	\$ 1,162,479	\$ 9,741,207	\$ 9,171,126
Community Development Fund	-	1,890,421	-	-
Capital Projects Fund	-	1,965	6,439,278	693,220
Debt Service Fund	-	-	6,711,065	850,000
Miscellaneous Special Revenue Fund	-	-	19,614	13,764,975
Golf Course Fund	-	10,503	461,526	41,380
Public Library Fund	-	25,118	1,855,612	-
Parking Ramp Fund	-	4,795	220,639	928,240
Internal Service Funds	-	15,446	-	-
Agency Fund	<u>1,236,583</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,110,727</u>	<u>\$ 3,110,727</u>	<u>\$ 25,448,941</u>	<u>\$ 25,448,941</u>

7. CAPITAL ASSETS

Capital asset activity for the City for the year ended December 31, 2015 was as follows:

	<u>Balance 01/01/15</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Prior Period Adjustments</u>	<u>Balance 12/31/15</u>
Capital assets, not being depreciated:						
Land	\$ 2,891,293	\$ -	\$ -	\$ -	\$ -	\$ 2,891,293
Land improvements	256,620	-	-	1,078,187	-	1,334,807
Construction work in progress	25,782,531	21,404,184	-	(3,684,899)	12,308,671	55,810,487
Works of art/historical	<u>17,378</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,378</u>
Total capital assets, not being depreciated	<u>28,947,822</u>	<u>21,404,184</u>	<u>-</u>	<u>(2,606,712)</u>	<u>12,308,671</u>	<u>60,053,965</u>
Capital assets, being depreciated:						
Infrastructure	131,937,653	-	-	1,656,712	-	133,594,365
Land improvement - exhaustible	3,545,987	-	-	-	-	3,545,987
Building and building improvements	41,365,812	-	-	950,000	-	42,315,812
Furniture, office, and other equipment	9,029,183	-	(82,343)	-	-	8,946,840
Library/museum resources	9,072,896	-	-	-	-	9,072,896
Vehicles	<u>18,336,948</u>	<u>680,993</u>	<u>(528,462)</u>	<u>-</u>	<u>-</u>	<u>18,489,479</u>
Total capital assets, being depreciated	<u>213,288,479</u>	<u>680,993</u>	<u>(610,805)</u>	<u>2,606,712</u>	<u>-</u>	<u>215,965,379</u>
Less: Accumulated depreciation:						
Infrastructure	(64,773,297)	(2,801,702)	-	-	-	(67,574,999)
Land improvement - exhaustible	(1,670,254)	(128,816)	-	-	-	(1,799,070)
Building and building improvements	(19,700,015)	(717,304)	-	-	-	(20,417,319)
Furniture, office, and other equipment	(7,943,507)	(234,440)	82,343	-	-	(8,095,604)
Library/museum resources	(9,072,896)	-	-	-	-	(9,072,896)
Vehicles	<u>(12,214,360)</u>	<u>(1,237,764)</u>	<u>528,462</u>	<u>-</u>	<u>-</u>	<u>(12,923,662)</u>
Total accumulated depreciated	<u>(115,374,329)</u>	<u>(5,120,026)</u>	<u>610,805</u>	<u>-</u>	<u>-</u>	<u>(119,883,550)</u>
Total capital assets, being depreciated, net	<u>97,914,150</u>	<u>(4,439,033)</u>	<u>-</u>	<u>2,606,712</u>	<u>-</u>	<u>96,081,829</u>
Governmental activities capital assets, net	<u>\$ 126,861,972</u>	<u>\$ 16,965,151</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,308,671</u>	<u>\$ 156,135,794</u>

7. CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 107,647
Public safety	699,692
Transportation	3,387,228
Culture and recreation	610,227
Economic assistance	<u>315,232</u>
Total	<u>\$ 5,120,026</u>

8. PENSION PLAN

Plan Description

The City participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS) and the Public Employees' Group Life Insurance Plan (collectively, the Systems). These are cost-sharing multiple-employer, public employee retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

Funding Policies

Membership, benefits, and employer and employee obligations to contribute are described in the NYSRSSL using the tier concept. Pension legislation established tier membership by the date a member last joined the Retirement System. They are as follows:

- Tier 1 - Those persons who last became members of the System before July 1, 1973.
- Tier 2 - Those persons who last became members on or after July 1, 1973, but before July 27, 1976.
- Tier 3 - Generally those persons who are State correction officers who last became members on or after July 27, 1976, and all others who last became members on or after July 27, 1976, but before September 1, 1983.
- Tier 4 - Generally, except for correction officers, those persons who last became members on or after September 1, 1983.
- Tier 5 - Those persons who last became members of the System on or after January 1, 2010.
- Tier 6 - Those persons who last became members of the System on or after April 1, 2012.

8. PENSION PLAN (Continued)

Contributions

The System is noncontributory for the employee who joined prior to July 27, 1976. For employees who joined the System after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the System more than ten years are no longer required to contribute. For employees who joined after January 1, 2010 (ERS) of January 9, 2010 (PFRS), employees in the System generally contribute 3% of their salary throughout their active membership. Employees who join on or after April 1, 2012 will contribute 3% of their reportable salary. Beginning April 1, 2013, the contribution rate for Tier 6 members will vary based on each member's annual compensation varying between 3-6%. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly as used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

The required contributions for the current year and two preceding years were:

		<u>ERS</u>	<u>PFRS</u>
2016	\$	2,202,131	\$ 5,908,833
2015	\$	2,793,152	\$ 7,156,478
2014	\$	2,559,416	\$ 6,139,616

Chapter 57 of the Laws of 2010 of the State of New York allows local employers to amortize a portion of their retirement bill for up to 10 years in accordance with the following schedule:

- For SFY 2010-11, the amount in excess of the graded rate of 9.5 percent of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year which the bonding/amortization was instituted
- For subsequent SFYs, the graded rate will increase or decrease by up to one percent depending on the gap between the increase or decrease in the Systems' average rate and the previous graded rate
- For subsequent SFYs in which the Systems' average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions made will first be used to pay off existing amortizations, and then any excess will be deposited into a reserve and will be used to offset future increases in contribution rates

8. PENSION PLAN (Continued)

Contributions (Continued)

The total unpaid liability at December 31, 2015 related to the City's amortization of Chapter 57, Laws of 2010 for both ERS and PFRS is \$5,334,423.

\$550,533 and \$1,477,208 of the cash paid for ERS and PFRS, respectively, represents amounts owed for the period of January 1 - March 31, 2016 and is shown as prepaid expenses on the accompanying statement of net position.

Chapter 49 of the Laws of 2003 of the State of New York was enacted which made the following changes to the Systems:

- Requires minimum contributions by employers of 4.5% of payroll every year, including years in which the investment performance would make a lower contribution possible.
- Changes the cycle of annual billing such that the contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1st (e.g. billings due February 2015 were based on the pension value as of March 31, 2014).

Chapter 260 of the Laws of New York State changed the annual payment due date for employers who participate in the ERS and the PFRS. The December 15 payment due date changed to February 1. The covered salary period (April 1 - March 31) did not change for the calculation.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

At December 31, 2015, the City reported a net pension liability of \$1,533,380 and \$2,100,656 for its proportionate share of the ERS and PFRS net pension liability, respectively. The net pension liability was measured as of March 31, 2015, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of The City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2015, the City's proportionate share was .0453898% and .7631545% for NYERS and PFRS, respectively, which was unchanged from its proportionate share measured at December 31, 2014.

8. PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

For the year ended December 31, 2015, the City recognized pension expense/(income) of \$(1,152,984) and \$(1,860,059) for ERS and PFRS, respectively. At December 31, 2015, The City reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
ERS		
Differences between expected and actual experience	\$ 49,085	\$ -
Net difference between projected and actual earnings		
on pension plan investments	266,329	-
Changes in proportion and differences between the City's	194,877	-
contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	2,202,131	-
Total	<u>\$ 2,712,422</u>	<u>\$ -</u>
PFRS		
Differences between expected and actual experience	\$ 253,326	\$ -
Net difference between projected and actual earnings		
on pension plan investments	705,260	-
Changes in proportion and differences between the City's		
contributions and proportionate share of contributions	-	361,231
Contributions subsequent to the measurement date	5,908,833	-
Total	<u>\$ 6,867,419</u>	<u>\$ 361,231</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense for ERS and PFRS, respectively:

Plan's Year Ended March 31:

2016	\$ 127,573
2017	127,573
2018	127,573
2019	127,572
2020	-
Thereafter	-
	<u>\$ 510,291</u>

Plan's Year Ended March 31:

2016	\$ 154,734
2017	154,734
2018	154,734
2019	154,734
2020	(21,581)
Thereafter	-
	<u>\$ 597,355</u>

8. PENSION PLAN (Continued)

Actuarial Assumptions

The total pension liability at March 31, 2015 was determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2015. The total pension liability for the March 31, 2014 measurement date was determined by using an actuarial valuation as of April 1, 2014.

The actuarial valuation used the following actuarial assumptions for both the NYSERS and PFRS:

Actuarial cost method	Entry age normal
Inflation	2.70%
Salary scale	4.9% indexed by service
Projected COLAs	1.4% compounded annually
Decrement	Developed from the Plan's 2010 experience study of the period April 1, 2005 through March 31, 2010
Mortality improvement	Society of Actuaries Scale MP-2014
Investment Rate of Return	7.5% compounded annually, net of investment expenses

Long-term Rate of Return

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expect future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015 are summarized below:

Asset Type	Target Allocations in %	Long-Term expected real rate of return in %
Domestic Equity	38	7.30
International Equity	13	8.55
Private Equity	10	11.00
Real Estate	8	8.25
Absolute Return	3	6.75
Opportunistic Portfolio	3	8.60
Real Asset	3	8.65
Bonds & Mortgages	18	4.00
Cash	2	2.25
Inflation-Indexed Bonds	2	4.00
	<u>100%</u>	

8. PENSION PLAN (Continued)

Discount Rate

The discount rate used to calculate the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents The City's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what The City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%) than the current rate:

	1% Decrease <u>6.50%</u>	Current Discount <u>7.50%</u>	1% Increase <u>8.00%</u>
<u>ERS</u>			
Proportionate Share of Net Pension liability (asset)	\$ <u>10,220,640</u>	\$ <u>1,533,380</u>	\$ <u>(5,800,822)</u>

	1% Decrease <u>6.50%</u>	Current Discount <u>7.50%</u>	1% Increase <u>8.00%</u>
<u>PFRS</u>			
Proportionate Share of Net Pension liability (asset)	\$ <u>27,969,129</u>	\$ <u>2,100,656</u>	\$ <u>(19,578,686)</u>

Pension Plan Fiduciary Net Position (000's)

The components of the current-year net pension liability of the employers as of March 31, 2015 for ERS and PFRS respectively follow:

Total pension liability	\$ 164,591,504
Net position	<u>(161,213,259)</u>
Net pension liability (asset)	\$ <u>3,378,245</u>
ERS net position as a percentage of total pension liability	-97.9%

Total pension liability	\$ 28,474,417
Net position	<u>(28,199,157)</u>
Net pension liability (asset)	\$ <u>275,260</u>
PFRS net position as a percentage of total pension liability	-99.0%

9. OTHER POSTEMPLOYMENT BENEFIT PLANS

Plan Description

The City administers the City of Niagara Falls Retiree Medical, Dental and Life Insurance Plan (the Plan) as a single-employer defined benefit Other Postemployment Benefit plan (OPEB). The Plan provides for continuation of medical, dental and life insurance benefits for certain retirees and their spouses and can be amended by action of the City subject to applicable collective bargaining and employment agreements. The City currently has 547 retirees eligible to receive benefits under the Plan at December 31, 2015. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Funding Policy

The obligations of the plan members, employers and other entities are established by action of the City pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement. The City currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The amount paid by the City during 2015 was \$8,703,673. The costs of administering the Plan are paid by the City.

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost is calculated based on the Annual Required Contribution (ARC) of the employer, an amount actuarially determined in accordance with generally accepted accounting principles. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and the City's net OPEB obligation to the Plan at December 31, 2015:

Annual OPEB Cost and New OPEB Obligation

Normal Cost	\$ 14,373,824
Amortization of unfunded actuarial liability	21,183,454
Interest	<u>574,953</u>
Annual Required Contribution (ARC)	36,132,231
Interest on OPEB Obligation	2,696,617
Adjustment to ARC	<u>(3,898,640)</u>
Annual OPEB Cost	34,930,208
OPEB contributions made during the fiscal year	<u>(8,703,673)</u>
OPEB obligation for the current fiscal year	26,226,535
OPEB obligation at beginning of year	<u>67,415,418</u>
OPEB obligation at end of year	<u>\$ 93,641,953</u>
Percentage of expense contributed	<u>24.92%</u>

9. OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

Trend Information

The following table provides trend information for the Plan:

	Annual OPEB Cost	Annual Contributions	Percent of Annual OPEB Cost Contributed	Net OPEB Obligation at December 31
2015	\$ 34,930,208	\$ 8,703,673	24.9%	\$ 93,641,953
2014	\$ 24,219,250	\$ 8,089,325	33.4%	\$ 67,415,418
2013	\$ 16,724,422	\$ 7,423,829	44.3%	\$ 51,285,493

Funded Status and Funding Progress

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following assumptions were made:

Actuarial cost method	Projected unit credit
Discount rate*	4.0%
Medical care cost trend rate	10.0% or 7.5% annually, based on age of retirees. The rate is reduced by decrements to an ultimate rate of 5.0% in five years.
Dental care cost trend rate	Dental care costs are assumed to increase 4.0% each year.
Unfunded actuarial accrued liability:	
Amortization period	30 years
Amortization method	Level dollar
Amortization basis	Open

*As the Plan is unfunded, the assumed discount rate considers that the City's investment assets are low risk in nature, such as money market funds or certificates of deposit.

10. LONG-TERM LIABILITIES

Serial Bonds

The City borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the City. The provision to be made in the future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities. During the current year, the City recognized \$2,526,436 of expenditures for long-term serial bond interest at the fund level.

Other Long Term Liabilities

In addition to the above long-term debt, the City had a non-current liability for compensated absences, which represents the value of the earned and unused sick days. The City has a non-current liability for installment purchase debt for the acquisition of various capital assets and an energy performance contract for the installation of equipment to improve energy efficiency. The interest expense from the installment purchase debt totaled \$4,496 in the current year. The City also has non-current long-term liabilities for estimated workers' compensation claims incurred and due to retirement system for the current and long-term obligation of amortized payments for the remaining amounts owed by the City to the State for the 2006, 2012, 2013 and 2014 ERS and PFRS.

The following is a summary of changes in long-term liabilities for the year ended December 31, 2015:

	Balance 1/1/2015 (as restated)	Additions	Deletions	Balance 12/31/2015	Due Within One Year
Serial bonds	\$ 62,438,221	\$ -	\$ (3,685,890)	\$ 58,752,331	\$ 3,819,738
Installment purchase debt	869,421	-	(138,971)	730,450	139,473
Due to retirement system	6,059,735	-	(725,312)	5,334,423	751,856
Compensated absences (A)	11,861,170	418,209	-	12,279,379	-
Workers' compensation	12,992,122	-	(1,551,631)	11,440,491	-
Net pension liability	5,228,188	-	(1,594,152)	3,634,036	-
Other postemployment benefits	67,415,418	34,930,208	(8,703,673)	93,641,953	-
	<u>\$ 166,864,275</u>	<u>\$ 35,348,417</u>	<u>\$ (16,399,629)</u>	<u>\$ 185,813,063</u>	<u>\$ 4,711,067</u>

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

10. LONG-TERM LIABILITIES (Continued)

The City had the following bonds and installment purchase debt payable obligations changes during the year and outstanding as of December 31, 2015:

<u>Fund and Purpose</u>	<u>Year of Issue</u>	<u>Year of Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding 1/1/2015</u>	<u>Issued</u>	<u>Paid With Appropriations</u>	<u>Outstanding 12/31/2015</u>	<u>Due in one year</u>
General:									
Serial Bonds:									
General Improvements - 1994	1994	2024	6.125% - 7.500%	\$ 7,682,000	\$ 1,447,072	\$ -	\$ 318,461	\$ 1,128,611	\$ 343,104
General Improvements - 2006	2006	2028	4.375% - 4.500%	9,364,000	7,075,000	-	380,000	6,695,000	395,000
General Improvements - 2007	2007	2037	4.500% - 4.625%	39,400,000	34,120,000	-	850,000	33,270,000	890,000
General Improvements - 2009	2009	2024	3.000% - 5.500%	8,190,000	5,800,000	-	525,000	5,275,000	540,000
General Improvements - 2011	2011	2026	3.000% - 4.000%	7,437,000	6,130,000	-	440,000	5,690,000	455,000
Refunding Serial Bonds – 2014									
Refunding 2003-2004	2014	2024	0.500% - 3.000%	7,355,000	<u>7,300,000</u>	-	<u>1,035,000</u>	<u>6,265,000</u>	<u>1,055,000</u>
					61,872,072	-	3,548,461	58,323,611	3,678,104
Installment Purchase Debt:									
NYPAA Loan	2010	2021	0.53%	1,390,120	<u>869,421</u>	-	<u>138,971</u>	<u>730,450</u>	<u>139,473</u>
Total General Fund					<u>62,741,493</u>	-	<u>3,687,432</u>	<u>59,054,061</u>	<u>3,817,577</u>
Sewer Fund:									
Sewer Lines	1994	2024	5.300% - 7.500%	2,988,000	<u>6,149</u>	-	<u>2,429</u>	<u>3,720</u>	<u>1,634</u>
Total Sewer Fund					<u>6,149</u>	-	<u>2,429</u>	<u>3,720</u>	<u>1,634</u>
Parking Ramp :									
Refunding Serial Bond - 2014									
	2014	2018	0.500% - 2.000%	565,000	<u>560,000</u>	-	<u>135,000</u>	<u>425,000</u>	<u>140,000</u>
Total Parking Ramp					<u>560,000</u>	-	<u>135,000</u>	<u>425,000</u>	<u>140,000</u>
Total Serial Bonds and Installment Purchase Debt					<u>\$ 63,307,642</u>	<u>\$ -</u>	<u>\$ 3,824,861</u>	<u>\$ 59,482,781</u>	<u>\$ 3,959,211</u>

10. LONG-TERM LIABILITIES (Continued)

The following is a summary of maturing debt service requirements for the City's serial bonds and installment purchase debt:

	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 3,819,738	\$ 2,382,152	\$ 139,473	\$ 4,320
2017	3,942,730	2,240,887	140,356	3,476
2018	4,074,863	2,094,090	141,286	2,547
2019	3,000,000	1,964,974	142,221	1,612
2020	3,105,000	1,842,368	143,162	670
2021 - 2025	15,985,000	7,354,539	23,952	20
2026 - 2030	10,260,000	4,539,163	-	-
2031 - 2035	9,915,000	2,454,788	-	-
2036 - 2037	<u>4,650,000</u>	<u>325,368</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 58,752,331</u>	<u>\$ 25,198,329</u>	<u>\$ 730,450</u>	<u>\$ 12,645</u>

Interest

Interest expense on long-term debt was \$2,495,829 in 2015. In 2015, cash paid for interest was \$2,526,436. The installment purchase debt has a variable interest rate, determined annually based on interest rates paid by the lender on its outstanding debt. The interest rate was 0.53% for the year ended December 31, 2015. The accrued interest on bonds for the year ended December 31, 2015 is \$345,126.

Defeasance of Debt

In prior years, the City defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At December 31, 2015, a total amount of \$1,921,989 of bonds outstanding is considered defeased.

11. RISK FINANCING ACTIVITIES

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has determined that it was not economically justifiable to carry insurance for risks or loss related to torts and other general liability claims except for amounts in excess of \$1,000,000. The City's insurance provides coverage of up to \$5,000,000 per occurrence and \$15,000,000 in the aggregate. The City is self-insured for unemployment insurance and certain employee health plans. Amounts paid for unemployment and general liability claims were not material to the City's financial statements. Claims settlements over the past four years have not exceeded the available insurance coverage. The City reports all of its risk management activities in its General Fund. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

11. RISK FINANCING ACTIVITIES (Continued)

The City's Corporation Counsel assesses liability for unpaid claims on a case-by-case basis. Resolution of outstanding unpaid claims is not expected to be material to the financial statements.

Total expenditures for claims and judgments recorded in the City's governmental funds for the year ended December 31, 2015 was \$874,400.

At December 31, 2015, the City has no liabilities relating to claims and judgments.

The workers' compensation plan maintains excess insurance, which insures against catastrophic claim losses for amounts over \$500,000, per occurrence, up to the limitations provided under the contract. The plan establishes reserve liabilities based on the estimated cost of individual claims incurred. Those estimates are determined based on many factors, one of the most significant being past experience. Since the reserve liability is an estimate it may not reflect the plan's ultimate liability.

	<u>Workers'</u> <u>Compensation</u>
Estimated claims December 31, 2014	\$ 12,992,122
Change in liability	<u>(1,551,631)</u>
Estimated claims December 31, 2015	<u>\$ 11,440,491</u>

The City provides hospitalization, medical and dental through various insurance programs to its employees. The claim liability is included in agency liabilities. These are paid as the claims are incurred by the employees and are based on invoices received from a third-party administrator. The City sets aside funds for current and future claims in the event that the insurance is terminated.

12. COMMITMENTS AND CONTINGENCIES

Landfill Closure Costs

In 1994, the City was identified by the United States Environmental Protection Agency (EPA) as a responsible party that could be held liable for a portion of the long-term maintenance and operation of a landfill site in Niagara County.

The City's portion for the long-term maintenance and operation of the landfill was estimated to be approximately \$630,000. All parties designated as potentially responsible parties by the EPA participated in a Pilot Allocation Program. As a result of the Pilot Allocation Program, the City is required to make annual payments of \$21,000 for the long-term operation and maintenance of the landfill through 2024. As of December 31, 2015, a liability, Niagara County Refuse Trust, has been recorded in the Government-wide financial statements for future operation and maintenance costs. Since 2004, the Trust administration has not requested payment from the City under this program. The liability recorded as Due to Other Governments at December 31, 2015 was \$342,899.

Niagara Falls International Railway Station & Intermodal Transportation Center

In 2014, the City awarded a construction contract to Scrufari Construction Company, Inc. for the Niagara Falls International Railway Station & Intermodal Transportation Center project in the amount of \$22,691,000 to be completed May 2016. At December 31, 2015, with change orders, the total project cost was \$23,893,973. The total amount incurred to date was \$20,881,465 as of December 31, 2015.

12. COMMITMENTS AND CONTINGENCIES (Continued)

USA Niagara Development Corporation Memorandum of Understanding

In 2014, the City entered into an Memorandum of Understanding with USA Niagara Development Corporation ("USAN") for the City to pay USAN for the operating costs related to the Conference Center and Old Falls Street. USAN delegated Global Spectrum, LP to maintain, manage, and coordinate all activities at the Conference Center and Old Falls Street. The City agreed to pay from its annual share of Casino Revenues an amount not to exceed \$1,500,000 per year for the years 2014-2018. This is subject to the City reviewing the operating deficits and capital investments in the operating and capital investment budgets. The annual amount is contingent on the City receiving its annual share of the Casino Revenues.

Assessments

The City is a defendant in various litigation under Article 7 of the Real Property Tax Law of the State of New York to review tax assessments. While the City vigorously defends assessments, the likelihood of success is on a case by case basis, and is dependent upon various factors including market values and appraised amounts. Management believes that the level of potential losses on these cases, if any, would be immaterial and no provisions have been made within the financial statements.

Other

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

13. FUND BALANCE

As of December 31, 2015, fund balances were composed of the following:

	General Fund	Community Development Fund	Capital Projects Fund	Miscellaneous Special Revenue Fund	Nonmajor Governmental Funds
Nonspendable -					
Prepaid expenditures	\$ 2,027,741	\$ -	\$ -	\$ -	\$ -
Long term receivables	<u>101,807</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total nonspendable	2,129,548	-	-	-	-
Restricted -					
Risk retention	2,356,622	-	-	-	-
Trolley services	413,957	-	-	-	-
Tourism	<u>372,170</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total restricted	3,142,749	-	-	-	-
Assigned -					
Other spendable amounts	<u>236,042</u>	<u>-</u>	<u>10,345,150</u>	<u>27,997,257</u>	<u>719,663</u>
Total assigned	<u>236,042</u>	<u>-</u>	<u>10,345,150</u>	<u>27,997,257</u>	<u>719,663</u>
Unassigned	<u>5,110,077</u>	<u>(361,537)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 10,618,416</u>	<u>\$ (361,537)</u>	<u>\$ 10,345,150</u>	<u>\$ 27,997,257</u>	<u>\$ 719,663</u>

14. SUBSEQUENT EVENTS

In May 2016, the City issued a bond refunding in the amount of \$37,490,000 to refund Series 2006 bonds for \$5,890,000 and Series 2007 bonds for \$31,455,000.

15. FUTURE GASB PRONOUNCEMENTS

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. The objective of this Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The City is required to adopt the provisions of this Statement for the year ending December 31, 2016.

In June 2015, the GASB issued Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The City is required to adopt the provisions of these Statements for the year ending December 31, 2016, with early adoption encouraged.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* which supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, paragraphs 64, 74, and 82. Statement No. 76 reduces the number of categories of authoritative generally accepted accounting principles (GAAP) hierarchy and the framework for selecting those principles to two categories. The primary category "Category A" will consist of officially established GASB Statements and GASB Interpretations heretofore issued and currently in effect. The second category "Category B" will consist of GASB Technical Bulletins, GASB Implementation Guides when presented in the form of a *Comprehensive Implementation Guide*, and literature of the AICPA cleared by the GASB. The goal of Statement No. 76 is to help governments apply financial reporting guidance with less variability, therefore improving usefulness and comparability of financial statement information among state and local governments. The City is required to adopt the provisions of Statement No. 76 for the year ending December 31, 2016, and should be adopted retroactively, with early adoption permitted.

In August 2015, the GASB issued Statement No. 77 *Tax Abatement Disclosures*. This Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. The provisions of this Statement should be applied to all state and local governments subject to such tax abatement agreements. The City is required to adopt the provisions of these Statements for the year ending December 31, 2016, with early adoption encouraged.

15. FUTURE GASB PRONOUNCEMENTS (Continued)

In March 2016, GASB issued Statement No. 82, *Pension Issues-An Amendment of GASB Statements No. 67, Financial Reporting for pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73 Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GAS 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The Statement addresses issues related to the presentation of payroll related measures in required supplementary information, selection of assumptions and the treatment of deviations and classification of payments made by employers to meet employee contribution requirements. The Statement takes effect for reporting periods beginning after June 15, 2016 except for the selection of assumptions in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end in which the effective date is on or after June 15, 2017. Earlier adoption is encouraged.

CITY OF NIAGARA FALLS, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2015

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES:				
Real property taxes and tax items	\$ 32,433,954	\$ 32,433,954	\$ 33,044,725	\$ 610,771
Nonproperty tax items	18,400,000	18,400,000	17,557,201	(842,799)
Departmental income	356,009	356,009	615,949	259,940
Intergovernmental charges	925,804	925,804	804,560	(121,244)
Use of money and property	554,928	554,928	646,233	91,305
Licenses and permits	1,111,730	1,111,730	1,042,701	(69,029)
Fines and forfeitures	943,500	943,500	567,095	(376,405)
Interfund revenue	170,000	190,343	228,036	37,693
Sale of property and compensation for loss	82,073	82,073	80,675	(1,398)
Miscellaneous	154,900	154,900	345,616	190,716
State aid	19,413,241	19,413,241	19,081,381	(331,860)
Federal aid	-	-	74,772	74,772
Total revenues	<u>74,546,139</u>	<u>74,566,482</u>	<u>74,088,944</u>	<u>(477,538)</u>
EXPENDITURES:				
General governmental support	11,106,630	10,740,216	10,081,757	658,459
Public safety	37,555,537	38,062,596	38,020,400	42,196
Transportation	4,033,013	4,344,808	4,227,566	117,242
Economic assistance and opportunity	487,446	510,159	514,783	(4,624)
Culture and recreation	2,481,850	2,658,321	2,440,903	217,418
Home and community services	5,278,396	5,569,400	5,452,377	117,023
Employee benefits	17,555,360	17,608,098	17,194,150	413,948
Total expenditures	<u>78,498,232</u>	<u>79,493,598</u>	<u>77,931,936</u>	<u>1,561,662</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(3,952,093)</u>	<u>(4,927,116)</u>	<u>(3,842,992)</u>	<u>1,084,124</u>
OTHER FINANCING SOURCES (USES):				
Appropriated fund balance	4,900,000	4,900,000	-	(4,900,000)
Operating transfers - in	8,719,422	9,988,160	9,441,207	(546,953)
Operating transfers - out	<u>(9,667,329)</u>	<u>(9,813,585)</u>	<u>(8,940,289)</u>	<u>873,296</u>
Total other financing sources and uses	<u>3,952,093</u>	<u>5,074,575</u>	<u>500,918</u>	<u>(4,573,657)</u>
CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 147,459</u>	<u>(3,342,074)</u>	<u>\$ (3,489,533)</u>
FUND BALANCE - beginning of year			<u>10,467,272</u>	
FUND BALANCE - end of year			<u>\$ 7,125,198</u>	

Note: This schedule does not include the Risk Retention Fund, Tourism Fund, or Grant Fund which do not have legally adopted budgets.

CITY OF NIAGARA FALLS, NEW YORK

**SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS PLAN
FOR THE YEAR ENDED DECEMBER 31, 2015**

Actuarial Valuation Date	Fiscal Year Ended	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a percentage of Covered Payroll
January 1, 2015	12/31/2015	\$ -	\$ 366,304,988	\$ 366,304,988	0%	\$ 38,456,806	952.5%
January 1, 2014	12/31/2014	\$ -	\$ 279,537,238	\$ 279,537,238	0%	\$ 40,785,237	685.4%
January 1, 2013	12/31/2013	\$ -	\$ 209,997,766	\$ 209,997,766	0%	\$ 38,892,759	539.9%

CITY OF NIAGARA FALLS, NEW YORK

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN - ERS										
Proportion of the net pension liability (asset)	0.045%									
Proportionate share of the net pension liability (asset)	\$ 1,533									
Covered-employee payroll	\$ 11,848									
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	12.94%									
Plan fiduciary net position as a percentage of the total pension liability (asset)	97.90%									

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
NEW YORK STATE POLICE AND FIRE RETIREMENT SYSTEM PLAN - PFRS										
Proportion of the net pension liability (asset)	0.76%									
Proportionate share of the net pension liability (asset)	\$ 2,101									
Covered-employee payroll	\$ 22,813									
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	9.21%									
Plan fiduciary net position as a percentage of the total pension liability (asset)	99.00%									

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

CITY OF NIAGARA FALLS, NEW YORK

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - PENSION PLANS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN - ERS

Contractually required contribution
Contributions in relation to the contractually required contribution
Contribution deficiency (excess)

Covered-employee payroll
Contributions as a percentage of covered-employee payroll

Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
\$ 2,202									
2,202									
\$ -									
\$ 11,848									
18.59%									

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

NEW YORK STATE POLICE AND FIRE RETIREMENT SYSTEM PLAN - PFRS

Contractually required contribution
Contributions in relation to the contractually required contribution
Contribution deficiency (excess)

Covered-employee payroll
Contributions as a percentage of covered-employee payroll

Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
\$ 5,909									
5,909									
\$ -									
\$ 22,813									
25.90%									

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

CITY OF NIAGARA FALLS, NEW YORK

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	<u>Debt Service</u>	<u>Golf Course</u>	<u>Public Library</u>	<u>Parking Ramp</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 674,469	\$ 64,510	\$ 112,072	\$ 18,198	\$ 869,249
Total assets	<u>\$ 674,469</u>	<u>\$ 64,510</u>	<u>\$ 112,072</u>	<u>\$ 18,198</u>	<u>\$ 869,249</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ -	\$ 44,420	\$ 41,760	\$ 11,993	\$ 98,173
Accrued liabilities	-	-	-	1,410	1,410
Due to other governments	-	132	-	-	132
Unearned revenue	-	9,455	-	-	9,455
Due to other funds	-	10,503	25,118	4,795	40,416
Total liabilities	-	64,510	66,878	18,198	149,586
FUND BALANCES:					
Assigned	674,469	-	45,194	-	719,663
Total fund balances	674,469	-	45,194	-	719,663
Total liabilities fund balances	<u>\$ 674,469</u>	<u>\$ 64,510</u>	<u>\$ 112,072</u>	<u>\$ 18,198</u>	<u>\$ 869,249</u>

CITY OF NIAGARA FALLS, NEW YORK

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Debt Service</u>	<u>Golf Course</u>	<u>Public Library</u>	<u>Parking Ramp</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES:					
Departmental income	\$ -	\$ 701,665	\$ -	\$ 1,156,592	\$ 1,858,257
Interdepartmental charges	2,814	-	-	-	2,814
Use of money and property	-	12,396	-	4,099	16,495
Miscellaneous local sources	<u>850,000</u>	<u>-</u>	<u>18,873</u>	<u>(447)</u>	<u>868,426</u>
Total revenues	<u>852,814</u>	<u>714,061</u>	<u>18,873</u>	<u>1,160,244</u>	<u>2,745,992</u>
EXPENDITURES:					
General governmental support	-	-	-	445,545	445,545
Culture and recreation	-	1,041,711	1,446,439	-	2,488,150
Employee benefits	-	92,496	363,978	7,098	463,572
Debt service -					
Principal	3,824,861	-	-	-	3,824,861
Interest	<u>2,526,436</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,526,436</u>
Total expenditures	<u>6,351,297</u>	<u>1,134,207</u>	<u>1,810,417</u>	<u>452,643</u>	<u>9,748,564</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(5,498,483)</u>	<u>(420,146)</u>	<u>(1,791,544)</u>	<u>707,601</u>	<u>(7,002,572)</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers - in	6,711,065	461,526	1,855,612	220,639	9,248,842
Operating transfers - out	<u>(850,000)</u>	<u>(41,380)</u>	<u>-</u>	<u>(928,240)</u>	<u>(1,819,620)</u>
Total other financing sources and uses	<u>5,861,065</u>	<u>420,146</u>	<u>1,855,612</u>	<u>(707,601)</u>	<u>7,429,222</u>
CHANGE IN FUND BALANCE	362,582	-	64,068	-	426,650
FUND BALANCE - beginning of year	<u>311,887</u>	<u>-</u>	<u>(18,874)</u>	<u>-</u>	<u>293,013</u>
FUND BALANCE - end of year	<u>\$ 674,469</u>	<u>\$ -</u>	<u>\$ 45,194</u>	<u>\$ -</u>	<u>\$ 719,663</u>

SECTION B

SINGLE AUDIT UNDER UNIFORM GUIDANCE

**INDEPENDENT AUDITOR'S 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**

June 10, 2016

To the City Council of the
City of Niagara Falls, New York:

We have audited, in accordance with the 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, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Niagara Falls, New York, (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 10, 2016. Our report includes a reference to other auditors, who audited the financial statements of the Niagara Falls Public Library, as described in our report on the City's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by the other auditor.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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(Continued)

INDEPENDENT AUDITOR'S 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*

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

June 10, 2016

To the City Council of the
City of Niagara Falls, New York:

Report on Compliance for Each Major Federal Program

We have audited the City of Niagara Falls, New York's (the City's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

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(Continued)

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**
(Continued)

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CITY OF NIAGARA FALLS, NEW YORK

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

<u>Federal Grantor/Pass Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Subrecipients</u>
U.S. Department of Housing and Urban Development:				
Community Development Block Grants/Entitlement Grants	14.218	N/A	\$ 1,903,904	\$ 867,500
Emergency Solutions Grants Program	14.231	N/A	227,581	184,422
Home Investment Partnerships Program	14.239	N/A	582,987	211,941
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	N/A	47,530	-
Section 8 Housing Choice Vouchers	14.871	N/A	3,347,201	-
Passed through NYS Division of Housing and Community Renewal				
Section 8 Housing Choice Vouchers	14.871	NY904	105,715	-
<i>Total U.S. Department of Housing and Urban Development</i>			<u>6,214,918</u>	<u>1,263,863</u>
U.S. Department of Commerce:				
Foreign-Trade Zones in the United States	11.111	N/A	45,652	-
<i>Total U.S. Department of Commerce</i>			<u>45,652</u>	<u>-</u>
U.S. Department of Justice:				
Equitable Sharing Program	16.922	N/A	93,985	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	73,882	-
Public Safety Partnership and Community Policing Grants	16.710	N/A	74,772	-
Passed through NYS Division of Criminal Justice Services				
Legal Assistance for Victims	16.524	VW091168E00	65,837	-
<i>Total U.S. Department of Justice</i>			<u>308,476</u>	<u>-</u>
U.S. Department of Transportation:				
Passed through NYS Department of Transportation				
Highway Planning and Construction	20.205	D017307	9,964,509	-
Highway Planning and Construction	20.205	D022276	273,309	-
Highway Planning and Construction	20.205	D033381	39,059	-
Highway Planning and Construction	20.205	D024782	34,120	-
<i>Total U.S. Department of Transportation</i>			<u>10,310,997</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 16,880,043</u>	<u>\$ 1,263,863</u>

CITY OF NIAGARA FALLS, NEW YORK

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS DECEMBER 31, 2015

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Niagara Falls, New York (the City) under programs of the federal government for the year ended December 31, 2015. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative requirements, Cost Principles, and Audit requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or the respective changes in financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are presented in conformity with accounting principles generally accepted in the United States and the amounts presented are derived from the City's general ledger.

The City did not elect to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. PASS-THROUGH PROGRAMS

Where the City receives funds from a government entity other than the federal government (pass-through), the funds are accumulated based upon the Catalog of Federal Domestic Assistance (CFDA) number advised by the pass-through grantor.

Identifying numbers, other than the CFDA numbers, which may be assigned by pass-through grantors are not maintained in the City's financial management system. The City has identified certain pass-through identifying numbers and included them in the Schedule, as available.

4. INDIRECT COSTS

Indirect costs are included in the reported expenditures to the extent such costs are included in the federal financial reports used as the source for the data presented.

5. MATCHING COSTS

Matching costs, i.e., the City's or State's share of certain program costs, are not included in the schedule of expenditures of federal awards.

CITY OF NIAGARA FALLS, NEW YORK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2015

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

☐ Yes ☒ No

Significant deficiencies identified not considered to be material weaknesses?

☐ Yes ☒ No

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

☐ Yes ☒ No

Significant deficiencies identified not considered to be material weaknesses?

☐ Yes ☒ No

Type of auditor's report issued on compliance for major programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?

☐ Yes ☒ No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
--------------------	--------------------------------

14.218	Community Development Block Grant
--------	-----------------------------------

20.205	Highway Planning and Construction
--------	-----------------------------------

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

☒ Yes ☐ No

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

SECTION C

NEW YORK STATE SINGLE AUDIT

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS OF THE STATE TRANSPORTATION ASSISTANCE
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY DRAFT PART 43 OF THE NYSCRR**

June 10, 2016

To the City Council of the
City of Niagara Falls, New York:

Report on Compliance of the State Transportation Assistance Program

We have audited the City of Niagara Falls, New York's (the City) compliance with the types of compliance requirements described in the Draft Part 43 of the New York State Codification of Rules and Regulations (NYSCRR) that could have a direct and material effect on the City's state transportation assistance program tested for the year ended December 31, 2015. The City's state transportation assistance program tested is identified in the summary of audit results section of the accompanying schedule of findings and questioned costs for state transportation assistance expended.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state transportation assistance program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's state transportation assistance program tested based on our audit of the types of compliance requirements referred to above. 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 Draft Part 43 of NYSCRR. Those standards and Draft Part 43 of NYSCRR 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 the state transportation assistance program occurred. An audit includes examining, on a test basis, evidence about the City'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 on compliance for the state transportation assistance program tested. However, our audit does not provide a legal determination of the City's compliance.

Opinion on State Transportation Assistance Program Tested

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its state transportation assistance program tested for the year ended December 31, 2015.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS OF THE
STATE TRANSPORTATION ASSISTANCE PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY DRAFT PART 43 OF THE NYSCRR**

(Continued)

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the state transportation assistance program tested to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the state transportation assistance programs and to test and report on internal control over compliance in accordance with Draft Part 43 of NYSCRR, 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's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the state transportation assistance program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the state transportation assistance program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the state transportation assistance program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Draft Part 43 of NYSCRR. Accordingly, this report is not suitable for any other purpose.

CITY OF NIAGARA FALLS, NEW YORK**SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED
FOR THE YEAR ENDED DECEMBER 31, 2015**

<u>Program Title</u>	<u>NYS DOT Contract Reference Number</u>	<u>Expenditures</u>
Consolidated Local Street and Highway Improvement Program (CHIPS)	001-01/001-02	\$ 1,024,949
Extreme Winter Recovery	N/A	157,357
Arterial Maintenance	N/A	401,625
Marchiselli Program - Bond Match for Federal Aid Highway Projects:		
Transportation Center	D017307	2,793,857
Buffalo Ave	D0022276	51,245
Buffalo Ave	D0024782	6,398
Porter Ave Bridge Project	D033381	<u>9,765</u>
Total Marchiselli Program		<u>2,861,265</u>
Total State Transportation Assistance		<u>\$ 4,445,196</u>

CITY OF NIAGARA FALLS, NEW YORK

NOTES TO THE SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED DECEMBER 31, 2015

1. GENERAL

The accompanying Schedule of State Transportation Assistance Expended of the City of Niagara Falls, New York (the City) presents the expenditures of all financial assistance programs provided by the New York State Department of Transportation.

2. BASIS OF ACCOUNTING

The accompanying Schedule of State Transportation Assistance Expended is presented in conformity with accounting principles generally accepted in the United States.

3. INDIRECT COSTS

Indirect costs are included in the reported expenditures to the extent they are included in the New York State financial reports used as the source for the data presented.

4. MATCHING COSTS

Amounts identified as Marchiselli Program - Bond Match for Federal Aid Highway Projects represent matching costs for the federally aided program.

CITY OF NIAGARA FALLS, NEW YORK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR STATE TRANSPORTATION ASSISTANCE EXPENDED FOR THE YEAR ENDED DECEMBER 31, 2015

A. SUMMARY OF AUDIT RESULTS

1. Internal control over state transportation assistance expended:
 - No significant deficiencies or material weaknesses were identified.
2. The independent auditor's report on compliance with requirements of the state transportation assistance program and on internal control over compliance required by Draft Part 43 of the NYSCRR in accordance with *Government Auditing Standards* expressed an unmodified opinion and did not disclose any noncompliance with state transportation programs.
3. The program tested was:
 - Highway Planning Grant – Federal Aid Highway Projects/Marchiselli Program

B. FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

There were no current year findings and there were no prior year findings.

C. COMPLIANCE FINDINGS AND QUESTIONED COSTS

There were no current year findings.