

August 9, 2018

To the Honorable Members of the City Council of the
City of Lockport, New York:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lockport, New York (the City) for the year ended December 31, 2017, and the related notes to the financial statements. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated February 6, 2018. Professional standards also require that we communicate to you the following information related to our audit.

SIGNIFICANT AUDIT FINDINGS

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during 2017.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- ***Management's estimate of compensated absences is based on the accrued time at the end of the year per employee in accordance with the existing collective bargaining agreements in place at the time.***
- ***Management's estimate of the net pension asset (liability) and related deferred inflows/outflows of resources is based on actuarial assumptions utilized by an actuary applied to the pension plans' census information.***
- ***Management's estimate of the other postemployment benefits liability is based on an actuarial calculation from a third-party actuary.***

100 Corporate Parkway
Suite 200
Amherst, New York 14226
p (716) 250-6600
f (716) 250-6605

www.bonadio.com

SIGNIFICANT AUDIT FINDINGS (Continued)

We evaluated the key factors and assumptions used to develop each estimate in determining that they are reasonable in relation to the financial statements taken as a whole. The financial statements also include the City's estimate of depreciation.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

The schedule of adjustments as corrected by management are in Exhibit A.

In addition, management proposed a prior period adjustment related to medical expense reimbursement plan claims paid. This adjustment reduced net position in both the health insurance and government wide statements in the amount of \$245,494 and increased the amount held in the trust and agency account by the same amount. See Note 3 for further information.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.

We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 9, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

To our knowledge, there were no such consultations with other accountants.

SIGNIFICANT AUDIT FINDINGS (Continued)

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors.

However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, budgetary comparison information, schedules of funding progress, contributions pension plans, and proportionate share of the net pension liability (asset) which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the City Council and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

CITY OF LOCKPORT, NEW YORK

DECEMBER 31, 2017

SCHEDULE OF ADJUSTMENTS

General Fund

Change in fund balance, unadjusted	\$ 1,228,269
Audit Adjustments:	
To record current year activity in asset forfeiture bank account	(43,444)
To record federal aid related to the SAFER grant	54,661
Client Adjustments:	
To decrease engineering expense for amount due from capital projects fund	13,188
To record revenue for reimbursement from GLDC	5,500
To record engineering expense	(1,614)
To record telephone expense	<u>(5,719)</u>
Change in fund balance, adjusted	<u>\$ 1,250,841</u>

Community Development Fund

Change in fund balance, unadjusted	\$ 37,441
Client Adjustments:	
To record revenue for property sold in in rem auction	<u>13,790</u>
Change in fund balance, adjusted	<u>\$ 51,231</u>

CITY OF LOCKPORT, NEW YORK

Exhibit A
(Continued)

**DECEMBER 31, 2017
SCHEDULE OF ADJUSTMENTS**

Water Fund

Change in fund balance, unadjusted	\$ 335,796
Client Adjustments:	
To record HRA employer contribution	(2,262)
To decrease expense for amount due from capital projects fund	45,361
To record interfund transfer from capital projects fund	24,445
To record laboratory services expense	<u>(1,460)</u>
Change in fund balance, adjusted	<u>\$ 401,880</u>

Sewer Fund

Change in fund balance, unadjusted	\$ (10,549)
Client Adjustments:	
To record HRA employer contribution	(3,727)
To record engineering expense	<u>(4,060)</u>
Change in fund balance, adjusted	<u>\$ (18,336)</u>

Capital Projects Fund

Change in fund balance, unadjusted	\$ 6,031,558
Audit Adjustments:	
To adjust fund balance	19,221
Client Adjustments:	
To record engineering expense	(13,188)
To record CHIPS revenue	96,342
To record revenue related to raw water line project	525
To record interfund transfer to water fund	(24,445)
To record state aid	<u>72,215</u>
Change in fund balance, adjusted	<u>\$ 6,182,228</u>

CITY OF LOCKPORT, NEW YORK

Exhibit A
(Continued)

**DECEMBER 31, 2017
SCHEDULE OF ADJUSTMENTS**

Health Insurance Fund

Change in net position, unadjusted	\$	(5,385,477)
Audit Adjustments:		
To record change in claims payable		31,360
Client Adjustments:		
To record current year MERP payments		<u>(162,692)</u>
Change in net position, adjusted	\$	<u>(5,516,809)</u>

Workers Comp Fund

Change in net position, unadjusted	\$	(744,897)
Audit Adjustments:		
To record change in claims payable		<u>595,177</u>
Change in net position, adjusted	\$	<u>(149,720)</u>