

CITY OF LOCKPORT, NEW YORK

FINANCIAL STATEMENTS

DECEMBER 31, 2020

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INDEPENDENT AUDITORS' REPORT

The City of Lockport Common Council
City of Lockport, New York

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Lockport, New York (the City) as of and for the year ended December 31, 2020, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows and the respective budgetary comparisons for the general, water, community development, and sewer funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Changes in Accounting Principle

As described in Note 2 to the financial statements, the City adopted GASB Statement No. 84, *Fiduciary Activities*, in 2020. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Supplementary Information

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

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

A handwritten signature in blue ink that reads "Lynden & McCormick, LLP". The signature is written in a cursive, flowing style.

July 27, 2021

Management’s Discussion and Analysis (unaudited)

December 31, 2020

Introduction

Management’s Discussion and Analysis (MD&A) of City of Lockport, New York (the City) provides an overview of the City’s financial activities and performance for the year ended December 31, 2020. The information contained in the MD&A should be considered in conjunction with the information presented in the City’s financial statements that follow. This MD&A, the financial statements, and notes thereto are essential to obtaining a full understanding of the City’s financial position and results of operations. The City’s financial statements have the following components: (1) government-wide financial statements, (2) governmental fund financial statements, (3) reconciliations between the government-wide and governmental fund financial statements, (4) proprietary fund statements, (5) fiduciary fund statements, (6) notes to the financial statements, and (7) required supplementary information.

The government-wide financial statements are designed to provide readers with a broad overview of the City’s finances in a manner similar to a private-sector business. The government-wide financial statements are designed to provide readers with a broad overview of the Town’s finances in a manner similar to a private-sector business. In 2020, the City adopted GASB Statement No. 84, *Fiduciary Activities* (GASB 84). This statement redefines activities considered to be fiduciary, and as a result, payroll and employee third party withholdings, forfeitures, and certain other funds are now recorded in the general fund.

The statement of net position presents information on all of the City’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the net difference reported as net position. The statement of activities presents information showing how the City’s net position changed during each year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future periods. The government-wide financial statements present information about the City as a whole. All of the activities of the City are considered to be governmental activities.

Governmental fund financial statements focus on near-term inflows and outflows of resources, as well as on balances of resources available at the end of the year. Such information may be useful in evaluating the City’s near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the City’s near-term financing decisions. The reconciliation portion of the financial statements facilitates the comparison between governmental funds and governmental activities.

Proprietary funds are used to report activities that provide goods or services to other funds or departments of the City and include the health insurance and workers’ compensation internal service funds. Because the activities recorded in the funds are governmental in nature, such amounts are also reflected in the government-wide statements. Eliminations have been made to remove the “doubling-up” effect in the statement of activities.

Fiduciary funds are used to report fiduciary activities, which may include pension and other postemployment benefit trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The City maintains a custodial fund for the collection and distribution of property taxes for the benefit of other governments. The notes to the financial statements provide additional information that is essential for a full understanding of the government-wide, governmental fund, and fiduciary fund financial statements.

Supplementary information further explains and supports the financial statements and includes information required by generally accepted accounting principles.

Condensed Statement of Net Position	2020	2019	Change	
			\$	%
Current and other assets	\$ 25,523,000	\$ 23,008,000	\$ 2,515,000	10.9%
Capital assets	67,766,000	67,099,000	667,000	1.0%
Total assets	93,289,000	90,107,000	3,182,000	3.5%
Deferred outflows of resources	25,811,000	8,148,000	17,663,000	216.8%
Long-term liabilities	138,950,000	111,317,000	27,633,000	24.8%
Other liabilities	6,523,000	13,597,000	(7,074,000)	(52.0%)
Total liabilities	145,473,000	124,914,000	20,559,000	16.5%
Deferred inflows of resources	20,550,000	25,195,000	(4,645,000)	(18.4%)
Net position				
Net investment in capital assets	53,514,000	53,221,000	293,000	0.6%
Restricted	6,889,000	5,004,000	1,885,000	37.7%
Unrestricted	(107,326,000)	(110,079,000)	2,753,000	(2.5%)
Total net position	\$ (46,923,000)	\$ (51,854,000)	\$ 4,931,000	(9.5%)

The City's net position was a deficit balance of \$(46,923,000) at December 31, 2020 compared to a deficit balance of \$(51,854,000) at December 31, 2019. Capital assets (infrastructure, buildings, improvements, machinery, and equipment) represent the largest portion (72.6%) of the City's total assets (74.5% in 2019). Long-term liabilities outstanding total 95.5% of total liabilities in 2020 and 89.1% in 2019. A portion of the City's long-term obligations relate directly to infrastructure and other capital assets, while the majority is associated with the City's other postemployment benefits (OPEB) and pension obligations.

Current assets increased by \$2,515,000 (increase of \$2,535,000 or 12.4% in 2019). These balances consist of cash and receivables from other governments and third parties. The changes in individual account balances generally reflect the timing of cash flows. Capital assets increased by \$667,000 (increase of \$6,453,000 or 10.6% in 2019) due to work on the City's infrastructure and building improvement projects, offset by current year depreciation expense.

Long-term liabilities increased \$27,633,000 (decrease of \$7,441,000 or 6.3% in 2019) due to an increase in the OPEB liability as well as the issuance of \$7,215,000 of new bonds. Long-term liabilities also reflect an increase in the City's share of the net pension liability for the New York State and Local Retirement System, which includes the Employees' Retirement System (ERS) and the Police and Fire Retirement System (PFRS). The decrease in other liabilities of \$7,074,000 (increase of \$4,287,000 or 46.0% in 2019) was the result of repaying the 2019 bond anticipation notes (BANs) with bond proceeds.

Changes in deferred outflows and deferred inflows of resources for the City's pension activity at the State level are required to be reflected on the financial statements. Deferred outflows of resources include contributions paid by the City to the State pension system after the measurement date which determines the plan's net position. Deferred outflows and deferred inflows of resources also reflect variances from actuarial assumptions, actual results of investment earnings compared to projected earnings, and changes of assumptions for both pensions and the City's OPEB activity.

Condensed Statement of Activities	2020	2019	Change	
			\$	%
Revenues				
Program revenues				
Charges for services	\$ 9,653,000	\$ 9,944,000	\$ (291,000)	(2.9%)
Operating and capital grants and contributions	2,171,000	5,487,000	(3,316,000)	(60.4%)
General revenues				
Property taxes	13,673,000	13,324,000	349,000	2.6%
Sales taxes	6,587,000	5,835,000	752,000	12.9%
State aid	2,374,000	2,883,000	(509,000)	(17.7%)
Other	644,000	647,000	(3,000)	(0.5%)
Total revenues	35,102,000	38,120,000	(3,018,000)	(7.9%)
Expenses				
Support services				
General government	4,337,000	4,471,000	(134,000)	(3.0%)
Public safety	13,631,000	12,866,000	765,000	5.9%
Transportation	2,827,000	2,680,000	147,000	5.5%
Economic assistance and opportunity	86,000	126,000	(40,000)	(31.7%)
Culture and recreation	501,000	687,000	(186,000)	(27.1%)
Home and community services	8,426,000	8,192,000	234,000	2.9%
Interest	363,000	361,000	2,000	0.6%
Total expenses	30,171,000	29,383,000	788,000	2.7%
Change in net position	4,931,000	8,737,000	(3,806,000)	(43.6%)
Net position – beginning	(51,854,000)	(60,591,000)	8,737,000	(14.4%)
Net position – ending	\$ (46,923,000)	\$ (51,854,000)	\$ 4,931,000	(9.5%)

The main revenue sources supporting the City's programs are sales and property taxes which represent 57.7% of total revenues in 2020 and 50.3% in 2019. Property taxes were consistent with the prior year increasing \$349,000 or 2.6% (increase of \$276,000 or 2.1% in 2019). Sales tax revenue increased \$752,000 (decrease of \$1,077,000 in 2019) due to recognition in the prior year of amounts the City owed to New York State as a result of improper reporting by several area businesses that caused the City to receive \$750,000 in sales tax to which it was not entitled. State aid decreased \$509,000 (decrease of \$46,000 or 1.6% in 2019) due to a reduction in Aid and Incentives to Municipalities (AIM) funding in 2020 and uncertainty of additional payments. Charges for services, which include water, sewer, and refuse charges, were relatively consistent with 2019, decreasing by \$291,000 or 2.9%. Operating and capital grants and contributions decreased \$3,316,000 (increase of \$1,372,000 or 33.3% in 2019) due to a decrease in State aid for water capital projects.

Total expenses increased \$788,000 (decrease of \$2,141,000 or 6.8% in 2019). Pension expense increased \$2,069,000 and OPEB expense increased \$1,490,000 due to changes of assumptions in the calculation of the related liabilities, primarily caused by decreases in the respective discount rates. Decreases in payroll and related compensated absences offset some of the OPEB and pension increases. Employee benefits are allocated across all support services based on the percentage of payroll expense in each category, with a majority allocated to public safety.

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's fund balance increased \$1,069,000 for 2020 (increase of \$1,822,000 for 2019) primarily due to expenses amounting to less than those budgeted, particularly in payroll and employee benefits. Actual revenue was lower than was budgeted, particularly in revenue from state sources as a result of the reduction in AIM funding.

- Water Fund

The City's water fund is a special revenue fund, used to account for the City's water services provided to taxpayers. This fund experienced an increase in fund balance of \$556,000 for the year ended 2020 (\$469,000 increase for 2019), primarily due to reductions in overtime and cost savings relative to water administration, filtration, and distribution.

- 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 slightly decreased by \$41,000 in 2020 (\$39,000 increase in 2019), due to administrative costs in excess of revenue from the repayment of rehab loans.

- Sewer Fund

The City's sewer fund is a special revenue fund used to account for sewer services provided to taxpayers. The fund balance increased by \$642,000 in the current year (\$309,000 increase in 2019), due to increases in fees for services and a decrease in required debt service payments.

- Refuse Fund

The City's refuse fund accounts for garbage services provided to taxpayers. Fund balance was consistent year to year as revenue exceeded expenditures by less than \$1,000.

- Debt Service Fund

The debt service fund is used to account for the accumulation of resources for and the payment of interest and principal on general governmental obligations. This fund balance decreased \$141,000 to \$460,000 in 2020 (\$13,000 decrease in 2019) as part of a planned use of debt service to reduce the net budgetary impact in other funds.

Overall, total fund balances for the governmental funds increased from \$7,513,000 to \$15,612,000 due to the following:

- Revenue for all funds totaled \$35,282,000 and decreased by \$3,723,000 or 9.5%. The decrease in revenue was the result of decreases in State aid, as previously mentioned.
- The City received proceeds from the issuance of debt in the amount of \$7,215,000.
- Capital projects expenditures were \$3,005,000 in 2020 compared to \$8,637,000 in 2019 due to a reduction in work on the infrastructure projects within the City.
- Payroll decreased \$356,000 or 2.8% due to a lack of need for recreation and summer employees and a reduction in overtime, all caused by the COVID-19 pandemic.

General Fund Budgetary Highlights

Actual revenues were less than budgeted revenues by \$1,209,000 or 4.8%. The largest variance was in state sources, which were under budget by \$508,000 as noted previously. Expenditures (before other financing uses) were under budget by \$2,270,000 or 9.1% with large variances in employee benefits, public safety, and general government support.

Capital Assets

	2020	2019
Land	\$ 3,173,000	\$ 3,173,000
Construction in progress	2,719,000	8,941,000
Infrastructure	31,831,000	22,965,000
Buildings and improvements	68,506,000	68,145,000
Machinery and equipment	8,986,000	8,986,000
Vehicles	4,640,000	4,640,000
	<u>119,855,000</u>	116,850,000
Accumulated depreciation	<u>(52,089,000)</u>	(49,751,000)
	<u>\$ 67,766,000</u>	<u>\$ 67,099,000</u>

Depreciation expense totaled \$2,338,000 while capital asset additions totaled \$3,005,000. A majority of the capital asset additions relate directly to the ongoing water and sewer projects previously discussed.

Debt

At December 31, 2020, the City had \$14,252,000 in bonds outstanding (\$8,705,000 at December 31, 2019) with \$1,953,000 due within one year. During 2020, the City issued bonds totaling \$7,215,000, the majority of which was used to repay BANs of \$6,085,000, and made principal payments of \$1,668,000 on existing debt. Compensated absences totaled \$2,703,000 at December 31, 2020 (\$3,210,000 at December 31, 2019) with \$270,000 expected to be used within one year.

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

Factors Impacting the City's Future

Health insurance costs continue to place an inordinate burden on the City's budgets. The majority of the City's employees receive 100% of their health care coverage for themselves, their spouses, and their children under the age of 26 at no cost to the employee under collective bargaining agreements. Retirees of the City also receive health care coverage for themselves, their spouses, and their children under the age of 26 at no cost to the retiree for the life of the retiree. The City is slowly making headway with its unions to have employees begin to contribute toward their health insurance benefits both as current employees and retirees. Since 2013 and 2017, respectively, police officers and firefighters have contributed 15% of the premium equivalent for health insurance and will continue to pay a minimum of 15% of the premium equivalent for health insurance in retirement.

Retirement costs for employees as mandated by ERS and PFRS, while slowly declining, are projected to remain at levels well above the average over the past 10 years.

On June 16, 2014, when the City was in the midst of significant cash flow problems, the State Assembly of the State of New York approved deficit financing for the City, not to exceed \$5,350,000. A deficit financing bond was ultimately issued in the amount of \$3,945,000 to eliminate prior fund deficits that were created due to poor fiscal management in the prior years. The City began making payments on principal and interest in earnest during 2016. Along with the reorganization of services and the deficit funding available, the City has been better able to fund services to its constituents and maintain a positive cash position.

On January 31, 2020, the United States Secretary of Health and Human Services (HHS) declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. Efforts to fight the widespread disease included limiting or closing many businesses and resulted in a severe disruption of operations for organizations. The City recognized decreases in revenues from licenses, permits, fines, and forfeitures as a result of the pandemic. The full extent of the impact of COVID-19 on the City's operational and financial performance will depend on further developments, including the duration and spread of the outbreak and its impact on state and local governments and their residents, employees, and vendors, none of which can be predicted.

Contact for the City's Financial Management

This report is designed to provide a general overview of the finances of the City of Lockport, New York for interested parties. Questions concerning any information within this report or requests for additional information should be addressed to Sue Mawhiney, City Treasurer, or Timothy Russo, Director of Finance, One Locks Plaza, City of Lockport, New York.

Statement of Net Position

December 31, 2020 (With comparative totals as of December 31, 2019)	2020	2019 (as restated)
Assets		
Cash	\$ 9,711,683	\$ 5,625,447
Loans and accounts receivable, net	6,105,054	6,101,717
Due from other governments	1,383,856	3,698,439
Prepaid expenses	-	211,545
Investments	8,322,831	7,371,435
Capital assets (Note 6)	119,854,618	116,849,865
Accumulated depreciation	(52,088,900)	(49,751,094)
Total assets	93,289,142	90,107,354
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	11,445,294	5,059,846
Deferred outflows of resources related to OPEB	14,365,693	3,087,824
Total deferred outflows of resources	25,810,987	8,147,670
Liabilities		
Accounts payable	846,646	1,291,532
Accrued liabilities	2,780,271	3,241,688
Due to other governments	1,980,513	1,984,617
Bond anticipation notes	-	6,085,400
Unearned revenue	915,478	993,558
Long-term liabilities		
Due within one year:		
Bonds	1,953,000	1,668,000
Compensated absences	270,000	319,000
Sales tax overpayment	77,075	77,075
Due beyond one year:		
Bonds	12,299,000	7,037,000
Compensated absences	2,433,000	2,891,000
Sales tax overpayment	533,104	610,179
Net pension liability	15,109,904	4,840,801
Total OPEB liability	106,275,360	93,874,372
Total liabilities	145,473,351	124,914,222
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	703,889	1,763,406
Deferred inflows of resources related to OPEB	19,846,281	23,431,529
Total deferred inflows of resources	20,550,170	25,194,935
Net Position		
Net investment in capital assets	53,513,718	53,221,434
Restricted	6,889,397	5,004,108
Unrestricted	(107,326,507)	(110,079,675)
Total net position (deficit)	\$ (46,923,392)	\$ (51,854,133)

CITY OF LOCKPORT, NEW YORK

Statement of Activities

For the year ended December 31, 2020
 (With summarized comparative totals for December 31, 2019)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2020	2019
Governmental activities						
General government	\$ 4,336,845	\$ 346,121	\$ 73,939	\$ 892,567	\$ (3,024,218)	\$ (3,390,735)
Public safety	13,631,401	117,302	12,389	-	(13,501,710)	(12,178,685)
Transportation	2,827,296	-	92,515	641,873	(2,092,908)	(1,619,177)
Economic assistance and opportunity	86,070	-	-	-	(86,070)	(126,117)
Culture and recreation	501,402	532	-	-	(500,870)	(646,619)
Home and community services	8,425,546	9,189,278	395,344	61,994	1,221,070	4,370,196
Interest expense	362,654	-	-	-	(362,654)	(360,982)
	<u>30,171,214</u>	<u>9,653,233</u>	<u>574,187</u>	<u>1,596,434</u>	<u>(18,347,360)</u>	<u>(13,952,119)</u>
General revenues						
					13,673,135	13,323,561
Real property taxes					6,586,686	5,834,945
Sales taxes					2,374,166	2,882,856
State aid					644,114	647,134
Miscellaneous					<u>23,278,101</u>	<u>22,688,496</u>
Total general revenues						
Change in net position					4,930,741	8,736,377
Net position (deficit) - beginning					(51,854,133)	(60,590,510)
Net position (deficit) - ending					<u>\$ (46,923,392)</u>	<u>\$ (51,854,133)</u>

CITY OF LOCKPORT, NEW YORK

Balance Sheet - Governmental Funds

December 31, 2020

(With summarized comparative totals as of December 31, 2019)

	General	Capital Projects	Water	Community Development	Sewer	Other Governmental Funds	Total Governmental Funds	
							2020	2019 (as restated)
Assets								
Cash	\$ 2,562,182	\$ 1,109,693	\$ 1,016,673	\$ 111,665	\$ 1,424,539	\$ 766,956	\$ 6,991,708	\$ 3,419,859
Loans and accounts receivable, net	3,374,285	-	831,174	887,701	663,795	348,099	6,105,054	6,101,717
Due from other governments	778,667	432,465	19	13,290	159,415	-	1,383,856	3,698,439
Prepaid expenses	506,747	-	39,916	-	33,723	-	580,386	771,549
Due from other funds	445,755	-	-	-	-	-	445,755	1,921,726
Investments	5,156,687	-	1,563,294	-	102,100	-	6,822,081	6,035,286
Total assets	\$ 12,824,323	\$ 1,542,158	\$ 3,451,076	\$ 1,012,656	\$ 2,383,572	\$ 1,115,055	\$ 22,328,840	\$ 21,948,576
Liabilities and Fund Balances								
Accounts payable	\$ 288,917	\$ 268,875	\$ 78,087	\$ 37,500	\$ 72,136	\$ 98,948	\$ 844,463	\$ 1,283,846
Accrued liabilities	876,183	-	24,724	-	20,756	-	921,663	685,132
Due to other funds	-	432,465	-	13,290	-	-	445,755	1,766,979
Due to other governments	1,980,513	-	-	-	-	-	1,980,513	1,984,617
Bond anticipation notes	-	-	-	-	-	-	-	6,085,400
Unearned revenue	996,569	-	276,896	887,701	223,772	139,874	2,524,812	2,629,946
Total liabilities	4,142,182	701,340	379,707	938,491	316,664	238,822	6,717,206	14,435,920
Fund Balances								
Nonspendable:								
Not in spendable form	506,747	-	39,916	-	33,723	-	580,386	771,549
Other	16,657	-	-	-	-	-	16,657	-
Restricted:								
Capital projects	-	840,818	-	-	-	-	840,818	-
Community development	-	-	-	74,165	-	-	74,165	114,812
Water	-	-	3,031,453	-	-	-	3,031,453	2,478,796
Sewer	-	-	-	-	2,033,185	-	2,033,185	1,394,063
Refuse	-	-	-	-	-	416,072	416,072	415,652
Debt	-	-	-	-	-	460,161	460,161	600,785
Other	16,886	-	-	-	-	-	16,886	-
Assigned:								
Designated for subsequent year's expenditures	458,104	-	-	-	-	-	458,104	-
Unassigned	7,683,747	-	-	-	-	-	7,683,747	1,736,999
Total fund balances	8,682,141	840,818	3,071,369	74,165	2,066,908	876,233	15,611,634	7,512,656
Total liabilities and fund balances	\$ 12,824,323	\$ 1,542,158	\$ 3,451,076	\$ 1,012,656	\$ 2,383,572	\$ 1,115,055	\$ 22,328,840	\$ 21,948,576

See accompanying notes.

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

December 31, 2020

Total fund balances - governmental funds		\$ 15,611,634
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported as assets in governmental funds.		67,765,718
Net position of the internal service funds is not included in the fund financial statements but is included in the governmental activities of the statement of net position.		2,435,934
Property tax revenue is recognized when earned in the government-wide statements but is recorded as unearned revenue in the governmental funds if collection is not anticipated within sixty days after year end.		968,892
Revenue related to service billings is recognized when earned in the government-wide statements, but recorded as unearned revenue in the governmental funds if collection is not anticipated within sixty days after year end.		640,442
The City's pension and OPEB liabilities and related deferred outflows and deferred inflows of resources are recognized in the government-wide statements as follows:		
Pension	(4,948,885)	
OPEB	<u>(111,755,948)</u>	(116,704,833)
Certain liabilities are not due and payable currently and therefore are not reported as liabilities of the governmental funds. These liabilities are:		
Bonds	(14,252,000)	
Compensated absences	(2,703,000)	
Sales tax overpayment	(610,179)	
Accrued interest	<u>(76,000)</u>	(17,641,179)
Net position (deficit) - governmental activities		\$ (46,923,392)

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

For the year ended December 31, 2020
(With summarized comparative totals for December 31, 2019)

	General	Capital Projects	Water	Community Development	Sewer	Other Governmental Funds	Total Governmental Funds	
							2020	2019
Revenues								
Real property taxes	\$ 13,555,150	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,555,150	\$ 13,176,515
Nonproperty tax items	6,509,611	-	-	-	-	-	6,509,611	6,522,199
Departmental income	215,655	-	4,035,818	37,695	3,360,508	1,317,794	8,967,470	8,892,524
Intergovernmental charges	45,116	-	-	-	637,660	-	682,776	681,105
Use of money and property	111,537	4,120	3,198	100	526	1,263	120,744	229,165
Licenses and permits	163,564	-	-	-	-	-	163,564	215,167
Fines and forfeitures	47,156	-	-	-	-	-	47,156	172,560
Miscellaneous local sources	66,573	-	453	5,000	1,493	72,308	145,827	129,415
Interfund revenue	420,822	-	134,565	-	-	-	555,387	520,049
Sale of property and compensation for loss	13,174	-	10,833	-	12,565	-	36,572	96,259
State sources	2,619,781	1,596,434	-	-	-	-	4,216,215	7,645,333
Federal sources	27,868	-	-	253,430	-	-	281,298	724,432
Total revenues	23,796,007	1,600,554	4,184,867	296,225	4,012,752	1,391,365	35,281,770	39,004,723
Expenditures								
General government	2,763,016	-	38,303	-	38,303	73,906	2,913,528	3,254,546
Public safety	7,894,905	-	-	-	-	-	7,894,905	8,123,753
Transportation	1,410,388	-	-	-	-	-	1,410,388	1,482,571
Economic assistance and opportunity	62,714	-	-	-	-	-	62,714	102,761
Culture and recreation	267,265	-	-	-	-	-	267,265	405,548
Home and community services	382,751	-	2,079,315	336,872	1,920,839	1,210,744	5,930,521	6,065,198
Employee benefits	9,019,097	-	1,021,403	-	840,564	-	10,881,064	10,514,880
Capital outlay	-	3,004,753	-	-	-	-	3,004,753	8,637,250
Debt service								
Principal	820,245	-	402,360	-	587,280	28,515	1,838,400	1,844,000
Interest	107,021	-	134,327	-	115,424	7,882	364,654	354,982
Total expenditures	22,727,402	3,004,753	3,675,708	336,872	3,502,410	1,321,047	34,568,192	40,785,489
Excess revenues (expenditures)	1,068,605	(1,404,199)	509,159	(40,647)	510,342	70,318	713,578	(1,780,766)
Other financing sources (uses)								
BANS redeemed from appropriations	-	170,400	-	-	-	-	170,400	-
Proceeds from issuance of debt	-	7,215,000	-	-	-	-	7,215,000	-
Operating transfers, net	681	31,954	46,590	-	131,297	(210,522)	-	-
Total other financing sources (uses)	681	7,417,354	46,590	-	131,297	(210,522)	7,385,400	-
Net change in fund balances	1,069,286	6,013,155	555,749	(40,647)	641,639	(140,204)	8,098,978	(1,780,766)
Fund balances (deficit) - beginning	7,612,855	(5,172,337)	2,515,620	114,812	1,425,269	1,016,437	7,512,656	9,293,422
Fund balances - ending	\$ 8,682,141	\$ 840,818	\$ 3,071,369	\$ 74,165	\$ 2,066,908	\$ 876,233	\$ 15,611,634	\$ 7,512,656

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures, and Changes in Fund Balances to the Statement of Activities**

For the year ended December 31, 2020

Total net change in fund balances - governmental funds		\$ 8,098,978
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. In the statement of activities, the cost of the assets is allocated over estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense.		666,947
Internal service funds are used by management to charge the cost of certain activities to individual funds. The change in net position of the internal service funds is reported with governmental activities.		1,535,186
Real property tax revenue is recorded to the extent received within 60 days of year end for governmental funds, but on the statement of activities, revenue is earned when the tax levy is issued.		117,985
Revenue related to service billings is recorded to the extent received within 60 days of year end for governmental funds, but on the statement of activities, revenue is recognized when earned.		(145,039)
Pension and OPEB expenses are recognized when paid on the fund statement of revenues, expenditures, and changes in fund balances and actuarially determined on the statement of activities:		
Pension	(2,844,520)	
OPEB	<u>2,462,129</u>	(382,391)
Payments of long-term liabilities are reported as expenditures or reductions in revenue in governmental funds and as a reduction of debt in the statement of net position.		
Bonds	1,668,000	
Sales tax overpayment	<u>77,075</u>	1,745,075
Bond proceeds are recorded as other financing sources in governmental funds but increase long-term liabilities in the statement of net position.		(7,215,000)
In the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds these expenditures are reported when paid. The differences are:		
Interest expense	2,000	
Compensated absences	<u>507,000</u>	509,000
Change in net position - governmental activities		<u>\$ 4,930,741</u>

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

For the year ended December 31, 2020

	General Fund				Water Fund			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Over/(Under)	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Over/(Under)
	Original	Final			Original	Final		
Revenues								
Real property taxes	\$ 13,739,260	\$ 13,739,260	\$ 13,555,150	\$ (184,110)	\$ -	\$ -	\$ -	\$ -
Nonproperty tax items	6,475,000	6,475,000	6,509,611	34,611	-	-	-	-
Departmental income	260,100	260,100	215,655	(44,445)	4,126,500	4,126,500	4,035,818	(90,682)
Intergovernmental charges	102,520	102,520	45,116	(57,404)	134,565	134,565	-	(134,565)
Use of money and property	210,000	210,000	111,537	(98,463)	10,000	10,000	3,198	(6,802)
Licenses and permits	220,000	220,000	163,564	(56,436)	-	-	-	-
Fines and forfeitures	275,500	275,500	47,156	(228,344)	-	-	-	-
Miscellaneous local sources	12,935	12,950	66,573	53,623	100	100	453	353
Interfund revenue	420,822	420,822	420,822	-	46,590	46,590	134,565	87,975
Sale of property and compensation for loss	11,500	16,499	13,174	(3,325)	-	-	10,833	10,833
State sources	3,127,926	3,127,926	2,619,781	(508,145)	-	-	-	-
Federal sources	132,087	143,944	27,868	(116,076)	-	-	-	-
Total revenues	24,987,650	25,004,521	23,796,007	(1,208,514)	4,317,755	4,317,755	4,184,867	(132,888)
Expenditures								
General government	3,533,553	3,243,663	2,763,016	(480,647)	-	-	38,303	38,303
Public safety	8,742,236	8,634,620	7,894,905	(739,715)	-	-	-	-
Transportation	1,496,444	1,525,444	1,410,388	(115,056)	-	-	-	-
Economic assistance and opportunity	110,000	110,000	62,714	(47,286)	-	-	-	-
Culture and recreation	420,857	420,857	267,265	(153,592)	-	-	-	-
Home and community services	444,360	422,360	382,751	(39,609)	2,754,403	2,721,785	2,079,315	(642,470)
Employee benefits	9,470,132	9,713,402	9,019,097	(694,305)	1,022,504	1,022,504	1,021,403	(1,101)
Debt service								
Principal	820,245	820,245	820,245	-	402,360	402,360	402,360	-
Interest	100,923	107,021	107,021	-	138,488	171,106	134,327	(36,779)
Total expenditures	25,138,750	24,997,612	22,727,402	(2,270,210)	4,317,755	4,317,755	3,675,708	(642,047)
Excess revenues (expenditures)	(151,100)	6,909	1,068,605	1,061,696	-	-	509,159	509,159
Other financing sources (uses)								
Operating transfers in	151,100	151,100	158,690	7,590	-	-	46,590	46,590
Operating transfers out	-	(158,009)	(158,009)	-	-	-	-	-
Total other financing sources (uses)	151,100	(6,909)	681	7,590	-	-	46,590	46,590
Excess revenues and other financing sources (uses)	\$ -	\$ -	\$ 1,069,286	\$ 1,069,286	\$ -	\$ -	\$ 555,749	\$ 555,749

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

For the year ended December 31, 2020

	Community Development Fund				Sewer Fund			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Over/(Under)	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Over/(Under)
	Original	Final			Original	Final		
Revenues								
Departmental income	\$ -	\$ -	\$ 37,695	\$ 37,695	\$ 3,293,750	\$ 3,293,750	\$ 3,360,508	\$ 66,758
Intergovernmental charges	-	-	-	-	637,660	637,660	637,660	-
Use of money and property	-	-	100	100	10,000	10,000	526	(9,474)
Miscellaneous local sources	-	-	5,000	5,000	5,000	5,000	1,493	(3,507)
Sale of property and compensation for loss	-	-	-	-	1,000	7,695	12,565	4,870
Federal sources	361,488	361,488	253,430	(108,058)	-	36,022	-	(36,022)
Total revenues	361,488	361,488	296,225	(65,263)	3,947,410	3,990,127	4,012,752	22,625
Expenditures								
General government	-	-	-	-	157,750	142,648	38,303	(104,345)
Home and community services	361,488	361,488	336,872	(24,616)	2,255,611	2,298,328	1,920,839	(377,489)
Employee benefits	-	-	-	-	970,465	970,465	840,564	(129,901)
Debt service								
Principal	-	-	-	-	589,410	589,410	587,280	(2,130)
Interest	-	-	-	-	106,368	115,424	115,424	-
Total expenditures	361,488	361,488	336,872	(24,616)	4,079,604	4,116,275	3,502,410	(613,865)
Excess revenues (expenditures)	-	-	(40,647)	(40,647)	(132,194)	(126,148)	510,342	636,490
Other financing sources (uses)								
Operating transfers in	-	-	-	-	132,194	132,194	137,343	5,149
Operating transfers out	-	-	-	-	-	(6,046)	(6,046)	-
Total other financing sources (uses)	-	-	-	-	132,194	126,148	131,297	5,149
Excess revenues and other financing sources (uses)	\$ -	\$ -	\$ (40,647)	\$ (40,647)	\$ -	\$ -	\$ 641,639	\$ 641,639

Statement of Proprietary Fund Net Position

December 31, 2020

(with summarized comparative totals as of December 31, 2019)

	Internal Service Funds		Total Proprietary Funds	
	Health Insurance	Workers' Compensation	2020	2019
Assets				
Cash	\$ 2,260,574	\$ 459,401	\$ 2,719,975	\$ 2,205,588
Investments	-	1,500,750	1,500,750	1,336,149
Total assets	2,260,574	1,960,151	4,220,725	3,541,737
Liabilities				
Accounts payable	2,183	-	2,183	7,686
Accrued liabilities	288,277	1,494,331	1,782,608	2,478,556
Due to governmental funds	-	-	-	154,747
Total liabilities	290,460	1,494,331	1,784,791	2,640,989
Net Position				
Restricted	1,970,114	465,820	2,435,934	1,454,082
Unrestricted	-	-	-	(553,334)
Total net position	\$ 1,970,114	\$ 465,820	\$ 2,435,934	\$ 900,748

**Statement of Revenues, Expenditures, and
Changes in Fund Net Position - Proprietary Funds**

For the year ended December 31, 2020
(with summarized comparative totals for December 31, 2019)

	Internal Service Funds		Total Proprietary Funds	
	Health Insurance	Workers' Compensation	2020	2019
Operating revenue				
Interfund revenue	\$ 5,993,870	\$ 687,992	\$ 6,681,862	\$ 6,502,506
Miscellaneous	85,941	239,610	325,551	174,660
Total operating revenue	6,079,811	927,602	7,007,413	6,677,166
Operating expenses				
Judgements and claims	3,779,235	(379,042)	3,400,193	4,899,347
Health insurance	1,115,033	85,426	1,200,459	1,143,370
Administrative services	669,511	202,064	871,575	793,079
Total operating expenses	5,563,779	(91,552)	5,472,227	6,835,796
Change in net position	516,032	1,019,154	1,535,186	(158,630)
Net position (deficit) - beginning	1,454,082	(553,334)	900,748	1,059,378
Net position - ending	\$ 1,970,114	\$ 465,820	\$ 2,435,934	\$ 900,748

Statement of Proprietary Fund Cash Flows

For the year ended December 31, 2020

(with summarized comparative totals for December 31, 2019)

	Internal Service Funds		Total Proprietary Funds	
	Health Insurance	Workers' Compensation	2020	2019
Cash flows from operating activities:				
Cash received from services provided	\$ 6,079,811	\$ 927,602	\$ 7,007,413	\$ 6,679,624
Payments for contractual expenses	(5,625,673)	(702,752)	(6,328,425)	(6,706,816)
Net operating activities	454,138	224,850	678,988	(27,192)
Cash flows from investing activities:				
Net purchases of investments	-	(164,601)	(164,601)	(1,336,149)
Net change in cash	454,138	60,249	514,387	(1,363,341)
Cash - beginning	1,806,436	399,152	2,205,588	3,568,929
Cash - ending	\$ 2,260,574	\$ 459,401	\$ 2,719,975	\$ 2,205,588
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 516,032	\$ 1,019,154	\$ 1,535,186	\$ (158,630)
Adjustments to reconcile operating income (loss) to net cash flows provided by operating activities:				
Changes in assets and liabilities:				
Accounts receivable	-	-	-	2,458
Accounts payable	(1,504)	(3,999)	(5,503)	7,686
Accrued liabilities	68,890	(764,838)	(695,948)	(33,453)
Due to governmental funds	(129,280)	(25,467)	(154,747)	154,747
Net operating activities	\$ 454,138	\$ 224,850	\$ 678,988	\$ (27,192)

CITY OF LOCKPORT, NEW YORK

Statement of Fiduciary Net Position

December 31, 2020

	Custodial Fund
Assets	
Cash	\$ -
Net Position	<u>\$ -</u>

CITY OF LOCKPORT, NEW YORK

Statement of Changes in Fiduciary Net Position

For the year ended December 31, 2020

	Custodial Fund
Additions	
Property tax collections for other governments City School District of the City of Lockport	<u>\$ 1,238,923</u>
Deductions	
Payments of property taxes to other governments City School District of the City of Lockport	<u>1,238,923</u>
Net change in fiduciary net position	-
Net position - beginning	-
Net position - ending	<u>\$ -</u>

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

Financial Reporting Entity

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

The financial reporting entity includes all funds, account groups, functions, and organizations over which City officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. The City has no component units as defined by accounting standards.

Risk Management

The City is self-insured pursuant to article 5 of the Workers' Compensation law to finance the liability and risks related to workers' compensation claims. The City also self-funds health insurance. These activities are further discussed in Note 11.

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display financial activities of the overall City, except for fiduciary activities. Eliminations have been made to minimize double counting of internal activities. These statements are required to distinguish between *governmental* and *business-type* activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities.

- Direct expenses are those that are specifically associated with a program or are clearly identifiable to a particular function. Indirect expenses relate to the administration and support of the City's programs, including personnel, overall administration, and finance. Employee benefits are allocated to functional expenses based on a percentage of related payroll expense.
- Program revenues include (a) charges paid by the recipients for goods, water, sewer, and other services offered by the programs, and fines and assessments collected for violations of traffic laws or City ordinances, (b) grants and contributions that are restricted to meeting the operational requirements of a particular program, and (c) grants and contributions limited to the purchase or construction of specific capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including fiduciary funds. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* - are presented. The emphasis of the fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The City reports the following major funds:

- *General fund.* This is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- *Capital projects fund.* This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
- *Water fund.* This is a special revenue fund whose specific revenue sources, including property taxes, are restricted for the operations and support of the City's water delivery system.
- *Community development fund.* This is a special revenue fund used to account for funding received from the U.S. Department of Housing and Urban Development.
- *Sewer fund.* This is a special revenue fund whose specific revenue sources are restricted for the operations and support of the infrastructure surrounding the City's sewer system.

The City's nonmajor funds include the refuse and debt service funds. Each fund is established to account for the separate activities for which it is named.

The City's proprietary funds are internal service funds which are used to account for the City's health insurance and workers' compensation operations and are funded by contributions from the general and special revenue funds.

Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds are used to report fiduciary activities, which may include pension and other postemployment benefit trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The City maintains a custodial fund for the collection and distribution of property taxes for the benefit of other governments.

The financial statements include certain prior year summarized comparative information in total but not by separate governmental activities and major funds. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Basis of Accounting and Measurement Focus

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

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

Under the terms of grant agreements, revenues are recognized to the extent of program expenditures. Amounts received in advance of the expenditures are considered unearned and reported as revenue when the expense is incurred.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Property Taxes

Real property taxes are levied annually no later than December 31st and become a lien on January 1. Tax payments are due and payable during the first week of February. The City is responsible for collection of delinquent property taxes for the City School District of the City of Lockport. In the event that school taxes are not collected from the City's re-levy, the City is required by law to remit taxes in full to the school district within two years from the return of unpaid taxes to the City. A provision for uncollected taxes is estimated based on historical collection experience.

The City is subject to tax abatements granted by Niagara County Industrial Development Agency (NCIDA) to promote and assist private sector industrial and business development. Through NCIDA, entities promise to expand or maintain facilities or employment in the City, establish a new business in the City, or relocate existing business to the City. Economic development agreements entered into by NCIDA can include the abatement of City, town, and school district taxes, in addition to other assistance. The City also has tax abatement agreements with housing development and redevelopment companies under New York State Private Housing Finance Law. The tax abatements have resulted in reductions of property taxes, which the City administers as temporary reductions of property taxes, which can be as much as 100%. For the year ended December 31, 2020, the City's real property tax abatement totaled \$141,000 under these agreements. However, because the abated amounts are spread across the City's entire tax base, there is no impact on the overall property taxes collected.

Budgetary Process, Amendments, and Encumbrances

Annual appropriations are adopted and employed for control of the general and special revenue funds. These budgets are adopted on a GAAP basis under the modified accrual basis of accounting. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations authorized for the current year are increased by the planned use of specific restricted, committed, and assigned fund balances and subsequent budget amendments approved by the Common Council as a result of new revenue sources not included in the original budget.

No later than September 15 of each year, a tentative budget is submitted to the Common Council for the fiscal year commencing the following January 1. The tentative budget includes both proposed expenditures and the means of financing for all funds. After public hearings are conducted to obtain comments from interested parties, the Common Council adopts the budget. The Mayor exercises administrative budgetary control throughout the year. All modifications of the budget must be approved by the Common Council.

Major capital expenditures are subject to individual project budgets determined primarily by the cost of the project and external financing rather than annual appropriations. For the capital projects fund, these budgets do not lapse at year end and are carried over to the completion of the project.

Encumbrance accounting is used to assure budgetary control over commitments related to unperformed (executory) contracts for goods or services outstanding at the end of each year. Encumbrances are budgetary expenditures in the year committed and in the subsequent period when the expenditure is paid. All budget appropriations that are unencumbered lapse at the end of the fiscal year. Encumbrances outstanding at year end are presented for GAAP-related purposes as committed or assigned fund balances and do not constitute expenditures or liabilities. At January 1, encumbrances carried forward from the prior year are reestablished as budgeted appropriations.

Loans Receivable

The City manages loans given in relation to their Community Development program. These loans are provided under the restrictions of the Housing and Urban Development guidelines as part of the HOME and Community Development Block Grant programs.

Prepaid Expenses

Pension payments made to the New York State and Local Retirement System including the Employees' Retirement System (ERS) and the Police and Fire Retirement System (PFRS) in December of each year include costs applicable to future periods that are recorded as prepaid expenses on a fund basis. On a government-wide basis, such payments are included in deferred outflows of resources. Payments made for insurance are expensed on a fund basis and reflected on the statement of net position on an accrual basis.

Investments

Investments include certificates of deposit, repurchase agreements, and U.S. Treasury Securities held in external investment pools and recorded at fair value.

Capital Assets

Capital assets including infrastructure are reported at actual or estimated historical cost based on appraisals. Contributed assets are recorded at fair value at the time received. Depreciation is provided in the government-wide statements over estimated useful lives using the straight-line method. Maintenance and repairs are expensed as incurred; significant improvements are capitalized.

Capitalization thresholds for determining which asset purchases are added to capital accounts and the estimated useful lives of capital assets are:

	Capitalization Policy	Estimated Useful Life in Years
Roads	\$ 35,000	10-75
Infrastructure	\$ 35,000	25-100
Buildings and improvements	\$ 35,000	100
Furniture and equipment	\$ 35,000	10-25
Vehicles	\$ 35,000	10-25

Unearned Revenue

In the fund statements, property tax revenue is recognized in the year for which the levy is made, and to the extent that such taxes are received within the reporting period or 60 days thereafter. The government-wide statements include all property tax revenue levied during the year. Property taxes receivable are displayed net of the estimated allowance for uncollectible taxes. In addition, resources, such as grant monies received prior to incurring qualifying expenditures, are recorded as unearned revenue until the criteria for recognizing such revenue is met.

Compensated Absences

The liability for compensated absences reported in the government-wide financial statements consists of unpaid accumulated sick and vacation time. The liability has been calculated using the vesting method, in which leave amounts for both employees currently eligible to receive payments and other employees expected to become eligible to receive such payments are included. Sick pay is accrued on the basis of negotiated contracts with employee groups which provide for the payment of accumulated sick time at various amounts at retirement.

The government-wide financial statements reflect the entire liability, while in the governmental funds financial statements only the amount of matured liabilities is accrued based on expendable available financial resources.

Pensions

The City participates in the New York State and Local Retirement System, including ERS and PFRS, as mandated by State law. ERS and PFRS recognize benefit payments when due and payable in accordance with benefit terms; investment assets are reported at fair value. On the government-wide statements, the City recognizes its proportionate share of net pension position, deferred outflows and deferred inflows of resources, pension expense, and information about and changes in the fiduciary net position on the same basis as reported by the defined benefit pension plans.

Other Postemployment Benefits (OPEB)

On the government-wide statements, the total OPEB liability, deferred outflows and deferred inflows of resources, and OPEB expense for the City's defined benefit healthcare plan (Note 10) have been measured on the same basis as reported by the plan. Benefit payments are recognized when due and payable in accordance with benefit terms.

Equity Classifications

Government-Wide Statements

- *Net investment in capital assets* – consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or the terms of the City's bonds.
- *Unrestricted* – the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position and therefore are available for general use by the City.

Governmental Fund Statements

The City considers unrestricted resources to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, unless the use of the restricted amount was appropriated in the current year's budget or the revenue source is specifically restricted or committed for expenditure. Within unrestricted fund balance, the City considers committed, assigned, then unassigned resources to have been spent when an expenditure is incurred for which amounts in any of those fund balance classifications could be used.

Restricted fund balances generally result from residual fund balance in special revenue funds and reserves established by the State of New York Legislature and included in General Municipal Law, as authorized for use by the Common Council. Earnings on invested resources are required to be added to the various reserves.

Committed fund balances are authorized by the Common Council as recommended by the City's management prior to the end of the year, although funding of the commitment may be established subsequent to year end. Assigned fund balances include the planned use of existing fund balance to offset the subsequent year's tax levy. The Common Council has given management the authority to assign fund balances for specific purposes that are neither restricted nor committed. Nonspendable fund balances represent resources that cannot be spent as they are not expected to be converted to cash and include prepaid expenses or are legally required to be held intact.

Interfund Balances

The operations of the City include transactions between funds including resources for cash flow purposes. These interfund receivables and payables are repaid within one year. Permanent transfers of funds provide financing or other services.

Interfund receivables and payables are netted on the accompanying governmental funds balance sheet as the right of legal offset exists. It is the City's practice to settle these amounts at the net balances due between funds.

2. Change in Accounting Principle

Effective January 1, 2020, the City adopted GASB Statement No. 84, *Fiduciary Activities*. This statement redefines activities considered to be fiduciary, and as a result, payroll and employee third party withholdings, forfeitures, and certain other funds are now recorded in the general fund. The December 31, 2019 cash and due from other funds balances have been restated to coincide with this implementation.

3. Cash and Investments

Cash management is governed by State laws and as established in the City's written policies. Cash resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. The City's banking policies permit the use of demand accounts and certificates of deposit. Invested resources are limited to obligations of the United States Treasury and its Agencies, repurchase agreements, and obligations of the State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. At December 31, 2020, the City's bank deposits were fully insured by FDIC coverage or collateralized with securities held by the pledging institution's agent.

Credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's external investment pool is rated AAAM from S&P's Global Ratings.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In order to limit its exposure, the City's external investment pool limits the maturity dates of its investments. The dollar weighted average days to maturity (WAM) at December 31, 2020 is 53 days. Next interest rate reset dates for floating rate securities are used in calculation of the WAM. The weighted average life of the pool is 74 days.

4. Loans and Accounts Receivable

Loans receivable	
Community development fund:	
Community development	\$ 142,162
Home ownership	266,945
Rental rehabilitation	21,693
Deferred other	409,807
Home loans – NYS Division of Housing and Community Renewal	47,094
	<u>\$ 887,701</u>
Accounts receivable	
General fund:	
City taxes receivable – current	\$ 1,035,203
City taxes receivable – overdue	1,201,415
Installment sales agreements	6,668
School taxes receivable	1,245,272
Accounts receivable	328,699
	<u>3,817,257</u>
Less allowance for doubtful accounts	<u>442,972</u>
	3,374,285
Water fund:	
Water rents receivable	831,174
Sewer fund:	
Sewer rents receivable	663,795
Refuse fund:	
Assessments receivable	348,099
	<u>\$ 5,217,353</u>

5. Interfund Transactions – Fund Financial Statements

	Receivable	Payable	Transfers	
			In	Out
Governmental funds				
General	\$ 445,755	\$ -	\$ 158,690	\$ 158,009
Capital projects	-	432,465	176,794	144,840
Water	-	-	46,590	-
Community development	-	13,290	-	-
Sewer	-	-	137,343	6,046
Debt service	-	-	119,362	329,884
	<u>\$ 445,755</u>	<u>\$ 445,755</u>	<u>\$ 638,779</u>	<u>\$ 638,779</u>

The capital projects fund and community development fund will reimburse the general fund for project expenditures when funds become available. Amounts transferred to the capital projects fund from the general and sewer funds represent the funding of various capital projects. The transfers from the debt service fund to the general, water, and sewer funds are to pay debt service. The transfer to the debt service fund from the capital projects fund represents the unspent balance of a closed project which will be used to pay future associated debt payments.

6. Capital Assets

	January 1, 2020	Increases	Retirements/ Reclassifications	December 31, 2020
Non-depreciable capital assets:				
Land	\$ 3,173,000	\$ -	\$ -	\$ 3,173,000
Construction in progress	8,941,004	3,004,753	(9,226,919)	2,718,838
Total non-depreciable assets	<u>12,114,004</u>	<u>3,004,753</u>	<u>(9,226,919)</u>	<u>5,891,838</u>
Depreciable capital assets:				
Infrastructure	22,964,627	-	8,866,719	31,831,346
Buildings and improvements	68,145,624	-	360,200	68,505,824
Machinery and equipment	8,985,924	-	-	8,985,924
Vehicles	4,639,686	-	-	4,639,686
Total depreciable assets	<u>104,735,861</u>	<u>-</u>	<u>9,226,919</u>	<u>113,962,780</u>
Less accumulated depreciation:				
Infrastructure	8,869,916	1,149,655	-	10,019,571
Buildings and improvements	31,028,322	704,588	-	31,732,910
Machinery and equipment	5,927,863	323,992	-	6,251,855
Vehicles	3,924,993	159,571	-	4,084,564
Total accumulated depreciation	<u>49,751,094</u>	<u>2,337,806</u>	<u>-</u>	<u>52,088,900</u>
Total depreciable assets, net	<u>54,984,767</u>	<u>(2,337,806)</u>	<u>9,226,919</u>	<u>61,873,880</u>
	<u>\$ 67,098,771</u>	<u>\$ 666,947</u>	<u>\$ -</u>	<u>\$ 67,765,718</u>

Depreciation expense has been allocated to the following functions: general government \$431,786, public safety \$51,943, transportation \$806,185, economic assistance and opportunity \$23,356, culture and recreation \$57,771, and home and community \$966,765.

As of December 31, 2020, net investment in capital assets consists of the following:

Capital assets, net of accumulated depreciation	\$ 67,765,718
Bonds	<u>(14,252,000)</u>
	<u>\$ 53,513,718</u>

7. Short-Term Debt

There were no bond anticipation notes (BANs) outstanding at December 31, 2020. BANs as of December 31, 2019 amounted to \$6,085,400. In 2020, the City redeemed BANs of \$170,400 from appropriations and converted the remaining balance of \$5,915,000 into bonds of \$7,215,000, with \$1,300,000 in new funding.

8. Long-Term Liabilities

	January 1, 2020	Increases	Decreases	December 31, 2020	Amount Due In One Year
Serial bonds	\$ 8,705,000	\$ 7,215,000	\$ 1,668,000	\$ 14,252,000	\$ 1,953,000
Compensated absences	3,210,000	-	507,000	2,703,000	270,000
Sales tax overpayment	687,254	-	77,075	610,179	77,075
	<u>\$ 12,602,254</u>	<u>\$ 7,215,000</u>	<u>\$ 2,252,075</u>	<u>\$ 17,565,179</u>	<u>\$ 2,300,075</u>

Existing Obligations

Description	Final Maturity	Interest Rate	Balance
2008 Public Improvement serial bond	March 2022	4.23%	\$ 145,000
2012 Public Improvement serial bond	December 2022	0.6%-2.4%	130,000
2014 Public Improvement serial bond	May 2024	2.65%-3.0%	290,000
2014 Deficit Financing serial bond	October 2024	5.0%	1,970,000
2015 Serial bond refunding*	March 2037	4.13%-4.79%	852,000
2017 Public Improvement serial bond	May 2029	2.0%-2.875%	3,650,000
2020 Public improvement serial bond	April 2050	2.0%-2.5%	7,215,000
			<u>\$ 14,252,000</u>

*The terms of the New York State Environmental Facilities Corporation (EFC) borrowing provide for an interest subsidy of approximately 60% of the stated interest rates shown above. The subsidy is generated from a United States Environmental Protection Agency grant to the EFC which EFC invests and credits to the borrower with the earnings on the invested funds at an offset to the interest payable on the bond. Future interest requirements below reflect the gross rates subject to subsidy.

Debt Service Requirements

Years ending December 31,	Principal	Interest
2021	\$ 1,953,000	\$ 366,793
2022	1,888,000	311,540
2023	1,493,000	260,397
2024	1,493,000	213,150
2025	789,000	166,364
2026-2030	2,115,000	657,671
2031-2035	1,730,000	419,645
2036-2040	981,000	258,489
2041-2045	895,000	162,138
2046-2050	915,000	57,112
	<u>\$ 14,252,000</u>	<u>\$ 2,873,299</u>

Deficit Financing

On September 4, 2014, the State Assembly passed a bill to allow the City to issue serial bonds in an amount not to exceed \$5,350,000 for the purpose of liquidating deficits within the general, water, sewer, and refuse funds for fiscal years between January 1, 2011 through December 31, 2013. Ultimately, the City issued Series 2014 Serial Bonds totaling \$3,945,000 on December 30, 2013.

Under the conditions of this funding, the City must submit quarterly reports of summarized budgetary data. These reports must be completed within 30 days after quarter-end and must be submitted to the members of the Common Council of the City, the Director of the NYS Division of the Budget, the State Comptroller, and the chairs of the Senate Finance Committee and the Ways and Means Committee. The City must also prepare quarterly trial balances of the general and special revenue funds in accordance with generally accepted accounting principles and submit within the same manner as the budget information.

All tentative budgets prepared while such debt is outstanding, after the fiscal year beginning January 1, 2015, must be submitted to the State Comptroller no later than 30 days before the last date on which the budget must be finally adopted so that it may be examined and the State Comptroller can make recommendations as deemed necessary.

Sales Tax Overpayment

Due to an error in reporting by five local businesses, the City mistakenly received \$770,752 in sales tax revenue to which it was not entitled. The State has agreed to a ten-year repayment term, with interest-free payments in the form of reductions in sales tax revenue annually. Amounts are due through November 2028 as follows:

Years ending December 31,	
2021	\$ 77,075
2022	77,075
2023	77,075
2024	77,075
2025	77,075
2026-2028	<u>224,804</u>
	<u>\$ 610,179</u>

9. New York State and Local Retirement System

Plan Description

The City participates in ERS and PFRS (the Systems), which are part of a cost-sharing, multiple-employer, public employee retirement system that provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute and provide benefits to employees. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained from the New York State and Local Retirement System at www.osc.state.ny.us/retire.

Benefits: The Systems provide retirement, disability, and death benefits for eligible members, including automatic cost of living adjustments. In general, retirement benefits are determined based on an employee’s individual circumstances using a pension factor, an age factor, and final average salary. The benefits vary depending on the individual’s employment tier. Pension factors are determined based on tier and an employee’s years of service, among other factors.

Contribution Requirements: No employee contribution is required for those hired prior to July 1976. The Systems require employee contributions of 3% of salary for the first 10 years of service for those employees who joined from July 1976 through December 2009. Participants hired on or after January 1, 2010 through March 31, 2012 are required to contribute 3% of compensation throughout their active membership. Participants hired on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation. The Comptroller annually certifies the rates used, expressed as a percentage of the wages of participants, to compute the contributions required to be made by the City to the pension accumulation fund. For 2020, these rates ranged from 9.6%-16.1% for ERS and 16.4%-26.6% for PFRS.

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

At December 31, 2020, the City reported a liability of \$15,109,904 for its proportionate share of the ERS and PFRS net pension position. The net pension position was measured as of March 31, 2020, and the total pension liability was determined by an actuarial valuation as of April 1, 2019. The City’s proportion of the net pension position was based on the ratio of its actuarially determined employer contribution to ERS’s and PFRS’s total actuarially determined employer contributions for the fiscal year ended on the measurement date. At the March 31, 2020 measurement date, the City’s proportion was 0.0192215% for ERS, a decrease of 0.0008097, and 0.1874659% for PFRS, a decrease of 0.0165531 from their respective proportions measured as of March 31, 2019.

For the year ended December 31, 2020, the City recognized pension expense of \$5,145,681 on the government-wide statements. At December 31, 2020, the City reported deferred outflows and deferred inflows of resources as follows:

	ERS		PFRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 299,565	\$ -	\$ 667,222	\$ 167,833
Changes of assumptions	102,488	88,497	856,462	-
Net difference between projected and actual earnings on pension plan investments	2,609,366	-	4,512,291	-
Changes in proportion and differences between contributions and proportionate share of contributions	7,074	119,779	69,281	327,780
City contributions subsequent to the measurement date	700,109	-	1,621,436	-
	<u>\$ 3,718,602</u>	<u>\$ 208,276</u>	<u>\$ 7,726,692</u>	<u>\$ 495,613</u>

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending December 31,	ERS	PFRS
2021	\$ 451,816	\$ 1,199,833
2022	702,251	1,325,127
2023	915,894	1,667,873
2024	740,256	1,394,494
2025	-	22,316
	<u>\$ 2,810,217</u>	<u>\$ 5,609,643</u>

Actuarial Assumptions

The actuarial assumptions used in the April 1, 2019 valuation, with update procedures used to roll forward the total pension liability to March 31, 2020, were based on the results of an actuarial experience study for the period April 1, 2010 to March 31, 2015. These assumptions are:

Inflation – 2.5%

Salary increases – 4.2% (ERS), 5.0% (PFRS)

Cost of living adjustments – 1.3% annually

Investment rate of return – 6.8% compounded annually, net of investment expense, including inflation

Mortality – Society of Actuaries’ Scale MP-2018

Discount rate – 6.8%

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. The ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Investment Asset Allocation

Best estimates of arithmetic real rates of return (net of the long-term inflation assumption) for each major asset class and the Systems’ target asset allocations as of the valuation date are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	36%	4.1%
Global and international equities	14%	6.2%
Private equities	10%	6.8%
Real estate	10%	5.0%
Inflation-indexed bonds	4%	0.5%
Bonds and mortgages	17%	0.8%
Short-term	1%	-
Other	8%	3.3%-6.8%
	100%	

Discount Rate

The discount rate projection of cash flows assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Systems’ combined fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the City’s proportionate share of its net pension liability calculated using the discount rate of 6.8% and the impact of using a discount rate that is 1% higher or lower than the current rate.

	1.0% Decrease	At Current Discount Rate	1.0% Increase
City’s proportionate share of the ERS net pension asset (liability)	\$ (9,341,533)	\$ (5,089,970)	\$ (1,174,263)
City’s proportionate share of the PFRS net pension asset (liability)	\$ (17,915,846)	\$ (10,019,934)	\$ (2,948,966)

10. OPEB

Plan Description

The City maintains a single-employer defined benefit healthcare plan (the Plan) providing for lifetime medical benefits to certain eligible retirees and their spouses. Benefit provisions are based on individual contracts with the City, as negotiated from time to time. Eligibility is based on retired employees age 55 and over with ten to twenty-five years of service depending on hire date and contract applicability. The Plan has no assets, does not issue financial statements, and is not a trust.

At January 1, 2020, employees covered by the Plan include:

Active employees	186
Inactive employees or beneficiaries currently receiving benefits	210
Inactive employees entitled to but not yet receiving benefits	-
	<u>396</u>

Total OPEB Liability

The City's total OPEB liability of \$106,275,360 was measured and determined by an actuarial valuation as of January 1, 2020.

The total OPEB liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Healthcare cost trend rates – based on the SOA Long-Run Medical Cost Trend Model for long-term trend rates, with the City's recent premium history used for short-term trend rates, initially 6.5% with an ultimate rate of 3.94% after 2090

Salary increases – 2.5%

Mortality – RPH-2014 sex distinct, generational mortality adjusted to 2006 using scale MP-2014 and projected forward with Scale MP-2020

Discount rate – 2.74% based on the Bond Buyer Weekly 20-Bond General Obligation Index

Inflation rate – 2.2%

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at December 31, 2019	<u>\$ 93,874,372</u>
Changes for the year:	
Service cost	1,973,346
Interest	3,866,456
Changes of benefit terms	-
Differences between expected and actual experience	(3,850,102)
Changes of assumptions or other inputs	13,499,112
Benefit payments	<u>(3,087,824)</u>
Net changes	<u>12,400,988</u>
Balance at December 31, 2020	<u>\$ 106,275,360</u>

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

	1.0% Decrease (1.74%)	Discount Rate (2.74%)	1.0% Increase (3.74%)
Total OPEB liability	<u>\$ (125,711,138)</u>	<u>\$ (106,275,360)</u>	<u>\$ (90,912,158)</u>

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

	1.0% Decrease (5.5% to 2.94%)	Healthcare Cost Trend Rate (6.5% to 3.94%)	1.0% Increase (7.5% to 4.94%)
Total OPEB liability	\$ (89,747,660)	\$ (106,275,360)	\$ (127,637,071)

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources

For the year ended December 31, 2020, the City recognized OPEB expense of \$854,382. At December 31, 2020, the City reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 10,640,846
Changes of assumptions or other inputs	11,049,182	9,205,435
Benefit payments subsequent to the measurement date	3,316,511	-
	<u>\$ 14,365,693</u>	<u>\$ 19,846,281</u>

Benefit payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending December 31, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending December 31,	
2021	\$ (4,985,420)
2022	(4,985,420)
2023	(1,138,858)
2024	1,419,499
2025	893,100
	<u>\$ (8,797,099)</u>

11. Risk Management

The City purchases commercial insurance for various risks of loss due to torts, thefts, damage, errors, omissions, injuries to employees, and natural disasters. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three years.

Workers' Compensation

The City has chosen to establish self-insured plans for risks associated with employee workers' compensation claims and health insurance. Generally, liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The City's exposure is calculated with consideration of the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other benefit costs. For workers' compensation, the City purchases excess insurance limiting their self-funded rate to \$750,000 per incident for police and fire and \$650,000 per incident for other employees.

	Beginning of Year	Current Claims and Changes in Estimates	Claims Paid	End of Year
2020	\$ 2,259,169	\$ (379,042)	\$ 385,796	\$ 1,494,331
2019	\$ 2,296,711	\$ 728,819	\$ 766,361	\$ 2,259,169

Health Insurance

The City's self-funded health insurance coverage includes various plan options. The City provides a monthly premium equivalent equal to adjusted actual claims and an excess amount to fund an approximate 6% allowance for claims run-off and other uncertainties. The City purchases excess insurance that limits exposure to \$150,000 per incident.

	Beginning of Year	Current Claims and Changes in Estimates	Claims Paid	End of Year
2020	\$ 219,387	\$ 3,848,125	\$ 3,779,235	\$ 288,277
2019	\$ 215,298	\$ 4,137,075	\$ 4,132,986	\$ 219,387

Estimated liabilities for both plans have been accrued on the government-wide and proprietary fund financial statements.

12. Commitments and Contingencies

The City has entered into contracts with various construction companies for several capital projects. As of December 31, 2020, \$2,719,000 has been spent on ongoing projects, and numerous open contracts are in place.

Litigation

The City is subject to claims and lawsuits that arise in the ordinary course of business. In the opinion of management, these claims will not have a material adverse effect upon the financial position of the City.

13. Risks and Uncertainties

On January 31, 2020, the United States Secretary of Health and Human Services (HHS) declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. Efforts to fight the widespread disease included limiting or closing many businesses and resulted in a severe disruption of operations. The City recognized a decrease in licenses, permits, fines, and forfeitures as a result of the pandemic. The full extent of the impact of COVID-19 on the City's operational and financial performance will depend on further developments, including the duration and spread of the outbreak and the impact on state and local governments, and their residents, employees, and vendors, none of which can be predicted.

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

As of the measurement date of March 31,	2020	2019	2018	2017	2016	2015
ERS						
City's proportion of the net pension position	0.0192215%	0.0200312%	0.0200979%	0.0210000%	0.0220000%	0.0250000%
City's proportionate share of the net pension liability	\$ (5,089,970)	\$ (1,419,274)	\$ (648,648)	\$ (1,953,000)	\$ (3,528,000)	\$ (840,000)
City's covered payroll	\$ 5,009,843	\$ 5,064,443	\$ 5,168,273	\$ 5,314,465	\$ 5,148,791	\$ 5,633,742
City's proportionate share of the net pension position as a percentage of its covered payroll	101.60%	28.02%	12.55%	36.75%	68.52%	14.91%
Plan fiduciary net position as a percentage of the total pension liability	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%
PFRS						
City's proportion of the net pension position	0.1874659%	0.2040190%	0.1983487%	0.2000000%	0.2090000%	0.2320000%
City's proportionate share of the net pension liability	\$ (10,019,934)	\$ (3,421,527)	\$ (2,004,824)	\$ (4,154,000)	\$ (6,179,000)	\$ (638,000)
City's covered payroll	\$ 6,592,694	\$ 7,157,864	\$ 6,910,545	\$ 7,269,283	\$ 7,286,625	\$ 7,703,284
City's proportionate share of the net pension position as a percentage of its covered payroll	151.99%	47.80%	29.01%	57.14%	84.80%	8.28%
Plan fiduciary net position as a percentage of the total pension liability	84.86%	95.09%	96.93%	93.50%	90.70%	99.00%

Data prior to 2015 is unavailable.

The following is a summary of changes of assumptions:

	ERS					
	2020	2019	2018	2017	2016	2015
Inflation	2.5%	2.5%	2.5%	2.5%	2.5%	2.7%
Salary increases	4.2%	4.2%	3.8%	3.8%	3.8%	4.9%
Cost of living adjustments	1.3%	1.3%	1.3%	1.3%	1.3%	1.4%
Investment rate of return	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Discount rate	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Society of Actuaries' mortality scale	MP-2018	MP-2014	MP-2014	MP-2014	MP-2014	MP-2014
PFRS						
	2020	2019	2018	2017	2016	2015
Inflation	2.5%	2.5%	2.5%	2.5%	2.5%	2.7%
Salary increases	5.0%	5.0%	4.5%	4.5%	4.5%	4.9%
Cost of living adjustments	1.3%	1.3%	1.3%	1.3%	1.3%	1.4%
Investment rate of return	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Discount rate	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Society of Actuaries' mortality scale	MP-2018	MP-2014	MP-2014	MP-2014	MP-2014	MP-2014

CITY OF LOCKPORT, NEW YORK

**Required Supplementary Information
Schedule of City Contributions
New York State and Local Retirement System**

For the years ended December 31,	2020	2019	2018	2017	2016	2015
ERS						
Contractually required contribution	\$ 700,109	\$ 710,615	\$ 748,429	\$ 806,985	\$ 829,931	\$ 995,757
Contribution in relation to the contractually required contribution	(700,109)	(710,615)	(748,429)	(806,985)	(829,931)	(995,757)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 5,021,790	\$ 5,009,843	\$ 5,064,443	\$ 5,168,273	\$ 5,314,465	\$ 5,148,791
Contributions as a percentage of covered payroll	13.94%	14.18%	14.78%	15.61%	15.62%	19.34%
PFRS						
Contractually required contribution	\$ 1,621,436	\$ 1,529,401	\$ 1,679,972	\$ 1,688,009	\$ 1,765,008	\$ 1,685,305
Contribution in relation to the contractually required contribution	(1,621,436)	(1,529,401)	(1,679,972)	(1,688,009)	(1,765,008)	(1,685,305)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 6,771,542	\$ 6,592,694	\$ 7,157,864	\$ 6,910,545	\$ 7,269,283	\$ 7,286,625
Contributions as a percentage of covered payroll	23.94%	23.20%	23.47%	24.43%	24.28%	23.13%

Data prior to 2015 is unavailable.

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

December 31,	2020	2019	2018
Total OPEB liability - beginning	\$ 93,874,372	\$ 102,354,366	\$ 121,681,402
Changes for the year:			
Service cost	1,973,346	2,546,831	2,769,409
Interest	3,866,456	3,553,687	4,647,001
Changes of benefit terms	-	-	(409,216)
Differences between expected and actual experience	(3,850,102)	-	(17,939,947)
Changes of assumptions or other inputs	13,499,112	(11,387,853)	(5,365,699)
Benefit payments	(3,087,824)	(3,192,659)	(3,028,584)
Net change in total OPEB liability	12,400,988	(8,479,994)	(19,327,036)
Total OPEB liability - ending	\$ 106,275,360	\$ 93,874,372	\$ 102,354,366
Covered-employee payroll	\$ 12,748,999	\$ 10,809,083	\$ 12,942,524
Total OPEB liability as a percentage of covered-employee payroll	833.6%	868.5%	790.8%

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

For 2020, differences between expected and actual experience include rates of turnover and retirement different from those assumed and health costs different than those projected. For 2018, differences between expected and actual experience are caused by the withdrawal of seven active employees from employment, the effect of actual healthcare costs compared with previous projections, and the reflection of age-adjusted premiums of approximately 15% less than those assumed for pre-65 members. Changes of assumptions or other inputs primarily reflect changes in the discount rate.

The following is a summary of changes of assumptions:

Healthcare cost trend rates	6.5%-3.94%	7.0%-3.94%	7.0%-3.94%
Inflation	2.2%	2.5%	2.2%
Salary increases	2.5%	2.5%	2.5%
Discount rate	2.74%	4.1%	3.44%
Society of Actuaries' mortality scale	MP-2020	MP-2018	MP-2018

Data prior to 2018 is unavailable.

Supplementary Information
Combining Balance Sheet - Nonmajor Governmental Funds

December 31, 2020

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Refuse	Debt Service	
Assets			
Cash	\$ 306,795	\$ 460,161	\$ 766,956
Loans and accounts receivable, net	348,099	-	348,099
Total assets	\$ 654,894	\$ 460,161	\$ 1,115,055
Liabilities and Fund Balances			
Accounts payable	\$ 98,948	\$ -	\$ 98,948
Unearned revenue	139,874	-	139,874
Total liabilities	238,822	-	238,822
Fund Balances			
Restricted:			
Refuse	416,072	-	416,072
Debt	-	460,161	460,161
Total fund balances	416,072	460,161	876,233
Total liabilities and fund balances	\$ 654,894	\$ 460,161	\$ 1,115,055

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

For the year ended December 31, 2020

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Refuse	Debt Service	
Revenues			
Departmental income	\$ 1,317,794	\$ -	\$ 1,317,794
Use of money and property	-	1,263	1,263
Miscellaneous local sources	3,673	68,635	72,308
Total revenues	1,321,467	69,898	1,391,365
Expenditures			
General government	73,906	-	73,906
Home and community services	1,210,744	-	1,210,744
Debt service			
Principal	28,515	-	28,515
Interest	7,882	-	7,882
Total expenditures	1,321,047	-	1,321,047
Excess revenues	420	69,898	70,318
Other financing sources (uses)			
Operating transfers, net	-	(210,522)	(210,522)
Net change in fund balances	420	(140,624)	(140,204)
Fund balances - beginning	415,652	600,785	1,016,437
Fund balances - ending	\$ 416,072	\$ 460,161	\$ 876,233