

**CITY OF LOCKPORT, NEW YORK**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

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## INDEPENDENT AUDITORS' REPORT

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

### Opinions

We have audited the 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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2021, 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.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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.

June 17, 2022

**Management’s Discussion and Analysis (unaudited)**

December 31, 2021

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**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, 2021. 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 City’s finances in a manner similar to a private-sector business.

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.

<b>Condensed Statement of Net Position</b>	<b>2021</b>	2020	Change	
			\$	%
Current and other assets	\$ 29,101,000	\$ 25,523,000	\$ 3,578,000	14.0%
Capital assets	67,857,000	67,766,000	91,000	0.1%
<b>Total assets</b>	<b>96,958,000</b>	<b>93,289,000</b>	<b>3,669,000</b>	<b>3.9%</b>
<b>Deferred outflows of resources</b>	<b>36,910,000</b>	<b>25,811,000</b>	<b>11,099,000</b>	<b>43.0%</b>
Long-term liabilities	139,940,000	138,950,000	990,000	0.7%
Other liabilities	8,089,000	6,523,000	1,566,000	24.0%
<b>Total liabilities</b>	<b>148,029,000</b>	<b>145,473,000</b>	<b>2,556,000</b>	<b>1.8%</b>
<b>Deferred inflows of resources</b>	<b>28,476,000</b>	<b>20,550,000</b>	<b>7,926,000</b>	<b>38.6%</b>
<b>Net position</b>				
Net investment in capital assets	55,558,000	53,514,000	2,044,000	3.8%
Restricted	7,757,000	6,889,000	868,000	12.6%
Unrestricted	(105,952,000)	(107,326,000)	1,374,000	(1.3%)
<b>Total net position</b>	<b>\$ (42,637,000)</b>	<b>\$ (46,923,000)</b>	<b>\$ 4,286,000</b>	<b>(9.1%)</b>

The City's net position was a deficit balance of \$(42,637,000) at December 31, 2021 compared to a deficit balance of \$(46,923,000) at December 31, 2020. Capital assets (infrastructure, buildings, improvements, machinery, and equipment) represent the largest portion (70.0%) of the City's total assets (72.6% in 2020). Long-term liabilities outstanding total 94.5% of total liabilities in 2021 and 95.5% in 2020. 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 \$3,578,000 (increase of \$2,515,000 or 10.9% in 2020). These balances consist of cash, investments, 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 \$91,000 (increase of \$667,000 or 1.0% in 2020) due to work on the City's infrastructure and building improvement projects, offset by current year depreciation expense.

Long-term liabilities increased \$990,000 (increase of \$27,633,000 or 24.8% in 2020) due to an increase in the OPEB liability which was offset by a decrease 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 increase in other liabilities of \$1,566,000 (decrease of \$7,074,000 or 52.0% in 2020) was the result of an increase in accounts payable at the end of the year due to ongoing construction projects as well as unearned revenue as a result of ARPA funds received during the year that were not yet expended.

Changes in deferred outflows and deferred inflows of resources for the City's pension activity at the State level and its OPEB activity are required to be reflected on the financial statements. Deferred outflows of resources include contributions paid by the City to the State pension system and for OPEB benefits 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.

<b>Condensed Statement of Activities</b>	<b>2021</b>	<b>2020</b>	<b>Change</b>	
			\$	%
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 9,824,000	\$ 9,653,000	\$ 171,000	1.8%
Operating and capital grants and contributions	2,733,000	2,171,000	562,000	25.9%
General revenues				
Property taxes	13,711,000	13,673,000	38,000	0.3%
Sales taxes	7,619,000	6,587,000	1,032,000	15.7%
State aid	3,531,000	2,374,000	1,157,000	48.7%
Other	567,000	644,000	(77,000)	(12.0%)
<b>Total revenues</b>	<b>37,985,000</b>	<b>35,102,000</b>	<b>2,883,000</b>	<b>8.2%</b>
<b>Expenses</b>				
Support services				
General government	5,091,000	4,337,000	754,000	17.4%
Public safety	14,827,000	13,631,000	1,196,000	8.8%
Transportation	2,967,000	2,827,000	140,000	5.0%
Economic assistance and opportunity	152,000	86,000	66,000	76.7%
Culture and recreation	705,000	501,000	204,000	40.7%
Home and community services	9,618,000	8,426,000	1,192,000	14.1%
Interest	339,000	363,000	(24,000)	(6.6%)
<b>Total expenses</b>	<b>33,699,000</b>	<b>30,171,000</b>	<b>3,528,000</b>	<b>11.7%</b>
Change in net position	4,286,000	4,931,000	(645,000)	(13.1%)
Net position – beginning	(46,923,000)	(51,854,000)	4,931,000	(9.5%)
<b>Net position – ending</b>	<b>\$ (42,637,000)</b>	<b>\$ (46,923,000)</b>	<b>\$ 4,286,000</b>	<b>(9.1%)</b>

The main revenue sources supporting the City's programs are sales and property taxes which represent 56.2% of total revenues in 2021 and 57.7% in 2020. Property taxes were consistent with the prior year increasing \$38,000 (increase of \$349,000 or 2.6% in 2020). Sales tax revenue increased \$1,032,000 (increase of \$752,000 in 2020) due to the recovery in the economy from the COVID-19 pandemic. State aid increased \$1,157,000 (decrease of \$509,000 or 17.7% in 2020) due to an increase in Aid and Incentives to Municipalities (AIM) funding in 2021. Charges for services, which include water, sewer, and refuse charges, were relatively consistent with 2020, increasing by \$171,000 or 1.8% (\$291,000 or 2.9% decrease in 2020). Operating and capital grants and contributions increased \$562,000 (decrease of \$3,316,000 or 60.4% in 2020) due to American Rescue Plan Act (ARPA) funds received in the current year and an increase in State highway aid.

Total expenses increased \$3,528,000 (increase of \$788,000 or 2.7% in 2020). Pension expense decreased \$2,997,000 and OPEB expense increased \$2,315,000 due to changes of assumptions in the calculation of the related liabilities. Depreciation expense in the current year increased \$249,000. Payroll increased \$784,000 over the prior year due to new hires and contractual 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. For 2021, health insurance increased \$905,000 as COVID restrictions declined and more claims were paid, and workers' compensation increased \$505,000 to more typical claims levels after a negative adjustment, or decrease in estimated claims costs, in 2020.

### 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 \$1,159,000 for 2021 (increase of \$1,069,000 for 2020) primarily due to recovery of sales tax revenue as the pandemic's economic effects decline and an increase in State Aid from Incentives to Municipalities (AIM) as a result of payments withheld in 2020 due to COVID-19 that were received in the current year. This was offset primarily by an increase in transfers to the capital fund and increases in payroll and employee benefit costs.

- 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 a decrease in fund balance of \$134,000 for the year ended 2021 (\$556,000 increase for 2020), primarily due to increases in costs related 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. Fund balance increased by \$86,000 in 2021 (\$41,000 decrease in 2020), due to revenue from the repayment of rehab loans in excess of administrative costs.

- Sewer Fund

The City's sewer fund is a special revenue fund used to account for sewer services provided to taxpayers. The fund balance decreased by \$189,000 in the current year (\$642,000 increase in 2020), due to increases in sewage treatment costs.

- Refuse Fund

The City's refuse fund accounts for garbage services provided to taxpayers. Fund balance increased by \$112,000 in the current year (increased less than \$1,000 in the prior year) due to a decrease in sanitation expenses in the current year.

- 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 \$79,000 to \$381,000 in 2021 (\$141,000 decrease in 2020) 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 \$15,612,000 to \$17,641,000 due to the following:

- Revenue for all funds totaled \$38,391,000 and increased by \$3,109,000 or 8.8%. The increase in revenue was the result of increases in sales tax and State aid, as previously mentioned.
- Capital projects expenditures were \$2,677,000 in 2021 compared to \$3,005,000 in 2020 due to a slight reduction in work on the infrastructure projects within the City.
- Increases in sanitation, sewer, and water costs, as mentioned above, as well as approximately \$200,000 in remediation costs on a sold property offset some of the City's revenue increases.
- Payroll increased \$784,000 or 6.8% due to an increase in recreation and summer employees and other new employees, as mentioned previously.

### **General Fund Budgetary Highlights**

Actual revenues were more than budgeted revenues by \$245,000 or 0.9%. The largest variance was in nonproperty tax items, which were over budget by \$1,340,000. Expenditures (before other financing uses) were under budget by \$833,000 or 3.4% with large variances in employee benefits and public safety.

## Capital Assets

	2021	2020
Land	\$ 3,173,000	\$ 3,173,000
Construction in progress	2,822,000	2,719,000
Infrastructure	33,057,000	31,831,000
Buildings and improvements	68,506,000	68,506,000
Machinery and equipment	10,334,000	8,986,000
Vehicles	4,640,000	4,640,000
	<b>122,532,000</b>	119,855,000
Accumulated depreciation	<b>(54,675,000)</b>	(52,089,000)
	<b>\$ 67,857,000</b>	\$ 67,766,000

Depreciation expense totaled \$2,586,000 while capital asset additions totaled \$2,677,000. A majority of the capital asset additions relate directly to the ongoing water and sewer projects and capital purchases using ARPA funds.

## Debt

At December 31, 2021, the City had \$12,299,000 in bonds outstanding (\$14,252,000 at December 31, 2020) with \$1,888,000 due within one year. During 2021, the City made principal payments of \$1,953,000 on existing debt. Compensated absences totaled \$3,033,000 at December 31, 2021 (\$2,703,000 at December 31, 2020) with \$303,000 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 continued in 2021, and the City was required to implement numerous safety measures. The full extent of the impact of COVID-19 on the City's operational and financial performance will continue to 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, 2021

(With comparative totals as of December 31, 2020)

	2021	2020
<b>Assets</b>		
Cash	\$ 9,290,875	\$ 9,711,683
Loans and accounts receivable, net	5,826,398	6,105,054
Due from other governments	1,711,667	1,383,856
Investments	12,271,844	8,322,831
Capital assets (Note 5)	122,531,920	119,854,618
Accumulated depreciation	(54,675,419)	(52,088,900)
<b>Total assets</b>	<b>96,957,285</b>	<b>93,289,142</b>
<b>Deferred Outflows of Resources</b>		
Deferred outflows of resources related to pensions	15,469,775	11,445,294
Deferred outflows of resources related to OPEB	21,440,526	14,365,693
<b>Total deferred outflows of resources</b>	<b>36,910,301</b>	<b>25,810,987</b>
<b>Liabilities</b>		
Accounts payable	1,875,638	846,646
Accrued liabilities	2,801,907	2,780,271
Due to other governments	1,944,804	1,980,513
Unearned revenue	1,466,591	915,478
Long-term liabilities		
Due within one year:		
Bonds	1,888,000	1,953,000
Compensated absences	303,000	270,000
Sales tax overpayment	77,075	77,075
Due beyond one year:		
Bonds	10,411,000	12,299,000
Compensated absences	2,730,000	2,433,000
Sales tax overpayment	456,029	533,104
Net pension liability	3,387,898	15,109,904
Total OPEB liability	120,687,595	106,275,360
<b>Total liabilities</b>	<b>148,029,537</b>	<b>145,473,351</b>
<b>Deferred Inflows of Resources</b>		
Deferred inflows of resources related to pensions	16,064,713	703,889
Deferred inflows of resources related to OPEB	12,410,931	19,846,281
<b>Total deferred inflows of resources</b>	<b>28,475,644</b>	<b>20,550,170</b>
<b>Net Position</b>		
Net investment in capital assets	55,557,501	53,513,718
Restricted	7,756,918	6,889,397
Unrestricted	(105,952,014)	(107,326,507)
<b>Total net position (deficit)</b>	<b>\$ (42,637,595)</b>	<b>\$ (46,923,392)</b>

**Statement of Activities**

For the year ended December 31, 2021

(With summarized comparative totals for December 31, 2020)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2021	2020
<b>Governmental activities</b>						
General government	\$ 5,091,278	\$ 353,750	\$ 41,904	\$ 797,817	\$ (3,897,807)	\$ (3,024,218)
Public safety	14,827,156	195,736	116,496	-	(14,514,924)	(13,501,710)
Transportation	2,967,090	-	92,515	932,836	(1,941,739)	(2,092,908)
Economic assistance and opportunity	151,838	-	-	-	(151,838)	(86,070)
Culture and recreation	705,000	16,366	-	-	(688,634)	(500,870)
Home and community services	9,617,536	9,257,720	541,528	209,646	391,358	1,221,070
Interest expense	338,986	-	-	-	(338,986)	(362,654)
	<u>33,698,884</u>	<u>9,823,572</u>	<u>792,443</u>	<u>1,940,299</u>	<u>(21,142,570)</u>	<u>(18,347,360)</u>
<b>General revenues</b>						
					<b>13,710,602</b>	13,673,135
Real property taxes					<b>7,619,213</b>	6,586,686
Sales taxes					<b>3,531,362</b>	2,374,166
State aid					<b>567,190</b>	644,114
Miscellaneous					<b>25,428,367</b>	23,278,101
<b>Total general revenues</b>						
					<b>4,285,797</b>	4,930,741
Change in net position						
					<b>(46,923,392)</b>	(51,854,133)
Net position (deficit) - beginning					<b>\$ (42,637,595)</b>	\$ (46,923,392)
<b>Net position (deficit) - ending</b>					<b>\$ (42,637,595)</b>	\$ (46,923,392)

**Balance Sheet - Governmental Funds**

December 31, 2021

(With summarized comparative totals as of December 31, 2020)

	General	Capital Projects	Water	Community Development	Sewer	Other Governmental Funds	Total Governmental Funds	
							2021	2020
<b>Assets</b>								
Cash	\$ 1,447,713	\$ 2,118,763	\$ 1,079,371	\$ 177,564	\$ 926,254	\$ 729,997	\$ 6,479,662	\$ 6,991,708
Loans and accounts receivable, net	3,379,813	-	692,757	842,752	590,172	320,904	5,826,398	6,105,054
Due from other governments	839,453	633,806	19	78,974	159,415	-	1,711,667	1,383,856
Prepaid expenses	557,042	-	40,785	-	35,866	-	633,693	580,386
Due from other funds	511,439	-	-	-	-	-	511,439	445,755
Investments	7,764,035	590,305	1,563,907	-	852,258	-	10,770,505	6,822,081
<b>Total assets</b>	<b>\$ 14,499,495</b>	<b>\$ 3,342,874</b>	<b>\$ 3,376,839</b>	<b>\$ 1,099,290</b>	<b>\$ 2,563,965</b>	<b>\$ 1,050,901</b>	<b>\$ 25,933,364</b>	<b>\$ 22,328,840</b>
<b>Liabilities and Fund Balances</b>								
Accounts payable	\$ 263,029	\$ 994,930	\$ 138,553	\$ 17,500	\$ 404,224	\$ 258	\$ 1,818,494	\$ 844,463
Accrued liabilities	878,800	-	27,967	-	60,669	-	967,436	921,663
Due to other funds	-	432,465	-	78,974	-	-	511,439	445,755
Due to other governments	1,944,804	-	-	-	-	-	1,944,804	1,980,513
Unearned revenue	1,571,699	-	272,962	842,752	221,063	141,684	3,050,160	2,524,812
<b>Total liabilities</b>	<b>4,658,332</b>	<b>1,427,395</b>	<b>439,482</b>	<b>939,226</b>	<b>685,956</b>	<b>141,942</b>	<b>8,292,333</b>	<b>6,717,206</b>
<b>Fund Balances</b>								
Nonspendable:								
Not in spendable form	557,042	-	40,785	-	35,866	-	633,693	580,386
Other	16,748	-	-	-	-	-	16,748	16,657
Restricted:								
Capital projects	-	1,915,479	-	-	-	-	1,915,479	840,818
Community development	-	-	-	160,064	-	-	160,064	74,165
Water	-	-	2,896,572	-	-	-	2,896,572	3,031,453
Sewer	-	-	-	-	1,842,143	-	1,842,143	2,033,185
Refuse	-	-	-	-	-	527,994	527,994	416,072
Debt	-	-	-	-	-	380,965	380,965	460,161
Other	16,953	-	-	-	-	-	16,953	16,886
Assigned:								
Designated for subsequent year's expenditures	581,014	-	-	-	-	-	581,014	458,104
Unassigned	8,669,406	-	-	-	-	-	8,669,406	7,683,747
<b>Total fund balances</b>	<b>9,841,163</b>	<b>1,915,479</b>	<b>2,937,357</b>	<b>160,064</b>	<b>1,878,009</b>	<b>908,959</b>	<b>17,641,031</b>	<b>15,611,634</b>
<b>Total liabilities and fund balances</b>	<b>\$ 14,499,495</b>	<b>\$ 3,342,874</b>	<b>\$ 3,376,839</b>	<b>\$ 1,099,290</b>	<b>\$ 2,563,965</b>	<b>\$ 1,050,901</b>	<b>\$ 25,933,364</b>	<b>\$ 22,328,840</b>

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

December 31, 2021

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<b>Total fund balances - governmental funds</b>		\$ 17,641,031
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.		67,856,501
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.		2,494,937
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.		947,860
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.		635,709
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	(4,616,529)	
OPEB	<u>(111,658,000)</u>	(116,274,529)
Certain liabilities are not due and payable currently and therefore are not reported as liabilities of the governmental funds. These liabilities are:		
Bonds	(12,299,000)	
Compensated absences	(3,033,000)	
Sales tax overpayment	(533,104)	
Accrued interest	<u>(74,000)</u>	<u>(15,939,104)</u>
<b>Net position (deficit) - governmental activities</b>		<b>\$ (42,637,595)</b>

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

For the year ended December 31, 2021  
(With summarized comparative totals for December 31, 2020)

	General	Capital Projects	Water	Community Development	Sewer	Other Governmental Funds	Total Governmental Funds	
							2021	2020
<b>Revenues</b>								
Real property taxes	\$ 13,731,634	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,731,634	\$ 13,555,150
Nonproperty tax items	7,542,138	-	-	-	-	-	7,542,138	6,509,611
Departmental income	280,850	-	3,992,141	45,133	3,248,310	1,325,299	8,891,733	8,967,470
Intergovernmental charges	47,646	-	-	-	637,660	-	685,306	682,776
Use of money and property	5,966	854	613	62	159	186	7,840	120,744
Licenses and permits	221,844	-	-	-	-	-	221,844	163,564
Fines and forfeitures	49,044	-	-	-	-	-	49,044	47,156
Miscellaneous local sources	72,817	-	3,236	-	76,143	1,104	153,300	145,827
Interfund revenue	505,062	-	139,524	-	-	-	644,586	555,387
Sale of property and compensation for loss	198,956	-	-	-	675	-	199,631	36,572
State sources	3,677,984	1,522,859	-	321,143	-	-	5,521,986	4,216,215
Federal sources	545,163	-	-	196,955	-	-	742,118	281,298
<b>Total revenues</b>	<b>26,879,104</b>	<b>1,523,713</b>	<b>4,135,514</b>	<b>563,293</b>	<b>3,962,947</b>	<b>1,326,589</b>	<b>38,391,160</b>	<b>35,281,770</b>
<b>Expenditures</b>								
General government	3,294,619	-	41,125	-	45,200	90,786	3,471,730	2,913,528
Public safety	8,318,515	-	-	-	-	-	8,318,515	7,894,905
Transportation	1,389,002	-	-	-	-	-	1,389,002	1,410,388
Economic assistance and opportunity	128,482	-	-	-	-	-	128,482	62,714
Culture and recreation	368,408	-	-	-	-	-	368,408	267,265
Home and community services	445,385	-	2,341,955	477,394	2,499,875	1,087,413	6,852,022	5,930,521
Employee benefits	8,954,233	-	1,047,451	-	860,632	-	10,862,316	10,881,064
Capital outlay	-	2,677,302	-	-	-	-	2,677,302	3,004,753
Debt service								
Principal	795,350	-	550,290	-	577,535	29,825	1,953,000	1,838,400
Interest	82,373	-	156,965	-	95,191	6,457	340,986	364,654
<b>Total expenditures</b>	<b>23,776,367</b>	<b>2,677,302</b>	<b>4,137,786</b>	<b>477,394</b>	<b>4,078,433</b>	<b>1,214,481</b>	<b>36,361,763</b>	<b>34,568,192</b>
Excess revenues (expenditures)	3,102,737	(1,153,589)	(2,272)	85,899	(115,486)	112,108	2,029,397	713,578
<b>Other financing sources (uses)</b>								
BANS redeemed from appropriations	-	-	-	-	-	-	-	170,400
Proceeds from issuance of debt	-	-	-	-	-	-	-	7,215,000
Operating transfers, net	(1,943,715)	2,228,250	(131,740)	-	(73,413)	(79,382)	-	-
<b>Total other financing sources (uses)</b>	<b>(1,943,715)</b>	<b>2,228,250</b>	<b>(131,740)</b>	<b>-</b>	<b>(73,413)</b>	<b>(79,382)</b>	<b>-</b>	<b>7,385,400</b>
Net change in fund balances	1,159,022	1,074,661	(134,012)	85,899	(188,899)	32,726	2,029,397	8,098,978
Fund balances - beginning	8,682,141	840,818	3,071,369	74,165	2,066,908	876,233	15,611,634	7,512,656
<b>Fund balances - ending</b>	<b>\$ 9,841,163</b>	<b>\$ 1,915,479</b>	<b>\$ 2,937,357</b>	<b>\$ 160,064</b>	<b>\$ 1,878,009</b>	<b>\$ 908,959</b>	<b>\$ 17,641,031</b>	<b>\$ 15,611,634</b>



### 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, 2021

<b>Total net change in fund balances - governmental funds</b>		\$ 2,029,397
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.		90,783
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.		59,003
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.		(21,032)
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.		(4,733)
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	332,356	
OPEB	<u>97,948</u>	430,304
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	1,953,000	
Sales tax overpayment	<u>77,075</u>	2,030,075
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>(330,000)</u>	(328,000)
<b>Change in net position - governmental activities</b>		<u>\$ 4,285,797</u>

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

For the year ended December 31, 2021

	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		
<b>Revenues</b>								
Real property taxes	\$ 14,077,920	\$ 13,965,321	\$ 13,731,634	\$ (233,687)	\$ -	\$ -	\$ -	\$ -
Nonproperty tax items	5,802,500	6,201,857	7,542,138	1,340,281	-	-	-	-
Departmental income	250,000	281,903	280,850	(1,053)	4,128,500	4,298,178	3,992,141	(306,037)
Intergovernmental charges	83,500	83,500	47,646	(35,854)	-	-	-	-
Use of money and property	125,000	125,000	5,966	(119,034)	5,000	5,000	613	(4,387)
Licenses and permits	200,000	200,600	221,844	21,244	-	-	-	-
Fines and forfeitures	150,000	150,000	49,044	(100,956)	-	-	-	-
Miscellaneous local sources	7,250	27,250	72,817	45,567	-	-	3,236	3,236
Interfund revenue	587,006	505,062	505,062	-	139,524	139,524	139,524	-
Sale of property and compensation for loss	84,756	250,704	198,956	(51,748)	-	-	-	-
State sources	2,530,932	3,609,502	3,677,984	68,482	-	-	-	-
Federal sources	196,203	1,233,791	545,163	(688,628)	-	-	-	-
<b>Total revenues</b>	<b>24,095,067</b>	<b>26,634,490</b>	<b>26,879,104</b>	<b>244,614</b>	<b>4,273,024</b>	<b>4,442,702</b>	<b>4,135,514</b>	<b>(307,188)</b>
<b>Expenditures</b>								
General government	3,372,198	3,368,528	3,294,619	(73,909)	37,000	41,127	41,125	(2)
Public safety	8,661,691	8,715,878	8,318,515	(397,363)	-	-	-	-
Transportation	1,324,298	1,392,551	1,389,002	(3,549)	-	-	-	-
Economic assistance and opportunity	85,000	128,484	128,482	(2)	-	-	-	-
Culture and recreation	261,467	391,265	368,408	(22,857)	-	-	-	-
Home and community services	398,192	450,055	445,385	(4,670)	2,294,535	2,478,670	2,341,955	(136,715)
Employee benefits	9,078,347	9,284,471	8,954,233	(330,238)	1,102,494	1,083,910	1,047,451	(36,459)
Debt service								
Principal	795,350	795,350	795,350	-	550,290	550,290	550,290	-
Interest	82,373	82,373	82,373	-	156,965	156,965	156,965	-
<b>Total expenditures</b>	<b>24,058,916</b>	<b>24,608,955</b>	<b>23,776,367</b>	<b>(832,588)</b>	<b>4,141,284</b>	<b>4,310,962</b>	<b>4,137,786</b>	<b>(173,176)</b>
Excess revenues (expenditures)	36,151	2,025,535	3,102,737	1,077,202	131,740	131,740	(2,272)	(134,012)
<b>Other financing sources (uses)</b>								
Operating transfers in	122,349	122,349	204,169	81,820	38,260	38,260	38,260	-
Operating transfers out	(158,500)	(2,147,884)	(2,147,884)	-	(170,000)	(170,000)	(170,000)	-
<b>Total other financing sources (uses)</b>	<b>(36,151)</b>	<b>(2,025,535)</b>	<b>(1,943,715)</b>	<b>81,820</b>	<b>(131,740)</b>	<b>(131,740)</b>	<b>(131,740)</b>	<b>-</b>
<b>Excess revenues and other financing sources (uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,159,022</b>	<b>\$ 1,159,022</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (134,012)</b>	<b>\$ (134,012)</b>

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

For the year ended December 31, 2021

	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		
<b>Revenues</b>								
Departmental income	\$ -	\$ -	\$ 45,133	\$ 45,133	\$ 3,330,000	\$ 3,558,651	\$ 3,248,310	\$ (310,341)
Intergovernmental charges	-	-	-	-	637,660	637,660	637,660	-
Use of money and property	-	-	62	62	1,500	1,500	159	(1,341)
Miscellaneous local sources	-	-	-	-	1,000	1,000	76,143	75,143
Sale of property and compensation for loss	-	-	-	-	-	-	675	675
State sources	-	-	321,143	321,143	-	-	-	-
Federal sources	800,000	800,000	196,955	(603,045)	-	-	-	-
<b>Total revenues</b>	800,000	800,000	563,293	(236,707)	3,970,160	4,198,811	3,962,947	(235,864)
<b>Expenditures</b>								
General government	-	-	-	-	38,000	45,203	45,200	(3)
Home and community services	800,000	800,000	477,394	(322,606)	2,271,822	2,531,708	2,499,875	(31,833)
Employee benefits	-	-	-	-	923,957	873,546	860,632	(12,914)
Debt service								
Principal	-	-	-	-	579,747	579,747	577,535	(2,212)
Interest	-	-	-	-	95,192	95,192	95,191	(1)
<b>Total expenditures</b>	800,000	800,000	477,394	(322,606)	3,908,718	4,125,396	4,078,433	(46,963)
Excess revenues (expenditures)	-	-	85,899	85,899	61,442	73,415	(115,486)	(188,901)
<b>Other financing sources (uses)</b>								
Operating transfers in	-	-	-	-	108,558	108,558	108,558	-
Operating transfers out	-	-	-	-	(170,000)	(181,973)	(181,971)	2
<b>Total other financing sources (uses)</b>	-	-	-	-	(61,442)	(73,415)	(73,413)	2
<b>Excess revenues and other financing sources (uses)</b>	\$ -	\$ -	\$ 85,899	\$ 85,899	\$ -	\$ -	\$ (188,899)	\$ (188,899)

**Statement of Proprietary Fund Net Position**

December 31, 2021

(with summarized comparative totals as of December 31, 2020)

	Internal Service Funds		Total Proprietary Funds	
	Health Insurance	Workers' Compensation	2021	2020
<b>Assets</b>				
Cash	\$ 1,959,632	\$ 851,581	\$ <b>2,811,213</b>	\$ 2,719,975
Investments	-	1,501,339	<b>1,501,339</b>	1,500,750
<b>Total assets</b>	<b>1,959,632</b>	<b>2,352,920</b>	<b>4,312,552</b>	<b>4,220,725</b>
<b>Liabilities</b>				
Accounts payable	57,144	-	<b>57,144</b>	2,183
Accrued liabilities	292,571	1,467,900	<b>1,760,471</b>	1,782,608
<b>Total liabilities</b>	<b>349,715</b>	<b>1,467,900</b>	<b>1,817,615</b>	<b>1,784,791</b>
<b>Net position - restricted</b>	<b>\$ 1,609,917</b>	<b>\$ 885,020</b>	<b>\$ 2,494,937</b>	<b>\$ 2,435,934</b>

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

For the year ended December 31, 2021  
(with summarized comparative totals for December 31, 2020)

	Internal Service Funds		Total Proprietary Funds	
	Health Insurance	Workers' Compensation	2021	2020
<b>Operating revenue</b>				
Interfund revenue	\$ 5,765,148	\$ 782,998	\$ 6,548,146	\$ 6,681,862
Miscellaneous	114,502	72,295	186,797	325,551
<b>Total operating revenue</b>	<b>5,879,650</b>	<b>855,293</b>	<b>6,734,943</b>	<b>7,007,413</b>
<b>Operating expenses</b>				
Judgements and claims	4,489,940	252,920	4,742,860	3,400,193
Health insurance	992,742	82,606	1,075,348	1,200,459
Administrative services	757,165	100,567	857,732	871,575
<b>Total operating expenses</b>	<b>6,239,847</b>	<b>436,093</b>	<b>6,675,940</b>	<b>5,472,227</b>
<b>Change in net position</b>	<b>(360,197)</b>	<b>419,200</b>	<b>59,003</b>	<b>1,535,186</b>
Net position - beginning	1,970,114	465,820	2,435,934	900,748
<b>Net position - ending</b>	<b>\$ 1,609,917</b>	<b>\$ 885,020</b>	<b>\$ 2,494,937</b>	<b>\$ 2,435,934</b>

**Statement of Proprietary Fund Cash Flows**

For the year ended December 31, 2021  
(with summarized comparative totals for December 31, 2020)

	Internal Service Funds		Total Proprietary Funds	
	Health Insurance	Workers' Compensation	2021	2020
<b>Cash flows from operating activities:</b>				
Cash received from services provided	\$ 5,879,650	\$ 855,293	\$ <b>6,734,943</b>	\$ 7,007,413
Payments for contractual expenses	(6,180,592)	(462,524)	<b>(6,643,116)</b>	(6,328,425)
Net operating activities	(300,942)	392,769	<b>91,827</b>	678,988
<b>Cash flows from investing activities:</b>				
Net purchases of investments	-	(589)	<b>(589)</b>	(164,601)
Net change in cash	(300,942)	392,180	<b>91,238</b>	514,387
Cash - beginning	2,260,574	459,401	<b>2,719,975</b>	2,205,588
<b>Cash - ending</b>	<b>\$ 1,959,632</b>	<b>\$ 851,581</b>	<b>\$ 2,811,213</b>	<b>\$ 2,719,975</b>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ (360,197)	\$ 419,200	\$ <b>59,003</b>	\$ 1,535,186
Adjustments to reconcile operating income (loss) to net cash flows provided by operating activities:				
Changes in assets and liabilities:				
Accounts payable	54,961	-	<b>54,961</b>	(5,503)
Accrued liabilities	4,294	(26,431)	<b>(22,137)</b>	(695,948)
Due to governmental funds	-	-	-	(154,747)
<b>Net operating activities</b>	<b>\$ (300,942)</b>	<b>\$ 392,769</b>	<b>\$ 91,827</b>	<b>\$ 678,988</b>

CITY OF LOCKPORT, NEW YORK

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**Statement of Fiduciary Net Position - Custodial Fund**

December 31, 2021  
 (with comparative totals for December 31, 2020)

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	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Cash	\$ -	\$ -
<b>Net Position</b>	<u>\$ -</u>	<u>\$ -</u>

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CITY OF LOCKPORT, NEW YORK

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**Statement of Changes in Fiduciary Net Position - Custodial Fund**

December 31, 2021  
 (with comparative totals for December 31, 2020)

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	<u>2021</u>	<u>2020</u>
<b>Additions</b>		
Property tax collections for other governments City School District of the City of Lockport	<u>\$ 1,271,778</u>	<u>\$ 1,238,923</u>
<b>Deductions</b>		
Payments of property taxes to other governments City School District of the City of Lockport	<u>1,271,778</u>	<u>1,238,923</u>
Net change in fiduciary net position	-	-
Net position - beginning	-	-
<b>Net position - ending</b>	<u>\$ -</u>	<u>\$ -</u>

## Notes to Financial Statements

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### 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 10.

#### 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, 2020, 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 31<sup>st</sup> 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, 2021, the City's real property tax abatement totaled \$129,000 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 the first Common Council meeting in October 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. Modifications of the budget are made following the City's Budget Modification Policy and approved by the Common Council when required.

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.

## 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 9) 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. 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, 2021, 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, 2021 is 58 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 66 days.

## 3. Loans and Accounts Receivable

<hr/>	
Loans receivable	
Community development fund:	
Community development	\$ 128,692
Home ownership	214,972
Rental rehabilitation	21,693
Deferred other	430,301
Home loans - NYS Division of Housing and Community Renewal	47,094
	<hr/>
	\$ 842,752
Accounts receivable	
General fund:	
City taxes receivable - current	\$ 1,016,386
City taxes receivable - overdue	1,362,222
Installment sales agreements	6,547
School taxes receivable	1,109,398
Accounts receivable	315,748
	<hr/>
	3,810,301
Less allowance for doubtful accounts	430,488
	<hr/>
	3,379,813
Water fund:	
Water rents receivable	692,757
Sewer fund:	
Sewer rents receivable	590,172
Refuse fund:	
Assessments receivable	320,904
	<hr/>
	\$ 4,983,646
<hr/>	

#### 4. Interfund Transactions - Fund Financial Statements

	Receivable	Payable	Transfers	
			In	Out
Governmental funds				
General	\$ 511,439	\$ -	\$ 204,169	\$ 2,147,884
Capital projects	-	432,465	2,432,855	204,605
Water	-	-	38,260	170,000
Community development	-	78,974	-	-
Sewer	-	-	108,558	181,971
Debt service	-	-	181,785	261,167
	<u>\$ 511,439</u>	<u>\$ 511,439</u>	<u>\$ 2,965,627</u>	<u>\$ 2,965,627</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, water, 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 for debt service payments. 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. Similarly, the unspent balance of another project was transferred from the capital projects fund to the general fund as the project was funded by general appropriations. All transfers are considered permanent.

#### 5. Capital Assets

	January 1, 2021	Increases	Retirements/ Reclassifications	December 31, 2021
Non-depreciable capital assets:				
Land	\$ 3,173,000	\$ -	\$ -	\$ 3,173,000
Construction in progress	2,718,838	2,235,232	(2,131,855)	2,822,215
Total non-depreciable assets	<u>5,891,838</u>	<u>2,235,232</u>	<u>(2,131,855)</u>	<u>5,995,215</u>
Depreciable capital assets:				
Infrastructure	31,831,346	24,630	1,772,668	33,628,644
Buildings and improvements	68,505,824	-	-	68,505,824
Machinery and equipment	8,985,924	417,440	359,187	9,762,551
Vehicles	4,639,686	-	-	4,639,686
Total depreciable assets	<u>113,962,780</u>	<u>442,070</u>	<u>2,131,855</u>	<u>116,536,705</u>
Less accumulated depreciation:				
Infrastructure	10,019,571	1,376,073	-	11,395,644
Buildings and improvements	31,732,910	722,943	-	32,455,853
Machinery and equipment	6,251,855	337,130	-	6,588,985
Vehicles	4,084,564	150,373	-	4,234,937
Total accumulated depreciation	<u>52,088,900</u>	<u>2,586,519</u>	<u>-</u>	<u>54,675,419</u>
Total depreciable assets, net	<u>61,873,880</u>	<u>(2,144,449)</u>	<u>2,131,855</u>	<u>61,861,286</u>
	<u>\$ 67,765,718</u>	<u>\$ 90,783</u>	<u>\$ -</u>	<u>\$ 67,856,501</u>

Depreciation expense has been allocated to the following functions: general government \$474,416, public safety \$41,530, transportation \$932,278, economic assistance and opportunity \$23,356, culture and recreation \$73,630, and home and community \$1,041,309.

As of December 31, 2021, net investment in capital assets consists of the following:

Capital assets, net of accumulated depreciation	\$ 67,856,501
Bonds	<u>(12,299,000)</u>
	<u>\$ 55,557,501</u>

## 6. Short-Term Debt

There were no bond anticipation notes (BANs) outstanding at December 31, 2021 and 2020. During 2021, the City entered into an agreement with the NYS Environmental Facilities Corporation for a BAN with a maximum borrowing capacity of \$3,268,750 with interest from 0.0% - 0.33% to finance its water project. The first draw did not occur until January 2022.

## 7. Long-Term Liabilities

	January 1, 2021	Increases	Decreases	December 31, 2021	Amount Due In One Year
Serial bonds	\$ 14,252,000	\$ -	\$ 1,953,000	\$ 12,299,000	\$ 1,888,000
Compensated absences	2,703,000	330,000	-	3,033,000	303,000
Sales tax overpayment	610,179	-	77,075	533,104	77,075
	<u>\$ 17,565,179</u>	<u>\$ 330,000</u>	<u>\$ 2,030,075</u>	<u>\$ 15,865,104</u>	<u>\$ 2,268,075</u>

## Existing Obligations

Description	Final Maturity	Interest Rate	Balance
2008 Public Improvement serial bond	March 2022	4.23%	\$ 50,000
2012 Public Improvement serial bond	December 2022	0.6%-2.4%	65,000
2014 Public Improvement serial bond	May 2024	2.65%-3.0%	220,000
2014 Deficit Financing serial bond	October 2024	5.0%	1,515,000
2015 Serial bond refunding*	March 2037	4.13%-4.79%	809,000
2017 Public Improvement serial bond	May 2029	2.0%-2.875%	2,700,000
2020 Public improvement serial bond	April 2050	2.0%-2.5%	6,940,000
			<u>\$ 12,299,000</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
2022	\$ 1,888,000	\$ 311,540
2023	1,493,000	260,397
2024	1,493,000	213,150
2025	789,000	166,364
2026	453,000	151,941
2027-2031	2,065,000	607,879
2032-2036	1,555,000	379,085
2037-2041	928,000	237,050
2042-2046	900,000	142,276
2047-2050	735,000	36,824
	<u>\$ 12,299,000</u>	<u>\$ 2,506,506</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,	
2022	\$ 77,075
2023	77,075
2024	77,075
2025	77,075
2026	77,075
2027-2028	147,729
	<u>\$ 533,104</u>

## 8. 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](http://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 2021, these rates ranged from 10.6%-18.2% for ERS and 20.2%-31.1% for PFRS.

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

At December 31, 2021, the City reported a liability of \$3,387,898 for its proportionate share of the ERS and PFRS net pension position. The net pension position was measured as of March 31, 2021, and the total pension liability was determined by an actuarial valuation as of April 1, 2020. 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, 2021 measurement date, the City’s proportion was 0.0191875% for ERS, a decrease of 0.000034, and 0.1940240% for PFRS, an increase of 0.0065581 from their respective proportions measured as of March 31, 2020.

For the year ended December 31, 2021, the City recognized pension expense of \$2,149,110 on the government-wide statements. At December 31, 2021, 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	\$ 233,333	\$ -	\$ 747,517	\$ -
Changes of assumptions	3,512,933	(66,255)	8,276,759	-
Net difference between projected and actual earnings on pension plan investments	-	(5,488,299)	-	(9,905,737)
Changes in proportion and differences between contributions and proportionate share of contributions	2,629	(143,593)	161,834	(460,829)
City contributions subsequent to the measurement date	734,363	-	1,800,407	-
	<u>\$ 4,483,258</u>	<u>\$ (5,698,147)</u>	<u>\$ 10,986,517</u>	<u>\$ (10,366,566)</u>

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. 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
2022	\$ (374,883)	\$ (473,240)
2023	(161,609)	(118,211)
2024	(336,923)	(401,513)
2025	(1,075,837)	(1,821,751)
2026	-	1,634,259
	<u>\$ (1,949,252)</u>	<u>\$ (1,180,456)</u>

## Actuarial Assumptions

The actuarial assumptions used in the April 1, 2020 valuation, with update procedures used to roll forward the total pension liability to March 31, 2021, were based on the results of an actuarial experience study for the period April 1, 2015 to March 31, 2020. These assumptions are:

*Inflation* – 2.7%

*Salary increases* – 4.4% (ERS), 6.2% (PFRS)

*Cost of living adjustments* – 1.4% annually

*Investment rate of return* – 5.9% compounded annually, net of investment expense, including inflation

*Mortality* – Society of Actuaries’ Scale MP-2020

*Discount rate* – 5.9%

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	32%	4.1%
Global and international equities	15%	6.3%
Private equities	10%	6.8%
Real estate	9%	5.0%
Domestic fixed income securities	23%	-
Short-term	1%	0.5%
Other	10%	3.6%-6.0%
	<u>100%</u>	

## 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 5.9% 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)	\$ (5,303,019)	\$ (19,106)	\$ 4,853,899
City’s proportionate share of the PFRS net pension asset (liability)	\$ (14,326,004)	\$ (3,368,792)	\$ 5,700,947

## 9. 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 \$120,687,595 was measured as of January 1, 2021 based on an actuarial valuation as of January 1, 2020, rolled forward through an interim valuation.

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

*Healthcare cost trend rates* – 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 5.5% 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* – 2.12% 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, 2020	<u>\$ 106,275,360</u>
Changes for the year:	
Service cost	3,080,558
Interest	2,950,916
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other inputs	11,697,272
Benefit payments	<u>(3,316,511)</u>
Net changes	14,412,235
Balance at December 31, 2021	<u>\$ 120,687,595</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 (1.12%)	Discount Rate (2.12%)	1.0% Increase (3.12%)
	<hr/>		
Total OPEB liability	\$ (143,671,152)	\$ (120,687,595)	\$ (102,617,274)

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 (4.5% to 2.94%)	Healthcare Cost Trend Rate (5.5% to 3.94%)	1.0% Increase (6.5% to 4.94%)
Total OPEB liability	\$ (100,140,456)	\$ (120,687,595)	\$ (147,603,084)

### OPEB Expense and Deferred Outflows and Deferred Inflows of Resources

For the year ended December 31, 2021, the City recognized OPEB expense of \$3,168,971. At December 31, 2021, 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	\$ -	\$ (6,458,613)
Changes of assumptions or other inputs	18,173,607	(5,952,318)
Benefit payments subsequent to the measurement date	3,266,919	-
	<u>\$ 21,440,526</u>	<u>\$ (12,410,931)</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, 2022. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending December 31,	
2022	\$ (2,862,503)
2023	984,059
2024	3,542,416
2025	3,016,017
2026	1,082,687
	<u>\$ 5,762,676</u>

## 10. Risk Management

The City purchases commercial insurance for various risks of loss due to torts, thefts, damage, errors, omissions, 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
2021	\$ 1,494,331	\$ 226,489	\$ 252,920	\$ 1,467,900
2020	\$ 2,259,169	\$ (379,042)	\$ 385,796	\$ 1,494,331

## 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
2021	\$ 288,277	\$ 4,494,234	\$ 4,489,940	\$ 292,571
2020	\$ 219,387	\$ 3,848,125	\$ 3,779,235	\$ 288,277

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

## 11. Commitments and Contingencies

The City has entered into contracts with various construction companies for several capital projects. As of December 31, 2021, \$2,822,000 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.

## 12. 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 continued in 2021, and the City was required to implement numerous safety measures. The full extent of the impact of COVID-19 on the City's operational and financial performance will continue to 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.

CITY OF LOCKPORT, NEW YORK

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

As of the measurement date of March 31,	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension position	0.0191875%	0.0192215%	0.0200312%	0.0200979%	0.0210000%	0.0220000%	0.0250000%
City's proportionate share of the net pension liability	\$ (19,106)	\$ (5,089,970)	\$ (1,419,274)	\$ (648,648)	\$ (1,953,000)	\$ (3,528,000)	\$ (840,000)
City's covered payroll	\$ 5,021,790	\$ 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	0.38%	101.60%	28.02%	12.55%	36.75%	68.52%	14.91%
Plan fiduciary net position as a percentage of the total pension liability	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%

The following is a summary of changes of assumptions:

Inflation	2.7%	2.5%	2.5%	2.5%	2.5%	2.5%	2.7%
Salary increases	4.4%	4.2%	4.2%	3.8%	3.8%	3.8%	4.9%
Cost of living adjustments	1.4%	1.3%	1.3%	1.3%	1.3%	1.3%	1.4%
Investment rate of return	5.9%	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Discount rate	5.9%	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Society of Actuaries' mortality scale	MP-2020	MP-2018	MP-2014	MP-2014	MP-2014	MP-2014	MP-2014

Data prior to 2015 is unavailable.

CITY OF LOCKPORT, NEW YORK

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

As of the measurement date of March 31,	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension position	0.1940240%	0.1874659%	0.2040190%	0.1983487%	0.2000000%	0.2090000%	0.2320000%
City's proportionate share of the net pension liability	\$ (3,368,792)	\$ (10,019,934)	\$ (3,421,527)	\$ (2,004,824)	\$ (4,154,000)	\$ (6,179,000)	\$ (638,000)
City's covered payroll	\$ 6,771,542	\$ 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	49.75%	151.99%	47.80%	29.01%	57.14%	84.80%	8.28%
Plan fiduciary net position as a percentage of the total pension liability	95.79%	84.86%	95.09%	96.93%	93.50%	90.70%	99.00%

The following is a summary of changes of assumptions:

Inflation	2.7%	2.5%	2.5%	2.5%	2.5%	2.5%	2.7%
Salary increases	6.2%	5.0%	5.0%	4.5%	4.5%	4.5%	4.9%
Cost of living adjustments	1.4%	1.3%	1.3%	1.3%	1.3%	1.3%	1.4%
Investment rate of return	5.9%	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Discount rate	5.9%	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Society of Actuaries' mortality scale	MP-2020	MP-2018	MP-2014	MP-2014	MP-2014	MP-2014	MP-2014

Data prior to 2015 is unavailable.

CITY OF LOCKPORT, NEW YORK

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

For the years ended December 31,	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 734,363	\$ 700,109	\$ 710,615	\$ 748,429	\$ 806,985	\$ 829,931	\$ 995,757
Contribution in relation to the contractually required contribution	(734,363)	(700,109)	(710,615)	(748,429)	(806,985)	(829,931)	(995,757)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 4,842,720	\$ 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	15.16%	13.94%	14.18%	14.78%	15.61%	15.62%	19.34%

*Data prior to 2015 is unavailable.*



CITY OF LOCKPORT, NEW YORK

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

For the years ended December 31,	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,800,407	\$ 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	(1,800,407)	(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	\$ 6,521,841	\$ 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	27.61%	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,	2021	2020	2019	2018
Total OPEB liability - beginning	\$ 106,275,360	\$ 93,874,372	\$ 102,354,366	\$ 121,681,402
Changes for the year:				
Service cost	3,080,558	1,973,346	2,546,831	2,769,409
Interest	2,950,916	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	11,697,272	13,499,112	(11,387,853)	(5,365,699)
Benefit payments	(3,316,511)	(3,087,824)	(3,192,659)	(3,028,584)
Net change in total OPEB liability	14,412,235	12,400,988	(8,479,994)	(19,327,036)
Total OPEB liability - ending	\$ 120,687,595	\$ 106,275,360	\$ 93,874,372	\$ 102,354,366
Covered-employee payroll	\$ 12,279,697	\$ 12,748,999	\$ 10,809,083	\$ 12,942,524
Total OPEB liability as a percentage of covered-employee payroll	982.8%	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	5.5%-3.94%	6.5%-3.94%	7.0%-3.94%	7.0%-3.94%
Inflation	2.2%	2.2%	2.5%	2.2%
Salary increases	2.5%	2.5%	2.5%	2.5%
Discount rate	2.12%	2.74%	4.1%	3.44%
Society of Actuaries' mortality scale	MP-2020	MP-2020	MP-2018	MP-2018

Data prior to 2018 is unavailable.

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

December 31, 2021

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Refuse	Debt Service	
<b>Assets</b>			
Cash	\$ 349,032	\$ 380,965	\$ 729,997
Loans and accounts receivable, net	320,904	-	320,904
<b>Total assets</b>	<b>\$ 669,936</b>	<b>\$ 380,965</b>	<b>\$ 1,050,901</b>
<b>Liabilities and Fund Balances</b>			
Accounts payable	\$ 258	\$ -	\$ 258
Unearned revenue	141,684	-	141,684
<b>Total liabilities</b>	<b>141,942</b>	<b>-</b>	<b>141,942</b>
<b>Fund Balances</b>			
Restricted:			
Refuse	527,994	-	527,994
Debt	-	380,965	380,965
<b>Total fund balances</b>	<b>527,994</b>	<b>380,965</b>	<b>908,959</b>
<b>Total liabilities and fund balances</b>	<b>\$ 669,936</b>	<b>\$ 380,965</b>	<b>\$ 1,050,901</b>

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

For the year ended December 31, 2021

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Refuse	Debt Service	
<b>Revenues</b>			
Departmental income	\$ 1,325,299	\$ -	\$ 1,325,299
Use of money and property	-	186	186
Miscellaneous local sources	1,104	-	1,104
<b>Total revenues</b>	<b>1,326,403</b>	<b>186</b>	<b>1,326,589</b>
<b>Expenditures</b>			
General government	90,786	-	90,786
Home and community services	1,087,413	-	1,087,413
Debt service			
Principal	29,825	-	29,825
Interest	6,457	-	6,457
<b>Total expenditures</b>	<b>1,214,481</b>	<b>-</b>	<b>1,214,481</b>
Excess revenues	111,922	186	112,108
<b>Other financing sources (uses)</b>			
Operating transfers, net	-	(79,382)	(79,382)
Net change in fund balances	111,922	(79,196)	32,726
Fund balances - beginning	416,072	460,161	876,233
<b>Fund balances - ending</b>	<b>\$ 527,994</b>	<b>\$ 380,965</b>	<b>\$ 908,959</b>