

## MANAGEMENT LETTER

June 17, 2022

The Common Council and Management  
City of Lockport, New York

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lockport, New York (the City) as of and for the year ended December 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### OBSERVATIONS

#### **Capital Assets**

Management is maintaining its capital asset listing in Excel after converting the listing from the predecessor auditor's software system in 2019. We recommend that management research capital asset software programs and consider use of such a system to reduce the risk of calculation errors, calculate depreciation, and more easily monitor additions and deletions. In addition, someone within the accounting office should be responsible for updating the database throughout the year. We are pleased to note that the City purchased a new capital asset software program subsequent to year end which it intends to implement for the year ending December 31, 2022.

### INFORMATIONAL POINTS - ACCOUNTING STANDARDS UPDATES

- GASB Statement No. 87, *Leases*, was originally effective for the year ending December 31, 2020 but was postponed by GASB Statement No. 95 to December 31, 2022. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease as a liability and an intangible right-to-use lease asset and a lessor would recognize a lease receivable and a deferred inflow of resources.
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, is effective for the City's year ending December 31, 2023. This statement generally requires a government to recognize a right-to-use subscription asset and a corresponding subscription liability that is measured at the present value of the subscription payments expected to be paid during the subscription term.
- GASB Statement No. 99, *Omnibus 2022*, is effective on various dates, from issuance through the City's year ending December 31, 2024. This statement amends and clarifies several previous pronouncements related to derivative instruments, leases, public-private and public-public partnerships, SBITA, benchmark interest rates, nonmonetary transactions, pledges of future revenues, the government-wide financial statements, and the Federal Supplemental Nutrition Assistance Program. It also updates terminology of two pronouncements for consistency.

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We have discussed these comments with City personnel and would be pleased to discuss them in further detail, perform any additional studies, or assist in implementing the recommendations.

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

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