

## MANAGEMENT LETTER

May 24, 2023

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, 2022, 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.

### INFORMATIONAL POINTS - ACCOUNTING STANDARDS UPDATES

- 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.

- GASB Statement No. 100, *Accounting Changes and Error Corrections*, is effective for the City's year ending December 31, 2024. This statement defines four categories of accounting changes and error corrections along with the required reporting requirements, which include the following: (1) Change in accounting principle with retroactive reporting to the earliest period presented and required financial statement footnote disclosures including an explanation as to why the change is preferable, (2) Change in accounting estimate with prospective reporting from the period when change occurs and required financial statement footnote disclosures, (3) Change to or within the entity with an adjustment to beginning net position, and (4) Error correction with retroactive reporting to the earliest period presented and required financial statement footnote disclosures.
- GASB Statement No. 101, *Compensated Absences*, is effective for the City's year ending December 31, 2024. This statement clarifies what is considered unused leave balances for employees. Under this statement, compensated absences should be recognized as liabilities on the government-wide statements for leave that has not been used and leave that has been used but not yet paid or settled.

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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.

