

CITY OF LOCKPORT, NEW YORK

FINANCIAL STATEMENTS

DECEMBER 31, 2023

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

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, 2023, 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, 2023, and the respective changes in financial position and, where applicable, cash flows and the respective budgetary comparisons for the general and water funds for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 GAAP, 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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

GAAP requires 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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 accompanying supplementary information as listed in the table of contents, including the schedule of expenditures of federal awards required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 GAAS. In our opinion, the accompanying supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

September 9, 2024

Management’s Discussion and Analysis (unaudited)

December 31, 2023

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, 2023. 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, (7) required supplementary information, and (8) 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 statement of net position presents information on all of the City’s assets and deferred outflows of resources less liabilities and deferred inflows of resources with the difference reported as net position. The statement of activities presents information showing how the City’s net position changed during each year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future periods. The government-wide financial statements present information about the City as a whole. All of the activities of the City are considered to be governmental activities.

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

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

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

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

Condensed Statement of Net Position	2023	2022	Change	
			\$	%
Current and other assets	\$ 31,050,000	\$ 31,739,000	\$ (689,000)	(2.2%)
Capital assets	76,006,000	74,468,000	1,538,000	2.1%
Total assets	107,056,000	106,207,000	849,000	0.8%
Deferred outflows of resources	30,791,000	36,199,000	(5,408,000)	(14.9%)
Long-term liabilities	132,074,000	145,391,000	(13,317,000)	(9.2%)
Other liabilities	12,032,000	10,433,000	1,599,000	15.3%
Total liabilities	144,106,000	155,824,000	(11,718,000)	(7.5%)
Deferred inflows of resources	29,707,000	21,461,000	8,246,000	38.4%
Net position				
Net investment in capital assets	62,894,000	60,696,000	2,198,000	3.6%
Restricted	5,959,000	6,109,000	(150,000)	(2.5%)
Unrestricted (deficit)	(104,819,000)	(101,684,000)	(3,135,000)	3.1%
Total net position (deficit)	\$ (35,966,000)	\$ (34,879,000)	\$ (1,087,000)	3.1%

The City's net position was a deficit balance of \$35,966,000 at December 31, 2023 compared to a deficit balance of \$34,879,000 at December 31, 2022. Capital assets (infrastructure, buildings, improvements, machinery, equipment, and right-to-use lease assets) represent the largest portion (71.0%) of the City's total assets (70.1% in 2022). Long-term liabilities outstanding total 91.7% of total liabilities in 2023 and 93.3% in 2022. 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 and other assets decreased by \$689,000 (increase of \$2,638,000 or 9.1% in 2022). 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. In addition, the City's proportionate share of the New York State and Local Retirement System's net pension position, specifically for the Employees' Retirement System (ERS), resulted in a net pension asset of \$1,471,000 in 2022; for 2023, the amount resulted in a net pension liability. Capital assets increased by \$1,538,000 (increase of \$6,611,000 or 9.7% in 2022) due to equipment purchases and improvement projects, offset by current year depreciation and amortization expense.

Long-term liabilities decreased \$13,317,000 (increase of \$5,451,000 or 3.9% in 2022) due to a decrease in the OPEB liability of \$28,018,000, caused by an increase in the actuarial discount rate, and in bonds payable of \$1,493,000 as a result of principal payments during the year. This was offset by an increase in the City's share of the net pension liability for both ERS and the Police and Fire Retirement System (PFRS) of \$16,069,000. The increase in other liabilities of \$1,599,000 (increase of \$2,344,000 or 29.0% in 2022) was a result of additional bond anticipation notes of \$912,000 as a result of the ongoing capital project.

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. The City has no control or authority over these transactions relative to pensions.

Condensed Statement of Activities	2023	2022	Change	
			\$	%
Revenues				
Program revenues				
Charges for services	\$ 10,909,000	\$ 9,967,000	\$ 942,000	9.5%
Operating and capital grants and contributions	4,775,000	4,428,000	347,000	7.8%
General revenues				
Property taxes	13,938,000	14,245,000	(307,000)	(2.2%)
Sales taxes	8,605,000	8,281,000	324,000	3.9%
State aid	2,944,000	3,039,000	(95,000)	(3.1%)
Other	1,582,000	818,000	764,000	93.4%
Total revenues	42,753,000	40,778,000	1,975,000	4.8%
Expenses				
Support services				
General government	7,008,000	5,087,000	1,921,000	37.8%
Public safety	20,280,000	14,714,000	5,566,000	37.8%
Transportation	3,366,000	2,900,000	(22,000)	(0.8%)
Economic assistance and opportunity	139,000	161,000	40,000	24.8%
Culture and recreation	881,000	841,000	2,944,000	350.1%
Home and community services	11,899,000	8,955,000	(37,000)	(0.4%)
Interest	267,000	304,000	10,878,000	3578.3%
Total expenses	43,840,000	32,962,000	10,878,000	33.0%
Change in net position	(1,087,000)	7,816,000	(8,903,000)	(113.9%)
Net position (deficit) – beginning	(34,879,000)	(42,695,000)	7,816,000	(18.3%)
Net position (deficit) – ending	\$ (35,966,000)	\$ (34,879,000)	\$ (1,087,000)	3.1%

The main revenue sources supporting the City's programs are sales and property taxes which represent 52.7% of total revenues in 2023 and 55.2% in 2022. Property taxes decreased \$307,000 from the prior year (increase of \$534,000 or 3.9% in 2022) primarily as a result of a decrease of in rem property foreclosure sales. Sales tax revenue increased \$324,000 (increase of \$662,000 or 8.7% in 2022) due to spending patterns and inflation on goods and services. Other revenue increased \$764,000 (increase of \$251,000 or 44.3% in 2022) primarily due to additional interest earnings because of rising interest rates. Charges for services, which include ambulance services, water, sewer, and refuse charges, increased by \$942,000 or 9.5% (\$143,000 or 1.5% increase in 2022) due to the inception of City ambulance services during the year, which generated revenue of \$731,000. Operating and capital grants and contributions increased \$347,000 (increase of \$1,695,000 or 62.0% in 2022) due to an increase in Federal grants associated with COVID-related community development block grant (CDBG) funds.

Total expenses increased \$10,878,000 (decrease of \$737,000 or 2.2% in 2022). Pension expense increased \$4,235,000 and OPEB expense increased \$521,000 due to changes of assumptions and benefit terms in the calculation of the related liabilities. Health insurance expense increased \$2,117,000 as a result of additional employees on the plan and increases in claims. Payroll increased \$954,000 over the prior year due to contractual increases and the new ambulance services provided to the community. Compensated absences expense increased \$458,000 from the prior year due to more employees accumulating sick and vacation balances. 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. There was an increase in community development expenses primarily related to Federal CDBG grants in the amount of \$1,294,000. Depreciation and amortization expense increases of \$363,000 as well as tax assessment settlements of \$516,000 also contributed to the increase in overall expenses.

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 \$206,000 for 2023 (increase of \$922,000 for 2022). Revenues and other financing sources increased \$411,000 primarily due to the addition of ambulance services as mentioned above. Expenses including operating transfers increased \$1,128,000 primarily as a result of a payroll increase of \$727,000, also a result of the ambulance services, and the tax assessments of \$516,000 as previously mentioned.

- 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 \$90,000 for the year ended 2023 (\$32,000 increase for 2022), primarily due to increases in transfers to the capital project fund for the fund's share capital projects.

- 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 \$10,000 in 2023 (\$94,000 increase in 2022), due to interest revenue from the repayment of rehabilitation 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. Fund balance decreased by \$108,000 in the current year (\$116,000 increase in 2022) due to a decrease in revenue as a result of one-time insurance recoveries received in the prior year related to a flood and increases in transfers to the capital projects fund for the fund's share capital projects.

- Refuse Fund

The City's refuse fund accounts for garbage services provided to taxpayers. Fund balance increased by \$95,000 in the current year (\$204,000 increase in 2022) due to an increase in expenses as a result of inflation.

- Debt Service Fund

The debt service fund is used to account for the accumulation of resources for and the payment of principal and interest on general governmental obligations. This fund balance decreased \$182,000 to \$154,000 in 2023 (\$199,000 decrease in 2022) as part of a planned use of debt service to reduce the net budgetary impact in other funds. Some of this decrease was offset by transfers from the capital projects fund from unspent project proceeds required to be used to pay the related debt.

Overall, total fund balances for the governmental funds decreased from \$15,621,000 to \$15,611,000 due to the following:

- Revenue for all funds totaled \$42,627,000 and increased by \$1,360,000 or 3.3%. The increase in revenue was the result of ambulance service billings and increased interest as previously mentioned.
- Capital projects expenditures were \$3,873,000 in 2023 compared to \$7,732,000 in 2022 due to the conclusion of significant infrastructure projects within the City.
- Payroll increased \$954,000 or 7.0% due to contractual raises per collective bargaining units as well as additional overtime from the new ambulance service.

General Fund Budgetary Highlights

Actual revenues were more than budgeted revenues by \$347,000 or 1.2%. The largest positive variances were in Federal sources and nonproperty tax items, which were over budget by \$191,000 and \$275,000, respectively. Expenditures (before other financing uses) were under budget by \$992,000 or 3.4% with large variances in general government and employee benefits.

Capital Assets

	2023	2022
Land	\$ 3,173,000	\$ 3,173,000
Construction in progress	7,368,000	5,544,000
Infrastructure	37,172,000	35,381,000
Buildings and improvements	69,297,000	69,297,000
Machinery and equipment	12,171,000	12,033,000
Vehicles	5,426,000	4,996,000
	<u>134,607,000</u>	130,424,000
Accumulated depreciation	<u>(59,380,000)</u>	(56,870,000)
	75,227,000	73,554,000
Right-to-use leased equipment, net	779,000	914,000
	<u>\$ 76,006,000</u>	\$ 74,468,000

Depreciation and amortization expense totaled \$2,810,000 while capital asset additions totaled \$4,422,000. A majority of the capital asset additions relate directly to the ongoing water and sewer projects and capital purchases using Federal American Rescue Plan Act (ARPA) funds. The difference of \$74,000 represents disposal of leased equipment during the year.

Debt

At December 31, 2023, the City had \$9,843,000 in bonds and leases outstanding (\$11,415,000 at December 31, 2022) with \$1,782,000 due within one year. During 2023, the City made principal payments of \$1,812,000 on existing debt. Compensated absences totaled \$3,137,000 at December 31, 2023 (\$2,856,000 at December 31, 2022) with \$314,000 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. New CSEA and AFSCME members hired after the contract ratification in 2021 contribute 10% of the premium equivalent for health insurance.

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.

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, One Locks Plaza, City of Lockport, New York.

CITY OF LOCKPORT, NEW YORK

Statement of Net Position

December 31, 2023

(With comparative totals as of December 31, 2022)

	2023	2022
Assets		
Cash	\$ 6,816,846	\$ 9,822,078
Loans and accounts receivable, net	5,895,811	5,224,787
Due from other governments	2,837,054	2,291,488
Investments	15,500,299	12,929,325
Net pension asset	-	1,470,987
Capital assets (Note 6)	136,327,522	132,101,694
Accumulated depreciation and amortization	(60,321,836)	(57,633,609)
Total assets	107,055,696	106,206,750
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	13,650,398	13,602,867
Deferred outflows of resources related to OPEB	17,140,179	22,596,216
Total deferred outflows of resources	30,790,577	36,199,083
Liabilities		
Accounts payable	1,281,483	1,330,859
Accrued liabilities	3,241,655	2,911,477
Due to other governments	2,052,201	1,811,492
Bond anticipation notes	3,268,750	2,356,778
Unearned revenue	2,187,498	2,022,583
Long-term liabilities		
Due within one year:		
Leases	288,812	312,768
Bonds	1,493,000	1,493,000
Compensated absences	314,000	285,000
Sales tax overpayment	77,075	77,075
Due beyond one year:		
Leases	636,277	691,476
Bonds	7,425,000	8,918,000
Compensated absences	2,823,000	2,571,000
Sales tax overpayment	301,878	378,954
Net pension liability	17,306,406	1,237,040
Total OPEB liability	101,408,064	129,426,203
Total liabilities	144,105,099	155,823,705
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	1,612,122	16,485,357
Deferred inflows of resources related to OPEB	28,094,632	4,975,581
Total deferred inflows of resources	29,706,754	21,460,938
Net Position		
Net investment in capital assets	62,893,847	60,696,063
Restricted	5,959,164	6,108,808
Unrestricted (deficit)	(104,818,591)	(101,683,681)
Total net position (deficit)	\$ (35,965,580)	\$ (34,878,810)

See accompanying notes.

CITY OF LOCKPORT, NEW YORK

Statement of Activities

For the year ended December 31, 2023
 (With summarized comparative totals for December 31, 2022)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2023	2022
Governmental activities						
General government	\$ 7,008,348	\$ 433,093	\$ 240,235	\$ 749,561	\$ (5,585,459)	\$ (2,671,856)
Public safety	20,279,649	914,674	37,489	-	(19,327,486)	(14,512,915)
Transportation	3,366,213	-	92,515	1,628,791	(1,644,907)	(1,239,726)
Economic assistance and opportunity	139,461	-	-	-	(139,461)	(161,238)
Culture and recreation	881,445	24,359	15,000	-	(842,086)	(742,619)
Home and community services	11,898,830	9,536,538	1,812,808	199,087	(350,397)	1,066,046
Interest expense	266,714	-	-	-	(266,714)	(303,667)
	<u>43,840,660</u>	<u>10,908,664</u>	<u>2,198,047</u>	<u>2,577,439</u>	<u>(28,156,510)</u>	<u>(18,565,975)</u>
General revenues						
					13,937,652	14,244,750
					8,605,437	8,280,568
					2,944,245	3,039,420
					1,582,406	818,353
					<u>27,069,740</u>	<u>26,383,091</u>
					(1,086,770)	7,817,116
					<u>(34,878,810)</u>	<u>(42,695,926)</u>
					\$ (35,965,580)	\$ (34,878,810)

CITY OF LOCKPORT, NEW YORK

Balance Sheet - Governmental Funds

December 31, 2023

(With summarized comparative totals as of December 31, 2022)

	General	Capital Projects	Water	Other Governmental Funds	Total Governmental Funds	
					2023	2022
Assets						
Cash	\$ 449,260	\$ 745,204	\$ 545,378	\$ 1,811,088	\$ 3,550,930	\$ 6,002,787
Loans and accounts receivable, net	3,488,656	-	747,827	1,659,328	5,895,811	5,224,787
Due from other governments	1,098,833	1,288,710	-	449,511	2,837,054	2,291,488
Prepaid expenses	606,445	-	36,742	31,524	674,711	604,462
Due from other funds	171,190	179,445	-	-	350,635	1,736,373
Investments	11,113,732	187,802	1,877,396	721,773	13,900,703	11,406,048
Total assets	\$ 16,928,116	\$ 2,401,161	\$ 3,207,343	\$ 4,673,224	\$ 27,209,844	\$ 27,265,945
Liabilities						
Accounts payable	\$ 437,376	\$ 500,546	\$ 94,423	\$ 247,138	\$ 1,279,483	\$ 1,330,859
Accrued liabilities	995,352	-	465	-	995,817	1,063,425
Due to other funds	-	-	35,882	314,753	350,635	1,736,373
Due to other governments	2,052,201	-	-	-	2,052,201	1,811,492
Bond anticipation notes	-	3,268,750	-	-	3,268,750	2,356,778
Unearned revenue	2,474,199	-	197,256	980,173	3,651,628	3,345,914
Total liabilities	5,959,128	3,769,296	328,026	1,542,064	11,598,514	11,644,841
Fund Balances						
Nonspendable:						
Not in spendable form	606,445	-	36,742	31,524	674,711	604,462
Other	16,748	-	-	-	16,748	16,748
Restricted:						
Community development	-	-	-	263,874	263,874	253,638
Water	-	-	2,842,575	-	2,842,575	2,938,876
Sewer	-	-	-	1,854,303	1,854,303	1,967,930
Refuse	-	-	-	827,123	827,123	732,271
Debt	-	-	-	154,336	154,336	182,392
Other	16,953	-	-	-	16,953	16,953
Assigned:						
Designated for subsequent year's expenditures	715,123	-	-	-	715,123	991,259
Other	64,006	-	-	-	64,006	-
Unassigned (deficit)	9,549,713	(1,368,135)	-	-	8,181,578	7,916,575
Total fund balances (deficit)	10,968,988	(1,368,135)	2,879,317	3,131,160	15,611,330	15,621,104
Total liabilities and fund balances	\$ 16,928,116	\$ 2,401,161	\$ 3,207,343	\$ 4,673,224	\$ 27,209,844	\$ 27,265,945

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

December 31, 2023

Total fund balances - governmental funds		\$ 15,611,330
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.		76,005,686
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.		2,659,674
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.		954,781
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.		509,349
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	(5,942,841)	
OPEB	<u>(112,362,517)</u>	(118,305,358)
Certain liabilities are not due and payable currently and therefore are not reported as liabilities of the governmental funds. These liabilities are:		
Accrued interest	(42,000)	
Leases	(925,089)	
Bonds	(8,918,000)	
Compensated absences	(3,137,000)	
Sales tax overpayment	<u>(378,953)</u>	(13,401,042)
Net position (deficit) - governmental activities		\$ (35,965,580)

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

For the year ended December 31, 2023

(With summarized comparative totals for December 31, 2022)

	General	Capital Projects	Water	Other Governmental Funds	Total Governmental Funds	
					2023	2022
Revenues						
Real property taxes	\$ 13,713,587	\$ -	\$ -	\$ -	\$ 13,713,587	\$ 14,461,894
Nonproperty tax items	8,528,361	-	-	-	8,528,361	8,203,493
Departmental income	1,039,723	-	4,064,464	4,814,174	9,918,361	9,001,834
Intergovernmental charges	47,676	-	-	673,210	720,886	709,441
Use of money and property	808,064	23,158	73,185	51,568	955,975	237,245
Licenses and permits	283,259	-	-	-	283,259	231,941
Fines and forfeitures	80,301	-	-	-	80,301	74,864
Miscellaneous local sources	87,130	-	14,291	-	101,421	257,578
Interfund revenue	410,000	-	134,437	-	544,437	543,680
Sale of property and compensation for loss	53,655	-	6,907	-	60,562	78,004
State sources	3,150,039	2,577,439	-	656,701	6,384,179	6,500,564
Federal sources	216,097	86,000	-	1,033,455	1,335,552	966,535
Total revenues	28,417,892	2,686,597	4,293,284	7,229,108	42,626,881	41,267,073
Expenditures						
General government	4,331,747	-	86,224	136,010	4,553,981	3,785,892
Public safety	10,932,761	-	-	-	10,932,761	9,450,321
Transportation	1,485,215	-	-	-	1,485,215	1,780,081
Economic assistance and opportunity	119,097	-	-	-	119,097	130,839
Culture and recreation	373,346	-	-	-	373,346	401,595
Home and community services	417,712	-	2,293,780	5,412,301	8,123,793	6,658,540
Employee benefits	9,441,370	-	1,064,334	893,425	11,399,129	11,490,831
Capital outlay	-	3,872,659	-	-	3,872,659	7,732,088
Debt service						
Principal	701,473	-	491,706	541,369	1,734,548	2,108,356
Interest	80,007	-	126,644	75,063	281,714	320,667
Total expenditures	27,882,728	3,872,659	4,062,688	7,058,168	42,876,243	43,859,210
Excess revenues (expenditures)	535,164	(1,186,062)	230,596	170,940	(249,362)	(2,592,137)
Other financing sources (uses)						
Lease proceeds	239,588	-	-	-	239,588	572,210
Operating transfers, net	(568,957)	1,092,488	(321,069)	(202,462)	-	-
Total other financing sources (uses)	(329,369)	1,092,488	(321,069)	(202,462)	239,588	572,210
Net change in fund balances	205,795	(93,574)	(90,473)	(31,522)	(9,774)	(2,019,927)
Fund balances (deficit) - beginning	10,763,193	(1,274,561)	2,969,790	3,162,682	15,621,104	17,641,031
Fund balances (deficit) - ending	\$ 10,968,988	\$ (1,368,135)	\$ 2,879,317	\$ 3,131,160	\$ 15,611,330	\$ 15,621,104

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, 2023

Total net change in fund balances - governmental funds		\$ (9,774)
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 and amortization expense. This is the amount by which capital outlays exceed depreciation and amortization expense and terminated lease contracts.		1,537,601
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.		(891,842)
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.		224,065
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.		(83,266)
Lease proceeds are recorded as other financing sources in the governmental funds but increase long-term liabilities in the statement of net position.		(239,588)
Pension and OPEB expenses are recognized when paid on the fund statement of revenues, expenditures, and changes in fund balances and actuarially determined on the statement of activities:		
Pension	(2,689,836)	
OPEB	<u>(556,949)</u>	(3,246,785)
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.		
Leases	318,743	
Bonds	1,493,000	
Sales tax overpayment	<u>77,076</u>	1,888,819
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	15,000	
Compensated absences	<u>(281,000)</u>	(266,000)
Change in net position - governmental activities		<u>\$ (1,086,770)</u>

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

For the year ended December 31, 2023

	General Fund				Water Fund			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Over/(Under)	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Over/(Under)
	Original	Final			Original	Final		
Revenues								
Real property taxes	\$ 14,107,732	\$ 14,107,732	\$ 13,713,587	\$ (394,145)	\$ -	\$ -	\$ -	\$ -
Nonproperty tax items	8,068,194	8,253,187	8,528,361	275,174	-	-	-	-
Departmental income	261,070	888,420	1,039,723	151,303	4,148,096	4,148,096	4,064,464	(83,632)
Intergovernmental charges	51,000	51,000	47,676	(3,324)	-	-	-	-
Use of money and property	80,100	680,100	808,064	127,964	5,000	5,000	73,185	68,185
Licenses and permits	245,000	260,000	283,259	23,259	-	-	-	-
Fines and forfeitures	80,000	80,000	80,301	301	-	-	-	-
Miscellaneous local sources	29,937	66,550	87,130	20,580	-	-	14,291	14,291
Interfund revenue	410,000	410,000	410,000	-	134,437	134,437	134,437	-
Sale of property and compensation for loss	5,000	36,000	53,655	17,655	-	-	6,907	6,907
State sources	3,186,426	3,212,426	3,150,039	(62,387)	-	-	-	-
Federal sources	25,000	25,000	216,097	191,097	-	-	-	-
Total revenues	26,549,459	28,070,415	28,417,892	347,477	4,287,533	4,287,533	4,293,284	5,751
Expenditures								
General government	4,547,352	4,620,837	4,331,747	(289,090)	196,979	174,357	86,224	(88,133)
Public safety	9,580,110	11,031,055	10,996,767	(34,288)	-	-	-	-
Transportation	1,407,681	1,438,681	1,485,215	46,534	-	-	-	-
Economic assistance and opportunity	145,000	145,000	119,097	(25,903)	-	-	-	-
Culture and recreation	421,510	458,980	373,346	(85,634)	-	-	-	-
Home and community services	455,802	445,954	417,712	(28,242)	2,365,633	2,376,058	2,293,780	(82,278)
Employee benefits	10,001,783	10,016,446	9,441,370	(575,076)	1,119,825	1,110,200	1,064,334	(45,866)
Debt service								
Principal	701,473	701,473	701,473	-	491,706	491,706	491,706	-
Interest	80,007	80,007	80,007	-	126,643	126,643	126,644	1
Total expenditures	27,340,718	28,938,433	27,946,734	(991,699)	4,300,786	4,278,964	4,062,688	(216,276)
Excess revenues (expenditures)	(791,259)	(868,018)	471,158	1,339,176	(13,253)	8,569	230,596	222,027
Other financing sources (uses)								
Lease proceeds	-	-	239,588	239,588	-	-	-	-
Operating transfers in	-	10,548	10,548	-	53,300	53,300	53,300	-
Operating transfers out	(200,000)	(400,000)	(579,505)	(179,505)	(40,047)	(374,369)	(374,369)	-
Appropriated fund balance and carryover encumbrances	991,259	1,257,470	-	(1,257,470)	-	312,500	-	(312,500)
Total other financing sources (uses)	791,259	868,018	(329,369)	(1,197,387)	13,253	(8,569)	(321,069)	(312,500)
Excess revenues and other financing sources (uses)	\$ -	\$ -	\$ 141,789	\$ 141,789	\$ -	\$ -	\$ (90,473)	\$ (90,473)

Statement of Proprietary Fund Net Position

December 31, 2023

(with summarized comparative totals as of December 31, 2022)

	Internal Service Funds		Total Proprietary Funds	
	Health Insurance	Workers' Compensation	2023	2022
Assets				
Cash	\$ 1,790,049	\$ 1,475,867	\$ 3,265,916	\$ 3,819,291
Investments	-	1,599,596	1,599,596	1,523,277
Total assets	1,790,049	3,075,463	4,865,512	5,342,568
Liabilities				
Accounts payable	2,000	-	2,000	-
Accrued liabilities	330,900	1,872,938	2,203,838	1,791,052
Total liabilities	332,900	1,872,938	2,205,838	1,791,052
Net position - restricted	\$ 1,457,149	\$ 1,202,525	\$ 2,659,674	\$ 3,551,516

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

For the year ended December 31, 2023
(with summarized comparative totals for December 31, 2022)

	Internal Service Funds		Total	
	Health Insurance	Workers' Compensation	Proprietary Funds 2023	2022
Operating revenue				
Interfund revenue	\$ 6,312,127	\$ 787,235	\$ 7,099,362	\$ 7,336,132
Miscellaneous	263,779	187,162	450,941	237,432
Total operating revenue	6,575,906	974,397	7,550,303	7,573,564
Operating expenses				
Judgements and claims	5,650,073	805,689	6,455,762	4,684,709
Health insurance	949,071	109,644	1,058,715	1,001,781
Administrative services	805,353	122,315	927,668	830,495
Total operating expenses	7,404,497	1,037,648	8,442,145	6,516,985
Operating income (loss)	(828,591)	(63,251)	(891,842)	1,056,579
Net position - beginning	2,285,740	1,265,776	3,551,516	2,494,937
Net position - ending	\$ 1,457,149	\$ 1,202,525	\$ 2,659,674	\$ 3,551,516

Statement of Proprietary Fund Cash Flows

For the year ended December 31, 2023
(with summarized comparative totals for December 31, 2022)

	Internal Service Funds		Total Proprietary Funds	
	Health Insurance	Workers' Compensation	2023	2022
Cash flows from operating activities:				
Cash received from services provided	\$ 6,575,906	\$ 974,397	\$ 7,550,303	\$ 7,573,564
Payments for contractual expenses	(7,475,269)	(552,090)	(8,027,359)	(6,543,548)
Net operating activities	(899,363)	422,307	(477,056)	1,030,016
Cash flows from investing activities:				
Net purchases of investments	-	(76,319)	(76,319)	(21,938)
Net change in cash	(899,363)	345,988	(553,375)	1,008,078
Cash - beginning	2,689,412	1,129,879	3,819,291	2,811,213
Cash - ending	\$ 1,790,049	\$ 1,475,867	\$ 3,265,916	\$ 3,819,291
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (828,591)	\$ (63,251)	\$ (891,842)	\$ 1,056,579
Adjustments to reconcile operating income (loss) to net cash flows provided by operating activities:				
Changes in assets and liabilities:				
Accounts payable	2,000	-	2,000	(57,144)
Accrued liabilities	(72,772)	485,558	412,786	30,581
Net operating activities	\$ (899,363)	\$ 422,307	\$ (477,056)	\$ 1,030,016

CITY OF LOCKPORT, NEW YORK

Statement of Fiduciary Net Position - Custodial Fund

December 31, 2023
 (With comparative totals as of December 31, 2022)

	<u>2023</u>	<u>2022</u>
Assets		
Cash	\$ -	\$ -
Net Position	<u>\$ -</u>	<u>\$ -</u>

CITY OF LOCKPORT, NEW YORK

Statement of Changes in Fiduciary Net Position - Custodial Fund

For the year ended December 31, 2023
 (With comparative totals for December 31, 2022)

	<u>2023</u>	<u>2022</u>
Additions		
Property tax collections for other governments City School District of the City of Lockport	<u>\$ 1,398,539</u>	<u>\$ 1,555,794</u>
Deductions		
Payments of property taxes to other governments City School District of the City of Lockport	<u>1,398,539</u>	<u>1,555,794</u>
Change in net position	-	-
Net position - beginning	-	-
Net position - ending	<u>\$ -</u>	<u>\$ -</u>

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

Financial Reporting Entity

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

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

Risk Management

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

Basis of Presentation

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

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

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

Fund Financial Statements: The fund financial statements provide information about the City's 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.

The City's nonmajor funds include the community development, sewer, 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 GAAP. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2022, 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 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 GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Property Taxes

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

The City is subject to tax abatements granted by Niagara County Industrial Development Agency (NCIDA) to promote and assist private sector industrial and business development. Through NCIDA, entities promise to expand or maintain facilities or employment in the City, establish a new business in the City, or relocate existing business to the City. Economic development agreements entered into by NCIDA can include the abatement of City, town, and school district taxes, in addition to other assistance. The City also has tax abatement agreements with housing development and redevelopment companies under New York State Private Housing Finance Law. The tax abatements have resulted in reductions of property taxes, which the City administers as temporary reductions of property taxes, which can be as much as 100%. For the year ended December 31, 2023, the City's real property tax abatement totaled \$106,000 under these agreements.

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 requirements 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.

Budgetary comparisons presented in these financial statements are on the budgetary basis and represent the budget as modified. The following is a reconciliation of expenditures and fund balances for the general fund computed on a GAAP and a budgetary basis by fund:

	General
GAAP basis expenditures	\$ 27,882,728
Encumbrances at 12/31/2023	64,006
Encumbrances at 12/31/2022	-
Budgetary basis expenditures	<u>\$ 27,946,734</u>

Ambulance Accounts Receivable

Accounts receivable associated with ambulance billings are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the City analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

Loans Receivable

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

Prepaid Expenses

Pension payments made in December of each year to the New York State and Local Retirement System including the Employees' Retirement System (ERS) and the Police and Fire Retirement System (PFRS) 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 on a recurring basis as determined by quoted prices in active markets.

Capital Assets

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

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

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

Unearned Revenue

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

Compensated Absences

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

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

Pensions

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

Other Postemployment Benefits (OPEB)

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

Equity Classifications

Government-Wide Statements

The City is required to classify net position into three categories:

- *Net investment in capital assets* – consists of capital assets, net of accumulated depreciation and amortization, 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 related liabilities and deferred inflows of resources. 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 and deferred outflows of resources less 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.

Nonspendable fund balances represent resources that cannot be spent as they are not expected to be converted to cash or are legally required to be held intact.

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.

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. Stewardship and Compliance

The capital projects deficit fund balance of \$1,368,135 will be funded when the City converts its short-term borrowings to permanent financing.

3. Cash and Investments

Cash and investment 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. Investments 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, 2023, the City's bank deposits were fully insured by FDIC coverage or collateralized with securities held by the pledging institution's agent in the City's name.

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, 2023 is 41 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 87 days.

4. Loans and Accounts Receivable

Loans receivable	
Community development fund:	
Community development	\$ 103,057
Home ownership	69,930
Deferred other	466,499
Home loans – NYS Division of Housing and Community Renewal	28,594
	<u>\$ 668,080</u>
Accounts receivable	
General fund:	
City taxes receivable – current	\$ 1,001,476
City taxes receivable – overdue	1,118,000
Installment sales agreements	157
School taxes receivable	1,270,700
Accounts receivable	300,607
Ambulance billings receivable	1,013,269
	<u>4,704,209</u>
Less allowance for doubtful accounts	<u>1,215,553</u>
	3,488,656
Water fund:	
Water rents receivable	747,827
Sewer fund:	
Sewer rents receivable	619,264
Refuse fund:	
Assessments receivable	371,984
	<u>\$ 5,227,731</u>

5. Interfund Transactions - Fund Financial Statements

	Receivable	Payable	Transfers	
			In	Out
Governmental funds:				
General	\$ 682,034	\$ 510,844	\$ 10,548	\$ 579,505
Capital projects	179,445	-	1,253,036	160,548
Water	-	35,882	53,300	374,369
Community development	-	286,473	-	-
Sewer	-	28,280	128,530	299,162
Debt service	-	-	150,000	181,830
	<u>\$ 861,479</u>	<u>\$ 861,479</u>	<u>\$ 1,595,414</u>	<u>\$ 1,595,414</u>

The 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 water and sewer funds are for debt service payments. Similarly, the unspent balance of another project was transferred from the capital projects fund to the debt service fund as the project was funded by bonds. All transfers are considered permanent.

6. Capital Assets

	January 1, 2023	Increases	Retirements/ Reclassifications	December 31, 2023
Non-depreciable and non-amortizable capital assets:				
Land	\$ 3,173,000	\$ -	\$ -	\$ 3,173,000
Construction in progress	5,543,646	3,827,694	(2,003,988)	7,367,352
Total non-depreciable and non-amortizable assets	8,716,646	3,827,694	(2,003,988)	10,540,352
Depreciable capital assets:				
Infrastructure	35,381,114	-	1,790,766	37,171,880
Buildings and improvements	69,296,885	-	-	69,296,885
Machinery and equipment	12,033,276	125,681	11,973	12,170,930
Vehicles	4,996,090	228,815	201,249	5,426,154
Total depreciable assets	121,707,365	354,496	2,003,988	124,065,849
Accumulated depreciation:				
Infrastructure	(12,496,915)	(1,175,915)	-	(13,672,830)
Buildings and improvements	(33,149,345)	(764,752)	-	(33,914,097)
Machinery and equipment	(6,900,956)	(467,603)	-	(7,368,559)
Vehicles	(4,323,123)	(101,333)	-	(4,424,456)
Total accumulated depreciation	(56,870,339)	(2,509,603)	-	(59,379,942)
Total depreciable assets, net	64,837,026	(2,155,107)	2,003,988	64,685,907
Right-to-use lease assets:				
Equipment	1,677,683	239,588	(195,950)	1,721,321
Less accumulated amortization	(763,270)	(300,009)	121,385	(941,894)
Total right-to-use lease assets, net	914,413	(60,421)	(74,565)	779,427
	\$ 74,468,085	\$ 1,612,166	\$ (74,565)	\$ 76,005,686

Depreciation and amortization expense has been allocated to the following functions: general government \$458,539, public safety \$224,730, transportation \$1,062,845, economic assistance and opportunity \$20,364, culture and recreation \$84,461, and home and community \$958,673.

As of December 31, 2023, net investment in capital assets consists of the following:

Capital assets, net of accumulated depreciation and amortization	\$ 76,005,686
Bond anticipation notes (BANs)	(3,268,750)
Lease liability	(925,089)
Bonds	(8,918,000)
	<u>\$ 62,893,847</u>

7. Short-Term Debt

During 2021, the City entered into an agreement with the New York State Environmental Facilities Corporation for BANs with interest from 0.0% - 0.33% to finance its water project. The amount issued and outstanding at December 31, 2022 totaled \$2,356,778. During 2023, additional borrowings of \$911,972 were obtained to reach the maximum borrowing capacity of \$3,268,750.

8. Long-Term Liabilities

	January 1, 2023	Increases	Decreases	December 31, 2023	Amount Due In One Year
Leases	\$ 1,004,244	\$ 239,588	\$ 318,743	\$ 925,089	\$ 288,812
Serial bonds	10,411,000	-	1,493,000	8,918,000	1,493,000
Compensated absences	2,856,000	281,000	-	3,137,000	314,000
Sales tax overpayment	456,029	-	77,076	378,953	77,075
	<u>\$ 14,727,273</u>	<u>\$ 520,588</u>	<u>\$ 1,888,819</u>	<u>\$ 13,359,042</u>	<u>\$ 2,172,887</u>

Existing Obligations

Description	Final Maturity	Interest Rate	Balance
2014 Public Improvement serial bond	May 2024	2.65%-3.0%	\$ 75,000
2014 Deficit Financing serial bond	October 2024	5.0%	530,000
2015 Serial bond refunding*	March 2037	4.13%-4.79%	723,000
2017 Public Improvement serial bond	May 2029	2.0%-2.88%	1,220,000
2020 Public improvement serial bond	April 2050	2.0%-2.5%	6,370,000
Equipment lease – 2015	October 2025	2.49%	40,175
Equipment lease – 2019	June 2024	6.78%	9,591
Vehicle leases – 2019	July 2024 – October 2024	3.08%-5.74%	71,040
Equipment lease – 2020	February 2025	15.02%	5,360
Equipment lease – 2021	April 2026	3.50%	21,236
Equipment lease – 2021	February 2025	6.07%	19,509
Equipment lease – 2021	June 2026	15.02%	1,876
Vehicle leases – 2021	December 2026	3.70%-3.81%	52,928
Equipment lease – 2022	February 2027	3.0%	287,284
Vehicle leases – 2022	January 2027 – December 2027	3.70%-8.86%	195,942
Equipment lease – 2023	February 2028 – September 2028	7.01%-10.90%	220,148
			<u>\$ 9,843,089</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,	Bonds		Leases	
	Principal	Interest	Principal	Interest
2024	\$ 1,493,000	\$ 213,150	\$ 288,812	\$ 45,690
2025	789,000	166,364	211,466	31,937
2026	453,000	151,941	185,848	20,331
2027	443,000	141,251	148,730	10,143
2028	408,000	131,087	90,233	2,723
2029-2033	2,035,000	511,025	-	-
2034-2038	1,137,000	309,701	-	-
2039-2043	885,000	199,988	-	-
2044-2048	905,000	100,813	-	-
2049-2050	370,000	9,249	-	-
	<u>\$ 8,918,000</u>	<u>\$ 1,934,569</u>	<u>\$ 925,089</u>	<u>\$ 110,824</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, 2014.

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 New York State 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,	
2024	\$ 77,075
2025	77,075
2026	77,075
2027	77,075
2028	70,653
	<u>\$ 378,953</u>

9. New York State and Local Retirement System

Plan Description

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

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

Contribution Requirements: No employee contribution is required for those hired prior to July 1976. The Systems require employee contributions of 3% of salary for the first 10 years of service for those employees who joined from July 1976 through December 2009. Participants hired on or after January 1, 2010 through March 31, 2012 are required to contribute 3% of compensation throughout their active membership. Participants hired on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation. The Comptroller annually certifies the rates used, expressed as a percentage of the wages of participants, to compute the contributions required to be made by the City to the pension accumulation fund. For 2023, these rates ranged from 9.5%-14.9% for ERS and 21.4%-31.4% for PFRS.

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

At December 31, 2023, the City reported liabilities of \$4,115,441 and \$13,190,965 for its proportionate shares of the ERS and PFRS net pension positions, respectively. The total pension liability at the March 31, 2023 measurement date was determined by an actuarial valuation as of April 1, 2022, with update procedures applied to roll forward the total pension liability to March 31, 2023. 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, 2023 measurement date, the City's proportion was 0.0191915% for ERS, an increase of 0.0011969, and 0.2393799% for PFRS, an increase of 0.0216083 from their respective proportions measured as of March 31, 2022.

For the year ended December 31, 2023, the City recognized pension expense of \$5,318,431 on the government-wide statements. At December 31, 2023, 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	\$ 438,327	\$ (115,577)	\$ 1,289,284	\$ -
Changes of assumptions	1,998,723	(22,090)	6,427,923	-
Net difference between projected and actual earnings on pension plan investments	-	(24,178)	23,320	-
Changes in proportion and differences between contributions and proportionate share of contributions	51,375	(207,608)	722,601	(1,242,669)
City contributions subsequent to the measurement date	650,968	-	2,047,877	-
	<u>\$ 3,139,393</u>	<u>\$ (369,453)</u>	<u>\$ 10,511,005</u>	<u>\$ (1,242,669)</u>

Contributions subsequent to the measurement date will be recognized an addition to (a reduction of) the net pension asset (liability) in the subsequent year. 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
2024	\$ 466,451	\$ 1,321,255
2025	(272,623)	(431,373)
2026	803,438	3,821,437
2027	1,121,706	2,335,188
2028	-	173,952
	<u>\$ 2,118,972</u>	<u>\$ 7,220,459</u>

Actuarial Assumptions

The actuarial assumptions used in the April 1, 2022 valuation, with update procedures used to roll forward the total pension liability to March 31, 2023, were based on the results of an actuarial experience study for the period April 1, 2015 to March 31, 2020. These assumptions are:

Inflation – 2.9%

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

Cost of living adjustments – 1.5% annually

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

Mortality – Society of Actuaries' Scale MP-2021

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. These 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%	4.3%
Global and international equities	15%	6.9%
Private equities	10%	7.5%
Real estate equities	9%	4.6%
Domestic fixed income securities	23%	1.5%
Short-term	1%	-
Other	10%	5.4%-5.8%
	100%	

Discount Rate

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

The following presents the City's proportionate share of its net pension asset (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)	\$ (9,945,255)	\$ (4,115,441)	\$ 756,047
City's proportionate share of the PFRS net pension asset (liability)	\$ (27,497,183)	\$ (13,190,965)	\$ 1,344,557

10. OPEB

Plan Description

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

At January 1, 2022, employees covered by the Plan include:

Active employees	206
Inactive employees or beneficiaries currently receiving benefits	241
Inactive employees entitled to but not yet receiving benefits	-
	447

Total OPEB Liability

The City's total OPEB liability of \$101,408,064 was measured as of January 1, 2023 based on an actuarial valuation as of January 1, 2022, 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 (v2022_f4), with the City's recent premium history used for short-term trend rates, initially 7.80% with an ultimate rate of 3.94% after 2092

Salary increases – 2.5%

Mortality – Pub-2010, adjusted for mortality improvement with Scale MP-2021 on a generational basis

Discount rate – 3.72% based on the Bond Buyer Weekly 20-Bond General Obligation Index

Inflation rate – 2.5%

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at December 31, 2022	<u>\$ (129,426,203)</u>
Changes for the year:	
Service cost	(4,629,991)
Interest	(2,723,737)
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other inputs	31,699,958
Benefit payments	<u>3,671,909</u>
Net changes	28,018,139
Balance at December 31, 2023	<u>\$ (101,408,064)</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 (2.72%)	Discount Rate (3.72%)	1.0% Increase (4.72%)
Total OPEB liability	<u>\$ (118,944,561)</u>	<u>\$ (101,408,064)</u>	<u>\$ (87,523,636)</u>

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

	1.0% Decrease (6.80% - 2.94%)	Healthcare Cost Trend Rate (7.80% - 3.94%)	1.0% Increase (8.80% - 4.94%)
Total OPEB liability	<u>\$ (85,701,841)</u>	<u>\$ (101,408,064)</u>	<u>\$ (121,727,669)</u>

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources

For the year ended December 31, 2023, the City recognized OPEB expense of \$4,340,723. At December 31, 2023, 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	\$ 1,232,775	\$ (1,055,110)
Changes of assumptions or other inputs	12,123,630	(27,039,522)
Benefit payments subsequent to the measurement date	3,783,774	-
	<u>\$ 17,140,179</u>	<u>\$ (28,094,632)</u>

Benefit payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the subsequent year. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending December 31,	
2024	\$ (454,648)
2025	(981,047)
2026	(2,914,377)
2027	(3,997,064)
2028	(4,643,847)
2029 and thereafter	(1,747,244)
	<u>\$ (14,738,227)</u>

11. 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
2023	<u>\$ (1,387,380)</u>	<u>\$ (1,291,247)</u>	<u>\$ 805,689</u>	<u>\$ (1,872,938)</u>
2022	<u>\$ (1,467,900)</u>	<u>\$ (249,860)</u>	<u>\$ 330,380</u>	<u>\$ (1,387,380)</u>

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
2023	\$ (403,672)	\$ (5,577,301)	\$ 5,650,073	\$ (330,900)
2022	\$ (292,571)	\$ (4,465,430)	\$ 4,354,329	\$ (403,672)

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

12. Commitments and Contingencies

The City has entered into contracts with various construction companies for several capital projects. As of December 31, 2023, \$7,070,000 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.

CITY OF LOCKPORT, NEW YORK

**Required Supplementary Information (Unaudited)
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,	2023	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension position	0.0191915%	0.0179946%	0.0191875%	0.0192215%	0.0200312%	0.0200979%	0.0210000%	0.0220000%	0.0250000%
City's proportionate share of the net pension asset (liability)	\$ (4,115,441)	\$ 1,470,987	\$ (19,106)	\$ (5,089,970)	\$ (1,419,274)	\$ (648,648)	\$ (1,953,000)	\$ (3,528,000)	\$ (840,000)
City's covered payroll	\$ 5,367,256	\$ 4,842,720	\$ 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 asset (liability) as a percentage of its covered payroll	(76.68%)	30.38%	(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)	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%

The following is a summary of changes of assumptions:

Inflation	2.9%	2.7%	2.7%	2.5%	2.5%	2.5%	2.5%	2.5%	2.7%
Salary increases	4.4%	4.4%	4.4%	4.2%	4.2%	3.8%	3.8%	3.8%	4.9%
Cost of living adjustments	1.5%	1.4%	1.4%	1.3%	1.3%	1.3%	1.3%	1.3%	1.4%
Investment rate of return	5.9%	5.9%	5.9%	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Discount rate	5.9%	5.9%	5.9%	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Society of Actuaries' mortality scale	MP-2021	MP-2020	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 (Unaudited)
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,	2023	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension position	0.2393799%	0.2177716%	0.1940240%	0.1874659%	0.2040190%	0.1983487%	0.2000000%	0.2090000%	0.2320000%
City's proportionate share of the net pension liability	\$ (13,190,965)	\$ (1,237,040)	\$ (3,368,792)	\$ (10,019,934)	\$ (3,421,527)	\$ (2,004,824)	\$ (4,154,000)	\$ (6,179,000)	\$ (638,000)
City's covered payroll	\$ 7,128,177	\$ 6,521,841	\$ 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 liability as a percentage of its covered payroll	(185.05%)	(18.97%)	(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	87.43%	98.66%	95.79%	84.86%	95.09%	96.93%	93.50%	90.20%	99.00%
The following is a summary of changes of assumptions:									
Inflation	2.9%	2.7%	2.7%	2.5%	2.5%	2.5%	2.5%	2.5%	2.7%
Salary increases	6.2%	6.2%	6.2%	5.0%	5.0%	4.5%	4.5%	4.5%	6.0%
Cost of living adjustments	1.5%	1.4%	1.4%	1.3%	1.3%	1.3%	1.3%	1.3%	1.4%
Investment rate of return	5.9%	5.9%	5.9%	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Discount rate	5.9%	5.9%	5.9%	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Society of Actuaries' mortality scale	MP-2021	MP-2020	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 (Unaudited)
Schedule of City Contributions
New York State and Local Employees' Retirement System

For the years ended December 31,	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 650,968	\$ 579,376	\$ 734,363	\$ 700,109	\$ 710,615	\$ 748,429	\$ 806,985	\$ 829,931	\$ 995,757
Contribution in relation to the contractually required contribution	(650,968)	(579,376)	(734,363)	(700,109)	(710,615)	(748,429)	(806,985)	(829,931)	(995,757)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 5,426,564	\$ 5,367,256	\$ 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	12.00%	10.79%	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 (Unaudited)
Schedule of City Contributions
New York State and Local Police and Fire Retirement System

For the years ended December 31,	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 2,047,877	\$ 1,838,472	\$ 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	(2,047,877)	(1,838,472)	(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	\$ 7,715,480	\$ 7,128,177	\$ 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	26.54%	25.79%	27.61%	23.94%	23.20%	23.47%	24.43%	24.28%	23.13%

Data prior to 2015 is unavailable.

CITY OF LOCKPORT, NEW YORK

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

December 31,	2023	2022	2021	2020	2019	2018
Total OPEB liability - beginning	\$ (129,426,203)	\$ (120,687,595)	\$ (106,275,360)	\$ (93,874,372)	\$ (102,354,366)	\$ (121,681,402)
Changes for the year:						
Service cost	(4,629,991)	(3,621,164)	(3,080,558)	(1,973,346)	(2,546,831)	(2,769,409)
Interest	(2,723,737)	(2,600,717)	(2,950,916)	(3,866,456)	(3,553,687)	(4,647,001)
Changes of benefit terms	-	534,956	-	-	-	409,216
Differences between expected and actual experience	-	(1,799,567)	-	3,850,102	-	17,939,947
Changes of assumptions or other inputs	31,699,958	(4,519,035)	(11,697,272)	(13,499,112)	11,387,853	5,365,699
Benefit payments	3,671,909	3,266,919	3,316,511	3,087,824	3,192,659	3,028,584
Net change in total OPEB liability	28,018,139	(8,738,608)	(14,412,235)	(12,400,988)	8,479,994	19,327,036
Total OPEB liability - ending	\$ (101,408,064)	\$ (129,426,203)	\$ (120,687,595)	\$ (106,275,360)	\$ (93,874,372)	\$ (102,354,366)
Covered-employee payroll	\$ 13,783,931	\$ 13,167,653	\$ 12,279,697	\$ 12,748,999	\$ 10,809,083	\$ 12,942,524
Total OPEB liability as a percentage of covered-employee payroll	735.7%	982.9%	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 2022, changes of benefit terms include negotiated contract changes with three collective bargaining units. For 2022 and 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	7.8%-3.94%	7.8%-3.94%	5.5%-3.94%	6.5%-3.94%	7.0%-3.94%	7.0%-3.94%
Inflation	2.5%	2.5%	2.2%	2.2%	2.5%	2.2%
Salary increases	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Discount rate	3.72%	2.06%	2.12%	2.74%	4.1%	3.44%
Society of Actuaries' mortality scale	MP-2021	MP-2021	MP-2020	MP-2020	MP-2018	MP-2018

Data prior to 2018 is unavailable.

Supplementary Information
Combining Balance Sheet - Nonmajor Governmental Funds

December 31, 2023

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Community Development	Sewer	Refuse	Debt Service	
Assets					
Cash	\$ 269,139	\$ 782,634	\$ 604,979	\$ 154,336	\$ 1,811,088
Loans and accounts receivable, net	668,080	619,264	371,984	-	1,659,328
Due from other governments	281,208	168,303	-	-	449,511
Prepaid expenses	-	31,524	-	-	31,524
Investments	-	721,773	-	-	721,773
Total assets	\$ 1,218,427	\$ 2,323,498	\$ 976,963	\$ 154,336	\$ 4,673,224
Liabilities					
Accounts payable	\$ -	\$ 247,069	\$ 69	\$ -	\$ 247,138
Due to other funds	286,473	28,280	-	-	314,753
Unearned revenue	668,080	162,322	149,771	-	980,173
Total liabilities	954,553	437,671	149,840	-	1,542,064
Fund Balances					
Nonspendable:					
Not in spendable form	-	31,524	-	-	31,524
Restricted:					
Community development	263,874	-	-	-	263,874
Sewer	-	1,854,303	-	-	1,854,303
Refuse	-	-	827,123	-	827,123
Debt	-	-	-	154,336	154,336
Total fund balances	263,874	1,885,827	827,123	154,336	3,131,160
Total liabilities and fund balances	\$ 1,218,427	\$ 2,323,498	\$ 976,963	\$ 154,336	\$ 4,673,224

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

For the year ended December 31, 2023

	Special Revenue Funds			Debt Service	Total Nonmajor Governmental Funds
	Community Development	Sewer	Refuse		
Revenues					
Departmental income	\$ 44,545	\$ 3,321,235	\$ 1,448,394	\$ -	\$ 4,814,174
Intergovernmental charges	-	673,210	-	-	673,210
Use of money and property	5,798	41,996	-	3,774	51,568
State sources	656,701	-	-	-	656,701
Federal sources	1,033,455	-	-	-	1,033,455
Total revenues	1,740,499	4,036,441	1,448,394	3,774	7,229,108
Expenditures					
General government	-	61,010	75,000	-	136,010
Home and community services	1,730,263	2,439,988	1,242,050	-	5,412,301
Employee benefits	-	893,425	-	-	893,425
Debt service					
Principal	-	508,269	33,100	-	541,369
Interest	-	71,671	3,392	-	75,063
Total expenditures	1,730,263	3,974,363	1,353,542	-	7,058,168
Excess revenues	10,236	62,078	94,852	3,774	170,940
Other financing sources (uses)					
Operating transfers, net	-	(170,632)	-	(31,830)	(202,462)
Net change in fund balances	10,236	(108,554)	94,852	(28,056)	(31,522)
Fund balances - beginning	253,638	1,994,381	732,271	182,392	3,162,682
Fund balances - ending	\$ 263,874	\$ 1,885,827	\$ 827,123	\$ 154,336	\$ 3,131,160

Supplementary Information
Schedule of Expenditures of Federal Awards

For the year ended December 31, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Grantor Number	Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Niagara County:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	Various	\$ 86,000
Passed through Housing Trust Fund Corporation:			
COVID-19 - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	663CV9F24-21	606,455 ¹
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	663ED501-22	101,335 ²
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	663ME985-21	189,192 ³
			982,982
Home Investment Partnerships Program	14.239	N/A	136,473
Total U.S. Department of Housing and Urban Development			1,119,455
<u>U.S. Department of Homeland Security</u>			
Passed Through New York State Division of Homeland Security and Emergency Services:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	N/A	36,652
<u>U.S. Department of Treasury</u>			
Passed Through New York State Division of Budget:			
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	179,445
Total Expenditures of Federal Awards			\$ 1,335,552

¹ includes subrecipient awards of \$606,455² includes subrecipient awards of \$101,335³ includes subrecipient awards of \$189,192

Notes to Schedule of Expenditures of Federal Awards

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs administered by City of Lockport, New York (the City), an entity as defined in Note 1 to the City's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other governmental agencies, are included on the Schedule of Expenditures of Federal Awards.

Basis of Accounting

The City uses the modified accrual basis of accounting for each federal program, consistent with the fund basis financial statements.

The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable programs and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program, which are periodically reconciled with the City's financial reporting system.

Indirect Costs

The City does not use the 10% de minimis indirect cost rate permitted by the Uniform Guidance.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 9, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, 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 a 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

September 9, 2024

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Lockport, New York's (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2023. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Suzman & McCormick, LLP

September 9, 2024

Schedule of Findings and Questioned Costs

For the year ended December 31, 2023

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Type of auditors' report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number</u>	<u>Amount</u>
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	\$ 982,982

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? No

Section II. Financial Statement Findings

No matters were reported.

Section III. Federal Award Findings and Questioned Costs

No matters were reported.