

## MANAGEMENT LETTER

August 13, 2025

The Common Council and Management  
City of Lockport, New York

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lockport, New York (the City) as of and for the year ended December 31, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

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

### Accounting for Ambulance Services

The City recently implemented its own ambulance services and began recording activity relative to billings and subsequent collections. As a result, during our audit we suggested adjustments to revenue, billings receivable, and the related allowance for doubtful accounts. After discussions with management, it was determined that adjustments for ambulance services were not being made timely and expenses associated with ambulance services were not being tracked separately. We recommend that the City record ambulance activities in separate general ledger accounts to better analyze ambulance services and that such activity is recorded at least monthly for more timely monitoring and better accuracy of the City's accounting records.

#### INFORMATIONAL POINTS - ACCOUNTING STANDARDS UPDATES

- GASB Statement No. 102, *Certain Risk Disclosures*, is effective for the City's year ending December 31, 2025. This statement requires disclosure of certain concentrations or constraints that may have significant negative effects on the City. Concentrations are defined as significant inflows or outflows of resources that lack diversity. Constraints include limitations imposed by external parties or by the City's Common Council.
- GASB Statement No. 103, *Financial Reporting Model Improvements*, is effective for the City's year ending December 31, 2026. This statements attempts to improve key components of the financial reporting model by limiting management's discussion and analysis to five specific topics; requiring separate presentation of unusual or infrequent items; requiring specific presentation of operating and nonoperating components in the proprietary fund statement of revenues, expenses, and changes in fund net position, including noncapital subsidies; requiring separate presentation of major component units in most circumstances; and requiring that budgetary comparisons be presented as required supplementary information.
- GASB Statement No. 104, *Disclosure of Certain Capital Assets*, is effective for the City's year ending December 31, 2026. This statement requires that lease assets, intangible right-to-use assets, and subscription assets be separately disclosed by major class of underlying asset in the capital assets note disclosures. In addition, capital assets held for sale are now required to be evaluated each reporting period and additional disclosures are also required.

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

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

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