

CITY OF LACKAWANNA, NEW YORK

Basic Financial Statements  
Supplementary Information and  
Independent Auditors' Report

July 31, 2020

# CITY OF LACKAWANNA, NEW YORK

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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and  
Members of the City Council  
City of Lackawanna, New York

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lackawanna, New York (the City), as of and for the year ended July 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the 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 of Lackawanna, New York, as of July 31, 2020, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Required Supplementary Information

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

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 29, 2021, 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, and 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.

EFPR Group, CPAs, PLLC

Williamsville, New York  
January 29, 2021

## CITY OF LACKAWANNA, NEW YORK

### Management's Discussion and Analysis

July 31, 2020

Our discussion and analysis of the City's financial performance provides an overview of the City's financial activities for the fiscal year ended July 31, 2020. Please read it in conjunction with the City's basic financial statements, which begin on page 12.

### FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of resources of the City exceeded assets and deferred outflows of resources at the close of the 2020 fiscal year by \$64,138,891 (net position). Of this amount, \$9,944,254 is net investment in capital assets, \$3,662,979 is restricted for specific purpose (restricted net position) and the remaining balance is a deficit of \$77,746,124 in unrestricted net position.
- The government's total net position decreased by \$7,363,340.
- As of July 31, 2020, the City's governmental funds reported combined fund balances of \$13,072,615, an increase of \$624,484 in comparison with the prior year. Of the combined fund balances, \$7,664,648 or 58.6% is available to meet the City's current and future needs (unassigned fund balance).
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$7,664,648 or 76.5% of total General Fund balance.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts - Management's Discussion and Analysis (this section), and the Basic Financial Statements.

#### Basic Financial Statements

Governmental-wide financial statements are two statements 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 City assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how net position changed during the most recent fiscal 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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (i.e., unallocated taxes and earned but unused vacation leave).

CITY OF LACKAWANNA, NEW YORK  
Management's Discussion and Analysis, Continued

Both of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities). The City does not have any functions that are intended to recover all or, in part, a portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, transportation, economic assistance and opportunity, culture and recreation, home and community services, interest and fiscal charges and depreciation.

The government-wide financial statements can be found on pages 12 and 13, which follow the Management's Discussion and Analysis section of this report.

Fund financial statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate finance related legal compliance. All funds of the City can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as, balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a City's near term financing requirements.

Because of the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the governmental-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains four individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenue, expenditures and changes in fund balances for the General Fund, the Refuse Fund, the Special Grant Fund and the Capital Projects Fund.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14 through 17, which follow the government-wide financial statements section of this report.

CITY OF LACKAWANNA, NEW YORK  
Management's Discussion and Analysis, Continued

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs. The City has one fiduciary fund, the Agency Fund, which is used to account for funds held by the City as agent for employees' withholdings, monies due to other governments, and other miscellaneous items.

The basic fiduciary funds financial statement can be found on page 18, which follows the basic governmental fund financial statements section of this report.

Notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes can be found on pages 19 through 42, which follow the fiduciary funds section of this report.

### GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. In the case of the City, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$64,138,891 at the close of the most recent fiscal year.

#### Summary of Net Position

	<u>2020</u>	<u>2019</u>	<u>Percentage Change</u>
Assets:			
Current assets	\$ 22,318,650	22,333,992	-0.1%
Capital assets	<u>14,459,254</u>	<u>16,276,873</u>	-11.2%
Total assets	<u>36,777,904</u>	<u>38,610,865</u>	-4.7%
Deferred outflows of resources	<u>25,129,554</u>	<u>19,080,475</u>	31.7%
Liabilities:			
Current liabilities	3,012,928	97,620,150	18.7%
Long-term liabilities	<u>100,753,228</u>	<u>2,537,436</u>	3.2%
Total liabilities	<u>103,766,156</u>	<u>100,157,586</u>	3.6%
Deferred inflows of resources:			
Deferred revenues	5,160,974	6,339,750	-18.6%
Deferred inflows	<u>17,119,219</u>	<u>7,969,555</u>	114.8%
Total deferred inflows of resources	<u>22,280,193</u>	<u>14,309,305</u>	55.7%
Net position (deficit):			
Net investment in capital assets	9,944,254	11,256,873	-11.7%
Restricted	3,662,979	5,124,157	-28.5%
Unrestricted (deficit)	<u>(77,746,124)</u>	<u>(73,156,581)</u>	6.3%
Total net position (deficit)	\$ <u>(64,138,891)</u>	<u>(56,775,551)</u>	13.0%

CITY OF LACKAWANNA, NEW YORK  
Management's Discussion and Analysis, Continued

Net investment in capital assets of \$9,944,254 represents its investment in capital assets (e.g. land, buildings, improvements, infrastructure, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position of \$3,662,979 represents resources that are subject to external restrictions on how they may be used.

Net position not classified as invested in capital assets or restricted is considered unrestricted and available to meet the City's ongoing obligations. At July 31, 2020 this was a deficit of \$77,746,124.

Governmental activities decreased the City's net position by \$7,363,340. The following tables indicate the changes in net position for governmental activities:

Summary of City of Lackawanna's Changes in Net Position

	<u>2020</u>	<u>2019</u>	<u>Percentage Change</u>
Revenue:			
Program revenue:			
Charges for services	\$ 2,168,076	2,274,779	-4.7%
Operating grants and contributions	756,645	858,178	-11.8%
Capital grants and contributions	179,711	1,906,886	-90.6%
General revenue:			
Real property taxes	11,958,226	11,466,771	4.3%
Real property tax items	552,760	690,479	-19.9%
Non-property tax items	6,422,134	6,264,231	2.5%
Use of money and property	147,681	185,723	-20.5%
Licenses and permits	94,251	38,008	148.0%
Fines and forfeitures	288,595	354,135	-18.5%
Sale of property and compensation for loss	654,631	695,993	-5.9%
State aid	6,479,292	6,466,986	0.2%
Miscellaneous	<u>82,067</u>	<u>228,458</u>	-64.1%
Total revenue	<u>29,784,069</u>	<u>31,430,627</u>	-5.2%

CITY OF LACKAWANNA, NEW YORK  
Management's Discussion and Analysis, Continued

	<u>2020</u>	<u>2019</u>	<u>Percentage Change</u>
Expenses:			
General government support	\$ 4,130,035	4,011,157	3.0%
Public safety	22,766,278	20,842,158	9.2%
Transportation	6,220,855	6,469,201	-3.8%
Culture and recreation	876,536	1,028,404	-14.8%
Home and community services	2,971,934	3,381,695	-12.1%
Interest	<u>181,771</u>	<u>180,730</u>	0.6%
Total expenses	<u>37,147,409</u>	<u>35,913,345</u>	3.4%
Change in net position	(7,363,340)	(4,482,718)	64.3%
Net position (deficit) at beginning of year	<u>(56,775,551)</u>	<u>(52,292,833)</u>	8.6%
Net position (deficit) at end of year	\$ <u>(64,138,891)</u>	<u>(56,775,551)</u>	13.0%

## 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.

Governmental funds - The governmental functions are contained in the General, Refuse, Special Grant and Capital Project Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At July 31, 2020, the City's governmental funds reported combined fund balances of \$13,072,615, an increase of \$624,484 in comparison with the prior year. Approximately 58.6% of the combined fund balances, \$7,664,648, constitutes unassigned fund balance, which is available to meet the City's current and future operational and capital needs. The remainder of fund balance is nonspendable, restricted, committed or assigned to indicate that it is not available for new spending because it has already been devoted to a specific purpose. Restricted fund balance in the General Fund consisted of (1) \$592,370 restricted for employee benefits; (2) \$200,000 restricted for possible uninsured lawsuits; (3) \$137,410 reserved for future workers' compensation claims; (4) \$57,723 restricted for asset forfeiture activities; and (5) \$94,505 restricted for narcotic forfeiture activities. The make-up of fund balances by fund is addressed in note 1 to the financial statements.

CITY OF LACKAWANNA, NEW YORK  
Management's Discussion and Analysis, Continued

The General Fund is the chief operating fund of the City. At July 31, 2020, unassigned fund balance of the General Fund was \$7,664,648, while total fund balance was \$10,022,366. As a measure of General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 30.1% of total fund expenditures, while total fund balance represents 39.3% of that same amount.

General Fund revenue totaled \$27,462,105 for fiscal year ended July 31, 2020, which represents an increase of 0.17% from the fiscal year ended July 31, 2019.

The following table presents General Fund revenue from various sources, as well as, increases or decreases from the prior year:

	July 31, 2020	Percent	July 31, 2019	Amount of	Percent of
	<u>Amount</u>	<u>of Total</u>	<u>Amount</u>	<u>Increase</u>	<u>Increase</u>
				<u>(Decrease)</u>	<u>(Decrease)</u>
Revenue:					
Real property taxes	\$ 11,857,095	43.2%	11,899,855	(42,760)	-0.4%
Real property tax items	552,760	2.0%	690,479	(137,719)	-19.9%
Non-property tax items	6,422,134	23.4%	6,264,231	157,903	2.5%
Departmental income	178,924	0.7%	222,079	(43,155)	-19.4%
Use of money and property	147,001	0.5%	184,839	(37,838)	-20.5%
Licenses and permits	94,251	0.3%	38,008	56,243	148.0%
Fines and forfeitures	288,595	1.1%	354,135	(65,540)	-18.5%
Sale of property and compensation for loss	654,631	2.4%	695,993	(41,362)	-5.9%
Miscellaneous	10,498	0.1%	221,353	(210,855)	-95.3%
State aid	7,136,402	26.0%	6,770,005	366,397	5.4%
Federal aid	119,814	0.3%	75,159	44,655	59.4%
Total revenue	<u>\$ 27,462,105</u>	<u>100%</u>	<u>27,416,136</u>	<u>45,969</u>	<u>0.2%</u>

The following provides an explanation of revenue by source that changed significantly over the prior year:

- Real property tax items decreased due to a decrease from collections of interest on property taxes.
- Non-property tax items increased due to increased sales tax distributions from the County.
- Miscellaneous revenue decreased due to a lower amount refunded for prior year expenditures.
- State aid increased due to capital grants received during the year.

CITY OF LACKAWANNA, NEW YORK  
Management's Discussion and Analysis, Continued

The following table presents General Fund expenditures, by function, compared to prior year amounts:

	July 31, 2020	Percent	July 31, 2019	Amount of	Percent of
	<u>Amount</u>	<u>of Total</u>	<u>Amount</u>	<u>Increase</u>	<u>Increase</u>
				<u>(Decrease)</u>	<u>(Decrease)</u>
General governmental support	\$ 2,453,784	9.6%	2,594,874	(141,090)	-5.4%
Public safety	10,302,122	40.4%	10,098,010	204,112	2.0%
Transportation	2,467,015	9.7%	2,233,502	233,513	10.5%
Culture and recreation	482,236	1.9%	571,755	(89,519)	-15.7%
Home and community services	42,873	0.1%	40,000	2,873	7.2%
Employee benefits	9,058,943	35.6%	9,077,965	(19,022)	-0.2%
Debt service:					
Principal	505,000	2.0%	690,000	(185,000)	-26.8%
Interest	<u>169,863</u>	<u>0.7%</u>	<u>188,293</u>	<u>(18,430)</u>	<u>-9.8%</u>
Total expenditures	<u>\$ 25,481,836</u>	<u>100%</u>	<u>25,494,399</u>	<u>(12,563)</u>	<u>-0.1%</u>

The following provides an explanation of the expenditures by function that changed significantly over the prior year:

- Public safety expenditures increased primarily from contractual salary increases.
- Transportation increased primarily due to the purchase of a garbage truck and a front-end loader.

The table below summarizes the changes in fund balance of the City's governmental funds:-

	<u>General</u>	<u>Refuse</u>	<u>Special</u>	<u>Capital</u>	<u>Total</u>
			<u>Grant</u>	<u>Projects</u>	
Fund balance at July 31, 2018	\$ 9,389,095	133,189	15	(72,350)	9,449,949
Revenues	27,416,136	2,059,449	480,000	1,908,126	31,863,711
Expenditures	(25,494,399)	(1,996,172)	-	(1,569,958)	(29,060,529)
Other financing sources (uses)	<u>(3,195,000)</u>	<u>160,000</u>	<u>(480,000)</u>	<u>3,710,000</u>	<u>195,000</u>
Fund balance at July 31, 2019	8,115,832	356,466	15	3,975,818	12,448,131
Revenues	27,462,105	1,992,237	-	228,596	29,682,938
Expenditures	(25,481,836)	(2,163,623)	-	(1,687,995)	(29,333,454)
Other financing sources (uses)	<u>(73,735)</u>	<u>113,700</u>	<u>-</u>	<u>235,035</u>	<u>275,000</u>
Fund balance at July 31, 2020	<u>\$ 10,022,366</u>	<u>298,780</u>	<u>15</u>	<u>2,751,454</u>	<u>13,072,615</u>

CITY OF LACKAWANNA, NEW YORK  
Management's Discussion and Analysis, Continued

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final amended budget resulted in an increase of \$615,918 in appropriations and can be briefly summarized as follows:

- \$63,790 was added to general government support.
- \$155,196 was added from public safety.
- \$135,257 was subtracted from transportation.
- \$151,261 was added to culture and recreation.
- \$300 was subtracted to employee benefits.
- \$381,228 was added to transfers to other funds.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets

The City's investment in capital assets for its governmental activities as of July 31, 2020, amounted to \$14,459,254 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings, and equipment.

Capital assets, net of depreciation, are presented below:

	<u>2020</u>	<u>2019</u>
Land	\$ 428,919	422,102
Buildings and improvements	3,014,700	2,226,285
Machinery and equipment	2,672,733	2,145,729
Infrastructure	<u>8,342,902</u>	<u>11,482,757</u>
Total	\$ <u>14,459,254</u>	<u>16,276,873</u>

Debt - Bonds and BANs payable

At July 31, 2020, the City had total bonds payable outstanding of \$4,515,000 as compared to \$5,020,000 in the prior year. The City's retirement of bonded debt amounted to \$505,000. The City did not have any bond anticipation notes outstanding at July 31, 2020.

As of October 2, 2020, the City's general obligation debt rating from Moody's was Aa3.

Additional information on the City's long-term debt can be found in the notes to the financial statements.

CITY OF LACKAWANNA, NEW YORK  
Management's Discussion and Analysis, Continued

Request for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Office of the City Comptroller, 714 Ridge Road, Lackawanna, New York 14218.

CITY OF LACKAWANNA, NEW YORK  
Statement of Net Position  
July 31, 2020

	Governmental <u>Activities</u>
Assets:	
Current assets:	
Cash and equivalents	\$ 18,188,561
Taxes receivable, net	1,034,368
Accounts receivable	364,773
Property acquired for taxes	765,687
State and Federal aid receivable	611,051
Due from fiduciary funds	55,040
Due from other governments	952,543
Prepaid expenses	<u>346,627</u>
Total current assets	<u>22,318,650</u>
Capital assets:	
Land	428,919
Other capital assets, net of depreciation	<u>14,030,335</u>
Total capital assets	<u>14,459,254</u>
Total assets	<u>36,777,904</u>
Deferred outflows of resources:	
Pensions	9,595,580
OPEB	<u>15,533,974</u>
Total deferred outflows of resources	<u>25,129,554</u>
Liabilities:	
Current liabilities:	
Accounts payable	294,377
Accrued liabilities	584,516
Accrued interest on obligations	55,477
Due to other governments	565,237
Bonds payable	520,000
Loan payable	10,765
Pension obligations	<u>982,556</u>
Total current liabilities	<u>3,012,928</u>
Noncurrent liabilities:	
Bonds payable	3,995,000
Loan payable	264,235
Compensated absences	4,396,876
Retirement system payable	644,793
Workers' compensation liability	2,825,621
Total OPEB liability	74,266,665
Net pension liabilities, proportionate share	<u>14,360,038</u>
Total noncurrent liabilities	<u>100,753,228</u>
Total liabilities	<u>103,766,156</u>
Deferred inflows of resources:	
Deferred revenues	5,160,974
Pensions	708,238
OPEB	<u>16,410,981</u>
Total deferred inflows of resources	<u>22,280,193</u>
Net position (deficit):	
Net investment in capital assets	9,944,254
Restricted	3,662,979
Unrestricted (deficit)	<u>(77,746,124)</u>
Total net position (deficit)	<u>\$ (64,138,891)</u>

See accompanying notes to financial statements.

CITY OF LACKAWANNA, NEW YORK

Statement of Activities

Year ended July 31, 2020

<u>Functions</u>	<u>Expenses</u>	<u>Program Revenue</u>			Net Revenue (Expense) and Changes in Net Position
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	
Governmental activities:					
General government support	\$ 4,130,035	105,386	-	-	(4,024,649)
Public safety	22,766,278	67,766	430,070	-	(22,268,442)
Transportation	6,220,855	-	-	115,458	(6,105,397)
Culture and recreation	876,536	-	266,868	5,600	(604,068)
Home and community services	2,971,934	1,994,924	59,707	58,653	(858,650)
Interest	181,771	-	-	-	(181,771)
Total governmental activities	<u>\$ 37,147,409</u>	<u>2,168,076</u>	<u>756,645</u>	<u>179,711</u>	<u>(34,042,977)</u>
General revenue:					
Taxes:					
Real property taxes					11,958,226
Real property tax items					552,760
Non-property tax items					6,422,134
Use of money and property					147,681
Licenses and permits					94,251
Fines and forfeitures					288,595
Sale of property and compensation for loss					654,631
State aid					6,479,292
Miscellaneous					82,067
Total general revenue					<u>26,679,637</u>
Change in net position					(7,363,340)
Net position (deficit) at beginning of year					<u>(56,775,551)</u>
Net position (deficit) at end of year					<u>\$(64,138,891)</u>

See accompanying notes to financial statements.

CITY OF LACKAWANNA, NEW YORK  
Balance Sheet - Governmental Funds  
July 31, 2020

	General <u>Fund</u>	<u>Refuse</u>	Special <u>Grant</u>	Capital <u>Projects</u>	Total Governmental <u>Funds</u>
<u>Assets</u>					
Cash and equivalents	\$13,976,185	396,997	15	3,815,364	18,188,561
Taxes receivable, net	1,034,368	-	-	-	1,034,368
Accounts receivable	128,200	236,573	-	-	364,773
Property acquired for taxes	765,687	-	-	-	765,687
State and federal aid receivable	111,051	-	-	500,000	611,051
Due from other funds	186,311	-	-	-	186,311
Due from other governments	952,543	-	-	-	952,543
Prepaid expenditures	<u>175,627</u>	<u>517</u>	<u>-</u>	<u>170,483</u>	<u>346,627</u>
Total assets	<u>\$17,329,972</u>	<u>634,087</u>	<u>15</u>	<u>4,485,847</u>	<u>22,449,921</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>					
Liabilities:					
Accounts payable	189,680	51,756	-	52,941	294,377
Accrued liabilities	557,919	26,597	-	-	584,516
Due to other funds	-	-	-	131,271	131,271
Due to other governments	565,121	-	-	116	565,237
Pension obligations	<u>936,179</u>	<u>46,377</u>	<u>-</u>	<u>-</u>	<u>982,556</u>
Total liabilities	<u>2,248,899</u>	<u>124,730</u>	<u>-</u>	<u>184,328</u>	<u>2,557,957</u>
Deferred inflows of resources - deferred revenues	<u>5,058,707</u>	<u>210,577</u>	<u>-</u>	<u>1,550,065</u>	<u>6,819,349</u>
Fund balances:					
Nonspendable	175,627	517	-	170,483	346,627
Restricted	1,082,008	-	-	2,580,971	3,662,979
Assigned	1,100,083	298,263	15	-	1,398,361
Unassigned	<u>7,664,648</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,664,648</u>
Total fund balances	<u>10,022,366</u>	<u>298,780</u>	<u>15</u>	<u>2,751,454</u>	<u>13,072,615</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$17,329,972</u>	<u>634,087</u>	<u>15</u>	<u>4,485,847</u>	<u>22,449,921</u>

See accompanying notes to financial statements.

CITY OF LACKAWANNA, NEW YORK  
Reconciliation of Balance Sheet - Governmental Funds  
to the Statement of Net Position  
July 31, 2020

Total governmental fund balances	\$ 13,072,615
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets, net of disposals	68,069,995
Accumulated depreciation	(53,610,741)
Deferred outflows related - pensions	9,595,580
Deferred outflows related - OPEB	15,533,974
Accrued interest on long-term debt.	(55,477)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the funds.	
Bonds payable	(4,515,000)
Loan payable	(275,000)
Compensated absences	(4,396,876)
Retirement system payable	(644,793)
Workers' compensation liability	(2,825,621)
Total OPEB liability	(74,266,665)
Net pension liabilities - proportionate share	(14,360,038)
Long-term liabilities, that are not due and payable in the current period and are not reported in the funds:	
Deferred inflows of resources - deferred revenue	1,658,375
Deferred inflows of resources - pensions	(708,238)
Deferred inflows of resources - OPEB	<u>(16,410,981)</u>
Net position - governmental activities	<u><u>\$(64,138,891)</u></u>

See accompanying notes to financial statements.

CITY OF LACKAWANNA, NEW YORK  
Statement of Revenue, Expenditures and Changes in Fund Balances -  
Governmental Funds  
Year ended July 31, 2020

	General <u>Fund</u>	<u>Refuse</u>	Special <u>Grant</u>	Capital <u>Projects</u>	Total Governmental <u>Funds</u>
Revenue:					
Real property taxes	\$ 11,857,095	-	-	-	11,857,095
Real property tax items	552,760	-	-	-	552,760
Non-property tax items	6,422,134	-	-	-	6,422,134
Departmental income	178,924	1,989,152	-	-	2,168,076
Use of money and property	147,001	680	-	-	147,681
Licenses and permits	94,251	-	-	-	94,251
Fines and forfeitures	288,595	-	-	-	288,595
Sale of property and compensation for loss	654,631	-	-	-	654,631
Miscellaneous	10,498	2,405	-	69,164	82,067
State aid	7,136,402	-	-	159,432	7,295,834
Federal aid	119,814	-	-	-	119,814
Total revenue	<u>27,462,105</u>	<u>1,992,237</u>	<u>-</u>	<u>228,596</u>	<u>29,682,938</u>
Expenditures:					
General government support	2,453,784	-	-	937,927	3,391,711
Public safety	10,302,122	-	-	552,173	10,854,295
Transportation	2,467,015	-	-	178,117	2,645,132
Culture and recreation	482,236	-	-	11,433	493,669
Home and community services	42,873	1,599,603	-	8,345	1,650,821
Employee benefits	9,058,943	564,020	-	-	9,622,963
Debt service:					
Principal	505,000	-	-	-	505,000
Interest	169,863	-	-	-	169,863
Total expenditures	<u>25,481,836</u>	<u>2,163,623</u>	<u>-</u>	<u>1,687,995</u>	<u>29,333,454</u>
Excess (deficiency) revenue over expenditures	<u>1,980,269</u>	<u>(171,386)</u>	<u>-</u>	<u>(1,459,399)</u>	<u>349,484</u>
Other financing sources (uses):					
Transfers from other funds	487,621	113,700	-	447,656	1,048,977
Transfers to other funds	(561,356)	-	-	(487,621)	(1,048,977)
Proceeds	-	-	-	275,000	275,000
Total other financing sources (uses)	<u>(73,735)</u>	<u>113,700</u>	<u>-</u>	<u>235,035</u>	<u>275,000</u>
Excess (deficiency) of revenue over expenditures and other financing sources (uses)	<u>1,906,534</u>	<u>(57,686)</u>	<u>-</u>	<u>(1,224,364)</u>	<u>624,484</u>
Fund balances at beginning of year	<u>8,115,832</u>	<u>356,466</u>	<u>15</u>	<u>3,975,818</u>	<u>12,448,131</u>
Fund balances at end of year	<u>\$ 10,022,366</u>	<u>298,780</u>	<u>15</u>	<u>2,751,454</u>	<u>13,072,615</u>

See accompanying notes to financial statements.

CITY OF LACKAWANNA, NEW YORK  
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances -  
Governmental Funds to the Statement of Activities  
Year ended July 31, 2020

Net change in fund balances	\$ 624,484
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of certain assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Capital assets, net of disposals	1,870,813
Accumulated depreciation	(3,688,432)
Changes in deferred outflows of resources are recognized on the statement of activities but not in the governmental funds:	
Pensions	5,932,935
OPEB	116,144
Changes in self-insured workers' compensation liability are not reflected in the governmental funds.	
	291,022
The repayment of principal of long-term debt consumes current financial resources of governmental funds. However, in the statement of activities, it is reflected as a reduction of debt.	
	505,000
The receipt of principle of long-term debt provides current financial resources for governmental funds. However, in the statement of activities, it is reflected as an increase of debt.	
	(275,000)
Interest on debt is accrued in the statement of activities, but not in the governmental funds.	
	(11,908)
Changes in compensated absences are not reflected in the governmental funds.	
	(1,349,791)
Changes in the retirement system liability are not reflected in the governmental funds.	
	117,388
The net change in net pension liabilities are recorded in the statement of activities but not in the statement for governmental funds.	
	(9,727,255)
Total OPEB liability increases long-term liabilities in the statement of net position and the change is reflected in the statement of activities, but does not effect the governmental funds.	
	7,279,793
Changes in deferred inflows of resources in the statement of activities do not provide current financial resources and are not reported in the governmental funds:	
Deferred revenue	101,131
Pensions	1,196,417
OPEB	(10,346,081)
Change in net position - governmental activities	<u><u>\$(7,363,340)</u></u>

See accompanying notes to financial statements.

CITY OF LACKAWANNA, NEW YORK  
Statement of Fiduciary Net Position  
Fiduciary Funds  
July 31, 2020

	<u>Agency Funds</u>
Assets - cash and cash equivalents	\$ <u>69,741</u>
Liabilities:	
Section 125 plan	14,314
Due to other funds	55,040
Due to other governments	<u>387</u>
Total liabilities	<u>69,741</u>
Net position	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

## CITY OF LACKAWANNA, NEW YORK

### Notes to Financial Statements

July 31, 2020

#### (1) Summary of Significant Accounting Policies

The City of Lackawanna, New York (the City) was incorporated in 1909, under the provisions of the State of New York. The City operates under a Charter form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services. Other services include utilities.

##### (a) Financial Reporting Entity

The financial statements of the City of Lackawanna, New York, which was incorporated in 1909, is governed by City Law and other general laws of the State of New York and various local laws and ordinances. The City Council is the legislative body responsible for overall operations of the City. The Mayor serves as Chief Executive Officer and the City Comptroller serves as the Chief Fiscal Officer of the City.

The City provides the following basic services: general government support, police protection and law enforcement, fire protection, safety inspection, highway maintenance, culture and recreation programs, street lighting and refuse collection.

##### (b) Government-Wide Financial and Fund Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effects of inter-fund activity have been removed from these statements. Government activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

##### (c) Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement focus is the determination of what is expressed in reporting an entity's financial performance and position, (i.e., expenditures or expenses). A particular measurement focus is accomplished both by considering what resources will be measured and the basis of accounting.

CITY OF LACKAWANNA, NEW YORK  
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(c) Measurement Focus, Basis of Accounting and Financial Statement Presentation, Continued

Basis of accounting refers to when revenues, expenditures/expenses, and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to timing of the measurements made, regardless of the measurement focus.

Accrual Basis - Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Modified Accrual Basis - Under this basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues from federal, state, or other grants designated for specific City expenditure are recognized when the related expenditures are incurred.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due and expenditures for inventory-type items and for prepayments (except retirement) are recognized at the time of the disbursements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Property taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

CITY OF LACKAWANNA, NEW YORK  
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(c) Measurement Focus, Basis of Accounting and Financial Statement Presentation, Continued

The City reports the following major governmental funds:

General Fund - The principal operating fund that includes all operations not required to be recorded in other funds.

Special Grant Fund - Used to account for federal and state operating grants earmarked for specific programs, so that the grantor accounting and reporting requirements can be satisfied.

Refuse Fund - Used to account for financial resources to be used for refuse collection services provided to taxpayers by the City.

Capital Projects Fund - Used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Additionally, the City reports the following fiduciary fund type that is used to account for assets held by the City in a custodial capacity:

Agency Fund - Used to account for money and property received and held in the capacity of custodian or agent. The Agency Fund is custodial in nature and does not involve measurement of results of operations. Agency funds, such as payroll withholdings, are reported as liabilities.

Government-wide financial statements apply all applicable Governmental Accounting Standards Board ("GASB") pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board ("FASB"), Accounting Principles Board ("APB") Opinions, and Accounting Research Bulletins ("ARBs") of the Committee on Accounting Procedure.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. General revenues are those that cannot be associated directly with program activities.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF LACKAWANNA, NEW YORK  
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(d) Property Tax Revenue Recognition

The City-wide property tax is levied by the City Council effective August 1 of the year the taxes are recognizable as revenue. Property tax is only recognized as revenue in the year for which the levy is made, and to the extent that such taxes are received within the reporting period or sixty days thereafter in the fund financial statements.

Delinquent property taxes not collected at year-end (excluding collections in the 60-day subsequent period) are recorded as deferred revenue in the fund financial statements. The portion of delinquent property taxes for all prior year's estimated to be uncollectible at July 31, 2020, amounted to \$60,490. This amount has been recorded as an allowance against the property taxes receivable account.

(e) Budgets and Budgetary Data

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) On the first day of April in each year, department heads are required to submit their tentative departmental budgets to the Mayor. The tentative departmental budgets include proposed expenditures and the proposed means of financing for all funds except the Capital Projects Fund. The Mayor then adjusts these tentative departmental budgets and formulates a proposed budget, which must be submitted to the City Council on or before May 10<sup>th</sup>.
- (2) Public hearings are conducted to obtain taxpayer comments.
- (3) The City Council has the power to delete, reduce or add items to the proposed budget, and they must adopt a budget on or before June 10<sup>th</sup>. The affirmative vote of three councilmen is necessary for the Council to adopt a budget.
- (4) The Mayor then has ten days to veto any provision within the Council's adopted budget that changes the Mayor's proposed budget, and the Council then has thirty days to override the Mayor's veto. Four affirmative votes of the Council are required to override Mayoral vetoes.
- (5) At any time within the last three months of the budget year: (a) the City Council may, by resolution, transfer any portion of an unencumbered appropriation balance from one department to another; and (b) the Director of the Department of Administration and Finance, with the approval of the Mayor, may transfer any portion of an unencumbered appropriation balance between the same general classifications of expenditures within any department.

CITY OF LACKAWANNA, NEW YORK  
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(e) Budgets and Budgetary Data, Continued

- (6) Annual appropriated budgets are adopted and employed for control of the General Fund minimally detailed to the department and account level. This budget is adopted on a basis consistent with GAAP, except that encumbrances are reported as budgetary expenditures in the year of incurrence of commitment to purchase, as well as in the year of expenditure if the expenditure occurs in a fiscal year subsequent to the commitment in the General Fund. All unencumbered appropriations lapse at the end of the fiscal year. Budgetary comparisons presented in this report are on the budgetary basis, and represent the budget as modified. Annual appropriated budgets are not employed for the Grants Fund.
- (7) Capital Projects Funds are subject to project budgets determined primarily by the bonding authorizations used to fund a particular project rather than annual budgetary appropriations. These budgets do not lapse at year-end; rather, they lapse upon termination of the project.
- (8) At August 1, the amount of encumbrances carried forward from the prior year are reestablished as budgeted appropriations and expenditures.

Expenditures within the General Fund may not legally exceed the amount appropriated for such accounts or sub-accounts within an administrative unit. During the year, supplementary appropriations were necessary.

Individual governmental fund comparisons of budgetary and actual data at the legal level of control established by the adopted budget (i.e., minimally the department and account level) are not presented in this report for the General Fund due to the excessive detail involved. However, a separate budgetary comparison report is available which contains this information.

(f) Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in all City funds. Outstanding encumbrances at year end, exclusive of grant-related commitments, are presented for GAAP reporting purposes as reservations of fund balances, and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

(g) Investments

The City had no investments outstanding at July 31, 2020.

(h) Advances to Other Funds

In the fund financial statements, as of July 31, 2020, there are no non-current portions of inter-fund loans receivable.

CITY OF LACKAWANNA, NEW YORK  
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(i) Capital Assets

Capital assets which include property, plant, equipment, and infrastructure assets (e.g. streets) are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost equal to or greater than \$25,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives.

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	20 - 40 years
Infrastructure	40 years
Machinery and equipment	5 - 20 years

When capital assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period in the government-wide statements. Amortization is reflected in income for the period in the government-wide statements. Amortization of capital leases is computed using the straight-line method over the lease term or the estimated useful lives of the assets, whichever is shorter. Maintenance and repairs are charged to expense as incurred; significant renewals and betterments are capitalized.

(j) Insurance

The City has insurance coverage as of February 1, 2020, for general, property, auto, inland marine, public officials, police professional and umbrella coverage. The general coverage has a limit per occurrence of \$1,000,000 and \$3,000,000 aggregate. The property coverage has a limit of \$23,616,440 subject to a \$50,000 deductible. The auto coverage has a limit of \$1,000,000. The inland marine coverage has a limit of \$2,440,601 subject to a \$1,000 deductible. The public officials' coverage has a limit of \$1,000,000 per occurrence and an aggregate of \$2,000,000 subject to a \$25,000 deductible. The police professional coverage has a limit per occurrence of \$1,000,000 and an aggregate of \$2,000,000 subject to a \$25,000 deductible. The umbrella coverage has a limit per occurrence of \$5,000,000 and \$10,000,000 aggregate.

Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred, the amount of loss can be reasonably estimated, and the estimated amount of loss exceeds insurance coverage.

CITY OF LACKAWANNA, NEW YORK  
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(k) Retirement Plans

The City provides retirement benefits for substantially all of its full-time and those part-time employees who elect to participate, through contributions to the New York State and Local Employees' Retirement Systems. This retirement system is noncontributory except for employees who joined their respective systems after July 27, 1976 and must contribute a percentage of their annual salary.

The member contributions are deducted by the City from the employees' paychecks and are sent currently to the system. The retirement system computes the cost of retirement benefits based on their respective fiscal years - April 1 - March 31.

(l) Compensated Absences

City employees are granted vacation and sick leave and earn compensatory absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and sick leave and unused compensatory absences at various rates subject to certain maximum limitations.

Compensated absences for governmental fund type employees are reported as a fund liability and expenditure in the government-wide financial statements. The compensated absences liability for the City at July 31, 2020, totaled \$4,396,876. Payment of compensated absences recorded in the government-wide financial statements is dependent on many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payment of compensated absences when such payments become due.

(m) Postemployment Benefits

In addition to providing pension benefits, the City provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the City's employees may become eligible for these benefits if they reach normal retirement age while working for the City. Health care benefits and survivors benefits are provided through insurance companies whose premiums are based on the benefits paid during the year. These benefits terminate upon death of the retired employee. The City recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid. During the 2019-2020 fiscal year, approximately \$1,833,697 was paid on behalf of 183 retirees and recorded as an expenditure in the General Fund.

(n) Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Actual results could differ from these estimates.

CITY OF LACKAWANNA, NEW YORK  
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(o) Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. The first item is related to pensions reported in the City-wide statement of net position. This represents the effect of the net change in the City's proportion of the collective net pension asset or liability and difference during the measurement period between the City's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is related to differences between expected and actual experience as well as changes in assumption relating to the City's total OPEB liability.

Deferred inflows of resources reflects an increase in net position that applies to future periods. The City will not recognize the related revenues until a future event occurs. The City has four types of items that qualify for reporting in this category. The first item occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the fiscal year) under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, deferred property taxes and unbilled server receivables are reported in the governmental funds balance sheet. The second item relates to unspent state aid and grants. The third item is related to pensions reported in the City's statement of net position, and represents the change in the proportion between the City's contributions and proportionate share of contributions. The fourth item is related to the total OPEB liability in the City's statement of net position, and represents the difference between expected and actual experience.

(p) Net Position/Fund Balance

In the government-wide statements there are three classes of net position:

Net Investment in Capital Assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This category represents net position of the City not restricted for any project or other purpose.

CITY OF LACKAWANNA, NEW YORK  
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(p) Net Position/Fund Balance, Continued

In the governmental funds statements there are five classifications of fund balance:

Nonspendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The City had non-spendable balance of \$346,627 at July 31, 2020.

Restricted - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or law or regulations of other governments; or imposed by law through constitutional provisions on enabling legislation. The City has established the following restricted fund balances:

Reserved for Asset/Narcotics Forfeiture - representing resources from asset/narcotics forfeitures that must be used to pay costs associated with pursuing narcotics related crimes.

Reserved for Liability Insurance - representing resources that must be used for liability insurance payments that will be made in future periods.

Reserved for Workers' Compensation - representing resources that must be used for workers' compensation payments that will be made in future periods.

Reserved for Employee Benefits - representing resources that must be used for employee benefit payments that will be made in future periods.

Restricted fund balance at July 31, 2020 includes the following:

General Fund:

Employee benefits	\$ 592,370
Liability insurance	200,000
Workers' compensation	137,410
Asset forfeiture	57,723
Narcotics forfeiture	<u>94,505</u>
Total General Fund	<u>1,082,008</u>
Capital Projects Fund	<u>2,580,971</u>
Total Restricted Funds	\$ <u>3,662,979</u>

Committed - Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authorities. The City has no committed fund balances as of July 31, 2020.

CITY OF LACKAWANNA, NEW YORK  
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(p) Net Position/Fund Balance, Continued

Assigned - Includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Assigned fund balance in the General Fund at July 31, 2020, consists of \$1,000,000 for the subsequent year's budget, \$88,083 for encumbrances and \$12,000 for police department evidence maintenance software. For funds other than the General Fund, any amounts that do not meet the definition of the above three classifications are deemed to be assigned, which consists of \$298,263 of fund balance in the Refuse Fund, and \$15 of fund balance in the Special Grant Fund.

Unassigned - Includes all other General Fund fund balance that do not meet the definition of the above four classifications and are deemed to be available for general use by the City.

(q) Order of Use of Fund Balance

The City's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balance. In the General Fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

(2) Reporting on Budgetary Basis

The City reports its budgetary status with the actual data including encumbrances as charges against budget appropriations. In addition, budgetary comparison information is not presented for certain Special Revenue Funds because they are not considered part of the City's annual budgetary plan. Accordingly, the budgetary status does not include the activity of the Special Grant Fund. The Special Grant Fund had no encumbrances at the beginning or at the end of the year.

Budgetary control of the General Fund is minimally exercised at the department and account level. There were no excesses of expenditures/expenses over appropriations at the established control level.

(3) Cash and Investments

The City's investment policies are governed by state statutes. City monies must be deposited in FDIC-insured commercial banks or trust companies located within the state. The City Comptroller is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit in an amount equal to at least 102% of the amount of all deposits 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.

CITY OF LACKAWANNA, NEW YORK  
Notes to Financial Statements, Continued

(3) Cash and Investments, Continued

The bank balances at July 31, 2020, consists of:

Petty Cash	\$ 1,000
Deposits:	
Demand deposits	7,663,803
Time deposits	<u>10,872,272</u>
Total	\$ <u>18,537,075</u>

Deposits at July 31, 2020, were entirely covered by federal depository insurance or by collateral held by the City's custodial bank in the City's name.

(4) Property Taxes

The City-wide property tax is levied by the City Council effective August 1st of the year the taxes are recognizable as revenue. Taxes are payable in two installments, on August 31<sup>st</sup> and January 31<sup>st</sup>. The first installment is equal to one-half of the current year levy. The second installment is equal to the difference between the tax levied and assessed for the current year and the amount of the first installment.

At July 31, 2020, the total real property tax receivables of \$1,094,858 are offset by an allowance for uncollectible taxes of \$60,490 in the fund financial statements.

The City is responsible for School District taxes after reaching two years delinquency.

State law limits the amount of taxes that the City may levy. For the City's fiscal year ending July 31, 2020, the City had a constitutional tax margin of \$838,277.

(5) Receivables - State and Federal Aid

State and federal receivables accrued by the City at July 31, 2020, include the following:

General Fund:

State Aid - Court Security	\$ 52,432
Federal Aid - School Lunch Program	58,550
State Aid - School Lunch Program	<u>69</u>
Total General Fund	<u>111,051</u>
Capital Projects Fund - demolition of property	<u>500,000</u>
Total State and Federal receivable	\$ <u>611,051</u>

(6) Due from Other Governments

Other government receivables accrued by the City at July 31, 2020, include the following:

General Fund - County of Erie - sales tax	\$ <u>952,543</u>
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CITY OF LACKAWANNA, NEW YORK  
Notes to Financial Statements, Continued

(7) Capital Assets

The following is a summary of changes in the capital assets:

	Balance July 1, <u>2019</u>	<u>Additions</u>	<u>Disposals</u>	Balance July 31, <u>2020</u>
Capital assets not being depreciated - land	\$ <u>422,102</u>	<u>6,817</u>	<u>-</u>	<u>428,919</u>
Capital assets being depreciated:				
Buildings and improvements	13,951,408	870,426	-	14,821,834
Machinery and equipment	9,379,281	1,063,223	(490,790)	9,951,714
Infrastructure	<u>42,867,528</u>	<u>-</u>	<u>-</u>	<u>42,867,528</u>
Total capital assets being depreciated	66,198,217	1,933,649	(490,790)	67,641,076
Total accumulated depreciation	<u>50,343,446</u>	<u>3,688,432</u>	<u>(421,137)</u>	<u>53,610,741</u>
Total assets being depreciated, net	<u>15,854,771</u>	<u>(1,754,783)</u>	<u>(69,653)</u>	<u>14,030,335</u>
Total capital assets, net	\$ <u>16,276,873</u>	<u>(1,747,966)</u>	<u>(69,653)</u>	<u>14,459,254</u>

Depreciation was charged to governmental activities as follows:

General government support	\$ 8,154
Public safety	158,073
Transportation	3,245,398
Culture and recreation	121,097
Home and community services	<u>155,710</u>
	\$ <u>3,688,432</u>

(8) Short-term Debt

The City may issue revenue anticipation notes (RAN's) and tax anticipation notes (TAN's), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RAN's and TAN's represent a liability that will be extinguished by the use of expendable, available resources of the fund. The City had no outstanding RAN's or TAN's at July 31, 2020.

Liabilities for bond anticipation notes (BAN's) are generally accounted for in the Capital Projects Funds. Principal payments on BAN's must be made annually. State law generally requires that BAN's issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BAN's issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated reductions of principal are made on an annual basis. The City had no outstanding BAN's at July 31, 2020.

CITY OF LACKAWANNA, NEW YORK  
Notes to Financial Statements, Continued

(9) Long-term Debt

Long-term liability balances and activity for the year ended July 31, 2020 is as follows:

	Balance July 31, <u>2019</u>	<u>Increase</u>	<u>Decrease</u>	Balance July 31, <u>2020</u>
Serial bonds	\$ 5,020,000	-	505,000	4,515,000
Loan payable	-	275,000	-	275,000
Compensated absences	3,047,085	1,349,791	-	4,396,876
Retirement system liability	762,181	-	117,388	644,793
Worker's compensation liability	3,116,643	-	291,022	2,825,621
Total OPEB liability	81,546,458	-	7,279,793	74,266,665
Net pension liabilities - proportionate share	<u>4,632,783</u>	<u>9,727,255</u>	<u>-</u>	<u>14,360,038</u>
Total	<u>\$ 98,125,150</u>	<u>11,352,046</u>	<u>8,193,203</u>	<u>101,283,993</u>

Additions and deletions to compensated absences, self-insured workers' compensation liability, retirement system liability, and total OPEB liability are shown net.

(a) Bonded Indebtedness

The following is a summary of serial bond transactions of the City for the year ended July 31, 2020:

<u>Description</u>	<u>Original Issue Date</u>	<u>Final Maturity Date</u>	<u>Interest Rate</u>	<u>Balance 7/31/2019</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance 7/31/2020</u>	<u>Due within one year</u>
Public Improvements	7/14/2011	11/1/2027	4.00%	\$ 3,090,000	-	290,000	2,800,000	305,000
Capital Improvements	8/28/2013	3/1/2028	3.00%	<u>1,930,000</u>	<u>-</u>	<u>215,000</u>	<u>1,715,000</u>	<u>215,000</u>
Total				<u>\$ 5,020,000</u>	<u>-</u>	<u>505,000</u>	<u>4,515,000</u>	<u>520,000</u>

The following is a summary of maturity of bonded indebtedness:

<u>Year Ending July 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 520,000	155,181	675,181
2022	530,000	138,853	668,853
2023	540,000	122,200	662,200
2024	555,000	103,656	658,656
2025	570,000	83,959	653,959
2026 - 2028	<u>1,800,000</u>	<u>120,463</u>	<u>1,920,463</u>
	<u>\$ 4,515,000</u>	<u>724,312</u>	<u>5,239,312</u>

CITY OF LACKAWANNA, NEW YORK  
Notes to Financial Statements, Continued

(9) Long-term Debt, Continued

(a) Bonded Indebtedness, Continued

In the event of default, Section 3-a of the General Municipal law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the City upon any judgment or accrued claim against it shall not exceed nine per centum per annum. In accordance with the general rule with respect to municipalities, judgments against the City may not be enforced by levy and execution against property owned by the City. The Federal Bankruptcy Code allows public bodies records to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.50 of the Local Finance Law contains specific authorization for any municipality in the State to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness.

(b) Loan Payable

The City received an Emergency Services Loan in the original amount of \$275,000 from New York State Division of Homeland Security and Emergency Services to assist in the purchase of a firetruck. Principle and interest is due annually in the amount of \$17,640 and carries an interest rate of 2.50%. The balance outstanding at July 31, 2020 was \$275,000.

The following is a summary of maturity of the loan payable:

<u>Year Ending July 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 10,765	6,875	17,640
2022	11,035	6,605	17,640
2023	11,310	6,330	17,640
2024	11,593	6,047	17,640
2025	11,883	5,757	17,640
2026 - 2030	64,024	24,179	88,203
2031 - 2035	72,435	15,768	88,203
2036 - 2039	<u>81,955</u>	<u>6,248</u>	<u>88,203</u>
	\$ <u>275,000</u>	<u>77,809</u>	<u>352,809</u>

In the event that the Lender determined that the City has failed to comply with the material terms and conditions of this Agreement Lender may declare City in default. Upon such default, Lender may, at its option, without notice of demand, declare the entire unpaid principal balance due and payable immediately. Such sums may be offset against any other monies payable to City by the State of New York. Lender shall not be responsible for any costs arising from the termination of this Agreement.

## CITY OF LACKAWANNA, NEW YORK

### Notes to Financial Statements, Continued

#### (9) Long-term Debt, Continued

##### (c) Other Long-term Obligations

The value of compensated absences recorded in the government-wide financial statements at July 31, 2020, for governmental activities is \$4,396,876. This amount represents the value of accumulated sick and personal days for current City employees.

The City contributes to the New York State Employee Retirement System (ERS) and Police and Fire Retirement System (PFRS). The Retirement System Liability is the result of the Contribution Stabilization Program which allows the City to pay a retirement bill over a number of years. The value of the retirement system liability remaining for governmental activities is \$644,793.

The value of the self-insured workers' compensation liability in the government-wide financial statements at July 31, 2020 for governmental activities is \$2,825,621. The City uses a service agent to administer the self-insured workers' compensation program. Claims incurred and claims paid during the year amounted to \$1,038,270 and \$1,329,292, respectively. The City purchases commercial insurance to limit liability to \$1,000,000 per each occurrence with a retention of \$600,000.

Net pension liabilities - proportionate share represents the City's proportionate share of its liabilities at July 31, 2020 amounting to \$14,360,038 relating to New York Retirement Systems (ERS and PFRS). More information on the state retirement can be found in note 10.

The City's total other post-employment benefit (OPEB) liability at July 31, 2020 amounted to \$74,266,665. More information on this amount can be found in note 11.

#### (10) Pension Plans

##### (a) New York State and Local Retirement Systems

###### Plan Description and Benefits Provided

The City participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS) which are collectively referred to as the New York State and Local Retirement System (the System). The System is a cost-sharing, multiple-employer defined benefit pension plan. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four-year term. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of State statute.

CITY OF LACKAWANNA, NEW YORK  
Notes to Financial Statements, Continued

(10) Pension Plans, Continued

(a) New York State and Local Retirement Systems, Continued

The City also participates in the Public Employees' Group Life Insurance Plan, which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

Funding Policy

The System is noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute between 3% and 6% of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At July 31, 2020, the City reported a liability of \$3,392,626 and \$10,967,412 for its proportionate share of the net ERS and PFRS pension liabilities, respectively. These amounts are recorded as a long-term liability due to the System. The total net pension liability was measured as of March 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2019. The City's proportion of the net pension liabilities was based on projections of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating members, actuarially determined.

At March 31, 2020, the City's proportionate share of the ERS liability was 0.0128118%, and 0.2051925% of the PFRS liability. The City's proportionate share of the ERS liability and the PFRS liability increased (decreased) 0.0001504 and (0.0175744), respectively, from the March 31, 2019 measurement date.

For the year ended July 31, 2020, the City recognized pension expense of \$1,134,248 for ERS, and \$3,794,328 for PFRS in the statement of activities. At July 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF LACKAWANNA, NEW YORK  
Notes to Financial Statements, Continued

(10) Pension Plans, Continued

(a) New York State and Local Retirement Systems, Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued

	<u>ERS</u>		<u>PFRS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 199,670	-	730,314	183,703
Changes of assumptions	68,311	58,986	937,448	-
Net difference between projected and actual investment earnings on pension plan investments	1,739,225	-	4,938,971	-
Changes in proportion and differences between the City's contributions and proportionate share of contributions	61,635	54,252	57,988	-
City's contributions subsequent to the measurement date	<u>192,015</u>	<u>-</u>	<u>670,003</u>	<u>411,297</u>
Total	\$ <u>2,260,856</u>	<u>113,238</u>	<u>7,334,724</u>	<u>595,000</u>

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending July 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending December 31,</u>	<u>ERS</u>	<u>PFRS</u>
2021	\$ 330,632	1,207,129
2022	489,347	1,439,318
2023	625,946	1,842,541
2024	509,678	1,540,698
2025	<u>-</u>	<u>40,035</u>
	\$ <u>1,955,603</u>	<u>6,069,721</u>

CITY OF LACKAWANNA, NEW YORK  
Notes to Financial Statements, Continued

(10) Pension Plans, Continued

(a) New York State and Local Retirement Systems, Continued

Actuarial Assumptions

The total pension liability for the March 31, 2020 measurement date was determined by using an actuarial valuation as of April 1, 2019, with update procedures used to roll forward the total pension liability to March 31, 2020. The actuarial valuation for ERS and PFRS used the following actuarial assumptions:

Inflation	2.5%
Salary increases	4.2% in ERS, 5.0% in PFRS
Investment rate of return (net of investment expense, including inflation)	6.8%
Cost of living adjustments	1.3%

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2018. The previous actuarial valuation as of April 1, 2018 used the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

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 returns, net of investment expense 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. The previous actuarial valuation as of April 1, 2018 used a long-term expected rate of return of 7.0%. The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized on the next page:

CITY OF LACKAWANNA, NEW YORK  
Notes to Financial Statements, Continued

(10) Pension Plans, Continued

(a) New York State and Local Retirement Systems, Continued  
Actuarial Assumptions, Continued

Asset type:	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Domestic equity	36%	4.05%
International equity	14%	6.15%
Private equity	10%	6.75%
Real estate	10%	4.95%
Absolute return strategies (1)	2%	3.25%
Opportunistic portfolio	3%	4.65%
Real assets	3%	5.95%
Bonds and mortgages	17%	0.75%
Cash	1%	0.00%
Inflation - indexed bonds	<u>4%</u>	0.50%
	<u>100%</u>	

\* The real rate of return is net of the long-term inflation assumption of 2.50%.

(1) Excludes equity-oriented and long-only funds. For investment management purposes, these funds are included in domestic equity and international equity.

Discount Rate

The discount rate used to calculate the total pension liability was 6.8%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon these assumptions, the System's 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.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.8 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.8 percent) or 1 percentage point higher (7.8 percent) than the current rate:

	1% Decrease ( <u>5.8%</u> )	Current Assumption ( <u>6.8%</u> )	1% Increase ( <u>7.8%</u> )
City's proportionate share of the net ERS pension liability	\$ 6,226,427	3,392,626	782,684
City's proportionate share of the net PFRS pension liability	<u>19,609,957</u>	<u>10,967,412</u>	<u>3,227,818</u>
Total at July 31, 2020	\$ <u>25,836,384</u>	<u>14,360,038</u>	<u>4,010,502</u>

CITY OF LACKAWANNA, NEW YORK  
Notes to Financial Statements, Continued

(10) Pension Plans, Continued

(a) New York State and Local Retirement Systems, Continued

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2020 were as follows:

	<u>Dollars in Millions</u>	
	<u>Employees’ Retirement System</u>	<u>Police and Fire Retirement System</u>
Employers’ total pension liability	\$ (194,596)	(35,309)
Fiduciary net position	<u>168,115</u>	<u>29,964</u>
Employers’ net pension liability	\$ <u>(26,481)</u>	<u>(5,345)</u>
Ratio of fiduciary net position to the employers’ total pension liability	86.39%	84.86%

(9) Other Postemployment Benefits (OPEB)

Plan Description

The City’s defined benefit OPEB plan provides OPEB for all permanent full-time general and public safety employees of the City. The plan is a single-employer defined benefit OPEB plan administered by the City. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the City Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Plan is currently unfunded.

Benefits Provided

The City provides healthcare benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the districts offices and are available upon request.

Employees Covered by Benefit Terms

At July 31, 2020, the following employees were covered by the benefit terms:

Active plan participants	161
Inactive plan participants	-
Retired and surviving spouses`	169
Retiree spouses covered	<u>102</u>
Total	<u>432</u>

Total OPEB Liability

The City’s total OPEB liability of \$74,266,665 was measured as of April 30, 2020 and was determined by an actuarial valuation as of April 30, 2019 with an update to premium and claims rates to reflect actual experience in the interim.

CITY OF LACKAWANNA, NEW YORK  
Notes to Financial Statements, Continued

(9) Other Postemployment Benefits, Continued

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 31, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.22%
Rate of compensation increases	3.22%
Discount rate	2.92%
Healthcare cost trend rate	5.20%, decreasing to ultimate trend rate of 4.18%

The discount rate was based on a blending of the investment rate of return and the long-term bond rate using expected plan benefit payments.

Mortality rates were based on the Mortality Improvement Scale MP-2019, fully generational.

Changes in the Total OPEB Liability

Total OPEB liability as of July 31, 2019	\$ 81,546,458
Changes for the year:	
Service cost	2,286,239
Interest on total OPEB liability	2,731,011
Difference between expected and actual experience	(16,034,056)
Changes of assumptions or other inputs	6,046,995
Benefit payments	<u>(2,309,982)</u>
Total changes	<u>(7,279,793)</u>
Total OPEB liability as of July 31, 2020	\$ <u>74,266,665</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.92%) or 1-percentage-point higher (3.92%) than the current discount rate:

	1% Decrease (1.92%)	Discount Rate (2.92%)	1% Increase (3.92%)
Total OPEB liability	\$ <u>87,405,472</u>	<u>74,266,665</u>	<u>63,882,252</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Costs Trend Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

CITY OF LACKAWANNA, NEW YORK  
Notes to Financial Statements, Continued

(9) Other Postemployment Benefits, Continued

	1% Decrease (4.20% - 3.18%)	Current Trend Rate (5.20% - 4.18%)	1% Increase (6.20% - 5.18%)
Total OPEB liability	\$ <u>62,234,494</u>	<u>74,266,665</u>	<u>89,904,702</u>

For the year ended July 31, 2020, the City recognized OPEB expense of \$5,862,368. At July 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,349,439	13,861,975
Changes of assumptions or other inputs	10,602,293	2,549,006
Contributions subsequent to the measurement date	<u>582,242</u>	<u>-</u>
Total	\$ <u>15,533,974</u>	<u>16,410,981</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ending</u>	
2021	\$ 511,494
2022	(673,610)
2023	(1,961,238)
2024	141,301
2025	141,301
Thereafter	<u>381,503</u>
	\$ <u>(1,459,249)</u>

(10) Interfund Receivables, Payables and Transfers

The following is a summary of amounts due from and due to other funds as of July 31, 2020:

	<u>Amount receivable</u>	<u>Amount payable</u>	<u>Transfers in</u>	<u>Transfers out</u>
General fund	\$ 186,311	-	487,621	561,356
Refuse fund	-	-	113,700	-
Capital projects fund	-	131,271	447,656	487,621
Agency fund	<u>-</u>	<u>55,040</u>	<u>-</u>	<u>-</u>
Totals	\$ <u>186,311</u>	<u>186,311</u>	<u>1,048,977</u>	<u>1,048,977</u>

CITY OF LACKAWANNA, NEW YORK  
Notes to Financial Statements, Continued

(11) Deferred Inflows of Resources

Certain revenues have been deferred in the fund and/or governmental activities statements as the revenue relates to future reporting periods:

	Governmental activities statement of <u>net position</u>	Balance sheet governmental <u>funds</u>
Tax revenue	\$ -	1,658,375
State aid	3,350,333	3,350,333
Grants	1,441,198	1,441,198
User fees - refuse	210,577	210,577
Contractual	158,866	158,866
Pensions	708,238	-
OPEB	<u>16,410,981</u>	<u>-</u>
	<u>\$ 22,280,193</u>	<u>6,819,349</u>

(12) Labor Relations

City employees are represented by four bargaining units with the balance governed by City Council rules and regulations. As of July 31, 2020, the City is in the process of negotiating a labor contract with the City of Lackawanna DPW Unit Local 815-Unit 6775.

(13) Contingencies

The City is named as a defendant in various lawsuits and claims. At July 31, 2020, those matters either cannot be estimated due to early stages of the filing or are immaterial for disclosure purposes. The City currently has general liability insurance coverage with a \$50,000 self-insured retention thereby limiting the City's exposure for liability.

In the normal course of operations, the City receives grant funds from various Federal and State agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed expenditures resulting from such audits could become a liability of the governmental funds. While the amount of any expenditures which may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

CITY OF LACKAWANNA, NEW YORK  
Notes to Financial Statements, Continued

(14) Subsequent Events

Management has evaluated events through the date of the report, which is the date the financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly addressed in these financial statements.

The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences of the COVID-19 on a national, regional and local level are unknown, but has the potential to result in a significant economic impact. The impact of this situation on the City and its future results and financial position is not presently determinable.

(15) Accounting Standards Issued But Not Yet Implemented

GASB has issued the following pronouncements which will be implemented in the years required. The effects of the implementation of these pronouncements are not known at this time.

Statement No. 84 - Fiduciary Activities. Effective for fiscal years beginning after December 15, 2019.

Statement No. 87 - Leases. Effective for fiscal years beginning after June 15, 2021.

Statement No. 89 - Accounting for Interest Cost Incurred before the End of a Construction Period. Effective for fiscal years beginning after December 15, 2020.

Statement No. 91 - Conduit Debt Obligations. Effective for fiscal years beginning after December 15, 2021.

Statement No. 92 - Omnibus 2020. Effective for fiscal years beginning after June 15, 2021.

Statement No. 93 - Replacement of Interbank Offered Rates. Effective for fiscal years beginning after June 15, 2021.

Statement No. 94 - Public-Private and Public-Public Partnerships and Availability Payment Arrangements. Effective for fiscal years beginning after June 15, 2022.

Statement No. 96 - Subscription-Based Information Technology Arrangements. Effective for fiscal years beginning after June 15, 2022.

Statement No. 97 - Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. Effective for fiscal years beginning after June 15, 2021.

## REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LACKAWANNA, NEW YORK  
Required Supplementary Information  
Schedule of Revenue, Expenditures and Changes in Fund Balance -  
Budget and Actual - General Fund  
Year ended July 31, 2020

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenue:				
Real property taxes	\$11,884,294	11,884,294	11,857,095	(27,199)
Real property tax items	606,630	606,630	552,760	(53,870)
Non-property tax items	6,065,000	6,065,000	6,422,134	357,134
Departmental income	115,000	271,500	178,924	(92,576)
Use of money and property	120,000	120,000	147,001	27,001
Licenses and permits	34,500	34,500	94,251	59,751
Fines and forfeitures	300,000	300,000	288,595	(11,405)
Sale of property and compensation for loss	400,000	400,000	654,631	254,631
Miscellaneous	15,000	16,550	10,498	(6,052)
State aid	6,840,421	6,840,421	7,136,402	295,981
Federal aid	-	24,142	119,814	95,672
Total revenue	<u>26,380,845</u>	<u>26,563,037</u>	<u>27,462,105</u>	<u>899,068</u>
Expenditures:				
General government support	2,888,869	2,952,659	2,453,784	498,875
Public safety	10,381,190	10,536,386	10,302,122	234,264
Transportation	2,895,016	2,759,759	2,467,015	292,744
Culture and recreation	677,875	829,136	482,236	346,900
Home and community services	50,000	50,000	42,873	7,127
Employee benefits	9,753,000	9,752,700	9,058,943	693,757
Debt service:				
Principal	505,000	505,000	505,000	-
Interest	<u>170,000</u>	<u>170,000</u>	<u>169,863</u>	<u>137</u>
Total expenditures	<u>27,320,950</u>	<u>27,555,640</u>	<u>25,481,836</u>	<u>2,073,804</u>
Excess (deficiency) of revenue over	(940,105)	(992,603)	1,980,269	2,972,872
Other financing sources (uses):				
Operating transfers in	-	-	487,621	487,621
Operating transfers out	<u>(305,844)</u>	<u>(687,072)</u>	<u>(561,356)</u>	<u>125,716</u>
Total other financing sources (uses)	<u>(305,844)</u>	<u>(687,072)</u>	<u>(73,735)</u>	<u>613,337</u>
Excess (deficiency) of revenue over and other financing sources (uses)	(1,245,949)	(1,679,675)	1,906,534	3,586,209
Fund balance at beginning of year	<u>8,115,832</u>	<u>8,115,832</u>	<u>8,115,832</u>	-
Fund balance at end of year	<u>\$ 6,869,883</u>	<u>6,436,157</u>	<u>10,022,366</u>	<u>3,586,209</u>

CITY OF LACKAWANNA, NEW YORK  
Required Supplementary Information  
Schedule of City's Proportionate Share of the Net Pension Liability  
Year ended July 31, 2020

<u>ERS System</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
The City's proportion of the net pension liability	0.1281%	0.0127%	0.0140%	0.0133%	0.0136%
The City's proportionate share of the net pension liability	\$ 3,392,626	896,841	450,801	1,251,176	2,178,881
The City's covered payroll	\$ 3,679,440	3,424,202	3,462,942	3,650,821	3,556,411
The City's proportionate share of the net pension liability as a percentage of covered payroll	92.20%	26.19%	13.02%	34.27%	61.27%
Plan fiduciary net position as a percentage of the total pension liability	86.39%	96.27%	98.24%	94.70%	90.68%
 <u>PFRS System</u>	 <u>2020</u>	 <u>2019</u>	 <u>2018</u>	 <u>2017</u>	 <u>2016</u>
The City's proportion of the net pension liability	0.2052%	0.2228%	0.2134%	0.2158%	0.2180%
The City's proportionate share of the net pension liability	\$10,967,412	3,735,942	2,156,789	4,472,866	6,455,445
The City's covered payroll	\$ 7,808,938	7,920,582	7,793,700	7,352,610	7,204,108
The City's proportionate share of the net pension liability as a percentage of covered payroll	140.45%	47.17%	27.67%	60.83%	89.61%
Plan fiduciary net position as a percentage of the total pension liability	84.86%	95.09%	96.93%	93.50%	90.20%

\* The amounts presented for each fiscal year were determined as of the System's measurement date.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

CITY OF LACKAWANNA, NEW YORK  
Required Supplementary Information  
Schedule of City's Pension Contributions  
Year ended July 31, 2020

<u>ERS System</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 558,587	536,876	528,506	551,111	691,383
Contribution in relation to the contractually required contribution	<u>558,587</u>	<u>536,876</u>	<u>528,506</u>	<u>551,111</u>	<u>691,383</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$3,679,440	3,424,202	3,462,942	3,650,821	3,556,411
Contribution as a percentage of covered payroll	15.18%	15.68%	15.26%	15.10%	19.44%
 <u>PFRS System</u>	 <u>2020</u>	 <u>2019</u>	 <u>2018</u>	 <u>2017</u>	 <u>2016</u>
Contractually required contribution	\$1,855,672	1,797,126	1,832,206	1,703,226	1,369,841
Contribution in relation to the contractually required contribution	<u>1,855,672</u>	<u>1,797,126</u>	<u>1,832,206</u>	<u>1,703,226</u>	<u>1,369,841</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$7,808,938	7,920,582	7,793,700	7,352,610	7,204,108
Contribution as a percentage of covered payroll	23.76%	22.69%	23.51%	23.16%	19.01%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

CITY OF LACKAWANNA, NEW YORK  
Required Supplementary Information  
Schedule of Changes in the City's Total OPEB Liability and Related Ratios  
July 31, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability:			
Service cost	\$ 2,286,239	1,471,700	1,380,729
Interest on total OPEB liability	2,731,011	2,609,036	2,377,170
Changes in benefit terms	-	-	897,951
Differences between expected and actual experience	(16,034,056)	(4,322,303)	3,765,675
Changes of assumptions or other inputs	6,046,995	12,935,303	102,349
Benefit payments	<u>(2,309,982)</u>	<u>(2,192,836)</u>	<u>(1,976,294)</u>
Net change in total OPEB liability	<u>(7,279,793)</u>	<u>10,500,900</u>	<u>6,547,580</u>
Total OPEB liability - beginning	<u>81,546,458</u>	<u>71,045,558</u>	<u>64,497,978</u>
Total OPEB liability - ending	<u>\$74,266,665</u>	<u>81,546,458</u>	<u>71,045,558</u>
Covered payroll	<u>\$ 9,897,666</u>	<u>9,588,903</u>	<u>9,309,615</u>
Total OPEB liability as a percentage of covered payroll	750.3%	850.4%	763.1%

Note to schedule:

Changes in assumptions - Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

<u>2020</u>	<u>2019</u>	<u>2018</u>
2.92%	3.35	3.71

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the City will present information for those years for which information is available.

**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**

Honorable Mayor and  
Members of the City Council  
City of Lackawanna, 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 the City of Lackawanna, New York (the City), as of and for the year ended July 31, 2020, and the related notes to the financial statements which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 29, 2021.

**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 City'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 may exist that have not been identified.

### 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.

EFPR Group, CPAs, PLLC

Williamsville, New York  
January 29, 2021