

**AUDITED  
BASIC FINANCIAL STATEMENTS**

# **CITY OF NIAGARA FALLS, NEW YORK**

---

**DECEMBER 31, 2020**

**CITY OF NIAGARA FALLS, NEW YORK**  
**TABLE OF CONTENTS**

---

**Page**

**FINANCIAL SECTION**

Independent Auditor's Report 1-2

Management's Discussion and Analysis 3-15

**Basic Financial Statements:**

Government-wide Financial Statements:

Statement of Net Position 16

Statement of Activities 17

Fund Financial Statements:

Balance Sheet - Governmental Funds 18

Reconciliation of the Balance Sheet – Governmental Funds  
to the Statement of Net Position 19

Statement of Revenues, Expenditures and Changes  
in Fund Balances - Governmental Funds 20-21

Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds to  
the Statement of Activities 22

Statement of Net Position - Proprietary Fund - Internal Service Funds 23

Statement of Revenues, Expenses and Changes in Net  
Position - Proprietary Fund - Internal Service Funds 24

Statement of Cash Flows - Proprietary Fund - Internal Service Funds 25

Statement of Net Position - Component Units 26

Statement of Revenues, Expenses and Changes in Net  
Position - Component Units 27

Statement of Fiduciary Net Position 28

Statement of Changes in Fiduciary Net Position 29

Notes to Basic Financial Statements 30-54

**Required Supplementary Information:**

Budgetary Comparison Schedule for the General Fund 55

Schedule of the City's Proportionate Share of the Net Pension Liability –  
Employees' and Police and Fire Retirement Systems 56

Schedule of the City's Pension Contributions – Employees'  
and Police and Fire Retirement Systems 57

**CITY OF NIAGARA FALLS, NEW YORK**  
**TABLE OF CONTENTS (Continued)**

---

	<u>Page</u>
Schedule of the City's Changes in Total OPEB Liability and Related Ratios	58
Notes to Required Supplementary Information	59
<b>SUPPLEMENTARY INFORMATION</b>	
Combining Balance Sheet - Nonmajor Governmental Funds	60
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	61
Combining Balance Sheet - Proprietary Funds- Internal Service Funds	62
Combining Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds - Internal Service Funds	63
Combining Statement of Cash Flows - Proprietary Funds - Internal Service Funds	64
<b>FEDERAL FINANCIAL ASSISTANCE</b>	
Schedule of Expenditures of Federal Awards	65
Notes to Schedule of Expenditures of Federal Awards	66
<b>INTERNAL CONTROL AND COMPLIANCE</b>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	67-698
Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	69-70
Schedule of Findings and Questioned Costs	71-77
Schedule of Prior Year Findings and Questioned Costs	78-83
<b>NEW YORK STATE DEPARTMENT OF TRANSPORTATION ASSISTANCE EXPENDED</b>	
Independent Auditor's Report on Compliance for New York State Department of Transportation Assistance Expended and Report on Internal Control over Compliance in Accordance with Draft Part 43 of NYCRR	84-85
Schedule of New York State Transportation Assistance Expended	86
Notes to the Schedule of New York State Transportation Assistance Expended	87
Schedule of Findings and Questioned Costs of New York State Transportation Assistance Expended	88

## **FINANCIAL SECTION**



## **INDEPENDENT AUDITOR'S REPORT**

The Honorable Members of City Council  
City of Niagara Falls, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Niagara Falls, New York (the City), as of and for the year ended December 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.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Niagara Falls Public Library (the Library), which represents 3%, 2% and 99%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Library, is based solely on the report of the other auditor. 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and other 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information, as listed in the table of contents, the Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Schedule of New York State Transportation Assistance Expended as required by Draft Part 43 of NYCRR, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, the Schedule of Expenditures of Federal Awards and the Schedule of New York State Transportation Assistance Expended are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, the Schedule of Expenditures of Federal Awards and the Schedule of New York State Transportation Assistance Expended are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated XXXXX, 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.

*Freed Maxick CPAs, P.C.*

Buffalo, New York  
September 22, 2021

# Management's Discussion and Analysis

## City of Niagara Falls, New York

### Fiscal Year ended December 31, 2020

This section of City of Niagara Falls, New York's (the City) annual financial report presents its discussion and analysis of the City's financial performance during the fiscal year ended December 31, 2020. Please read it in conjunction with the City's financial statements, which immediately follow this section. **ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF DOLLARS, UNLESS OTHERWISE INDICATED.**

#### Financial Highlights

- In June 2011, New York State enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandated Relief Provisions, which includes a 2% property tax cap for municipalities. For fiscal years beginning in 2012, no local government is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less). Local governments can exceed the tax levy limit by a 60% vote of the governing body and annually adopting a local law. There are permitted exceptions and adjustments. The City did not approve an override of the allowable property tax cap in the 2020 Adopted Budget. The 2020 Adopted Budget property tax levy was \$31,279,278, an increase of \$326,842, or 1.06% from 2019.
- The final 2013-14 NYS Budget included a new "Alternative Contribution Stabilization Program" that is similar to the pension amortization program currently available to State and local governments. Under the program, municipalities have the option to pay a portion of their annual pension contribution over time using a stable contribution rate system. Once a municipal employer decides to opt into the alternate program, they cannot withdraw from the program. The City did not elect to opt into the alternate program. In the State's fiscal year 2014-15, the City did amortize its ERS and Police & Fire retirement expense under Chapter 57 (Laws of 2010). In the State's fiscal year of 2019-20 and 2020-21 the City fully funded the ERS and Police & Fire retirement expense. The City prepays the expense on December 15th rather than the alternative date of February 1st, to save additional interest expense.
- The City's 2020 Constitutional Tax Limit was 79.03% of the percentage of tax limit exhausted with a \$6,700,173 constitutional tax margin remaining.
- The City's 2020 taxable assessed value is \$1,280,796,396 with a 73% equalization rate. The taxable full value is \$1,754,515,611.
- The 2020 Budget included a 20% shift in the homestead/non-homestead base proportions to continue to equalize the tax rates from the City's two tier tax system.
- As of December 31, 2020 the City was at 42.09% of its constitutional debt limit of outstanding principal on existing debt, leaving a \$64,757,842 debt margin.
- The City's Parking Operations Fund is not an Enterprise Fund. The 2020 General Fund's budget included a revenue transfer in from the Parking Operations Fund in the amount of \$2,076,554. The actual transfer from the Parking Operations Fund to the General Fund was \$547,847. This significant decrease from budget to actual was a direct result of the impacts of the COVID-19 pandemic on City operations and the reduced revenue collections in our downtown tourism district throughout 2020. The loss of Parking Operation revenue impacted the General Fund by increasing the City's fund deficit during the current year as the excess revenue collected by the Parking Operations Fund is transferred to the General Fund to offset costs incurred within the General Fund. Additional information related to the impacts of the COVID-19 pandemic are included in various sections below.
- The City's Train Station Fund is not an Enterprise Fund. The 2020 General Fund's budget included a subsidy to the Train Station Fund in the amount of \$146,835. The actual transfer from the General Fund to the Train Station Fund was \$148,582. The City currently has two (2) lease

agreements with separate vendors to lease mutually agreed upon square footage within the building. On a quarterly basis the tenants reimburse the City for costs incurred based on an allocation of the square footage included in the respective lease agreements when compared to the total square footage of the property.

- The City's Hyde Park Golf Course was contracted out to a preferred developer for the leasing of the course. The City entered into a five (5) year lease beginning in 2019, with a five (5) year extension beyond the initial five (5) year period available to the Operator. The City will receive revenue from the lease for the operation of the golf course, equipment rental, and storage. The revenue received in 2020 was \$55,870. The City expenditures will be for utilities and property insurance in addition to contributions to the leasee for utility costs for the five (5) year lease period. The utility expenditure payment to the leasee is \$60,000 for years 1 and 2, \$40,000 for years 3 and 4 and \$20,000 for year 5. The total expenditures relating to the Golf Course for 2020 was \$112,626.
- The City continues to maintain its five-year financial, debt and capital plans. These plans are good tools that allow City officials to monitor the City's existing debt and plan for future major capital projects and to see how this will impact future budgets.

### **Economic Development Update**

- Judas Tree, LLC in March 2021 celebrated their grand opening. The new aperitivo bar is located at 1507 Pine Ave. The total project cost is \$213,023 and has created two (2) full time positions and (3) part time positions. The outdoor patio project is currently on-going and is expected to be completed in summer 2021.
- Spot Coffee Niagara Falls has received an NFC Micro-Enterprise Grant in the amount of \$10,000 to be used towards general building renovations, equipment, furniture, fixtures and supplies. Spot Coffee had a soft opening in spring of 2020 and celebrated its grand opening on October 14, 2020. Spot Coffee Niagara Falls features a wide variety of point-of-sale items such as retail coffee, custom packaged snacks and cool merchandise. The new business is located at 24 Buffalo Avenue in downtown Niagara Falls. This is now the first Spot Coffee location in the City of Niagara Falls. The total project cost is \$350,000 and has created five (5) new full time and (5) part-time jobs.
- The LaSalle Business District Streetscape Project was awarded a \$500,000 State grant to undertake street scape improvements. This project will get underway in summer 2021. The staff will consult with residents and businesses about how best to utilize these special business improvement funds. On November 14, 2020 a Community Engagement meeting was held at the LaSalle Library. The engagement and tour of the district highlighted various locations for streetscape improvements. The City has selected the Joy Kuebler Landscape Architect team as the lead consultant to the City for the project.
- During the winter of 2020, the City of Niagara Falls released a Request for Proposal (RFP) for the South End Gateway District Project. Proposals were received and reviewed. Final approval for preferred developers will be announced in summer 2021.
- The NFC Development Corporation in 2020 provided a total of \$160,022 to (3) local businesses: Sandstone Springs, LLC, SJI Main, LLC and Dosa Place. These projects created (5) new jobs and retained (17) jobs.
- The City of Niagara Falls Department of Economic Development partnered with the Niagara County Center for Economic Development to host the Free Virtual Business Workshop series. The workshops outlined the resources and programs that are available to current and prospective businesses. Two (2) workshops were held in 2020 and there are three (3) additional workshops scheduled for 2021.



## Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.
- The governmental funds statements tell how basic services such as public safety and transportation were financed in the short term as well as what remains for future spending.
- Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the City's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1**

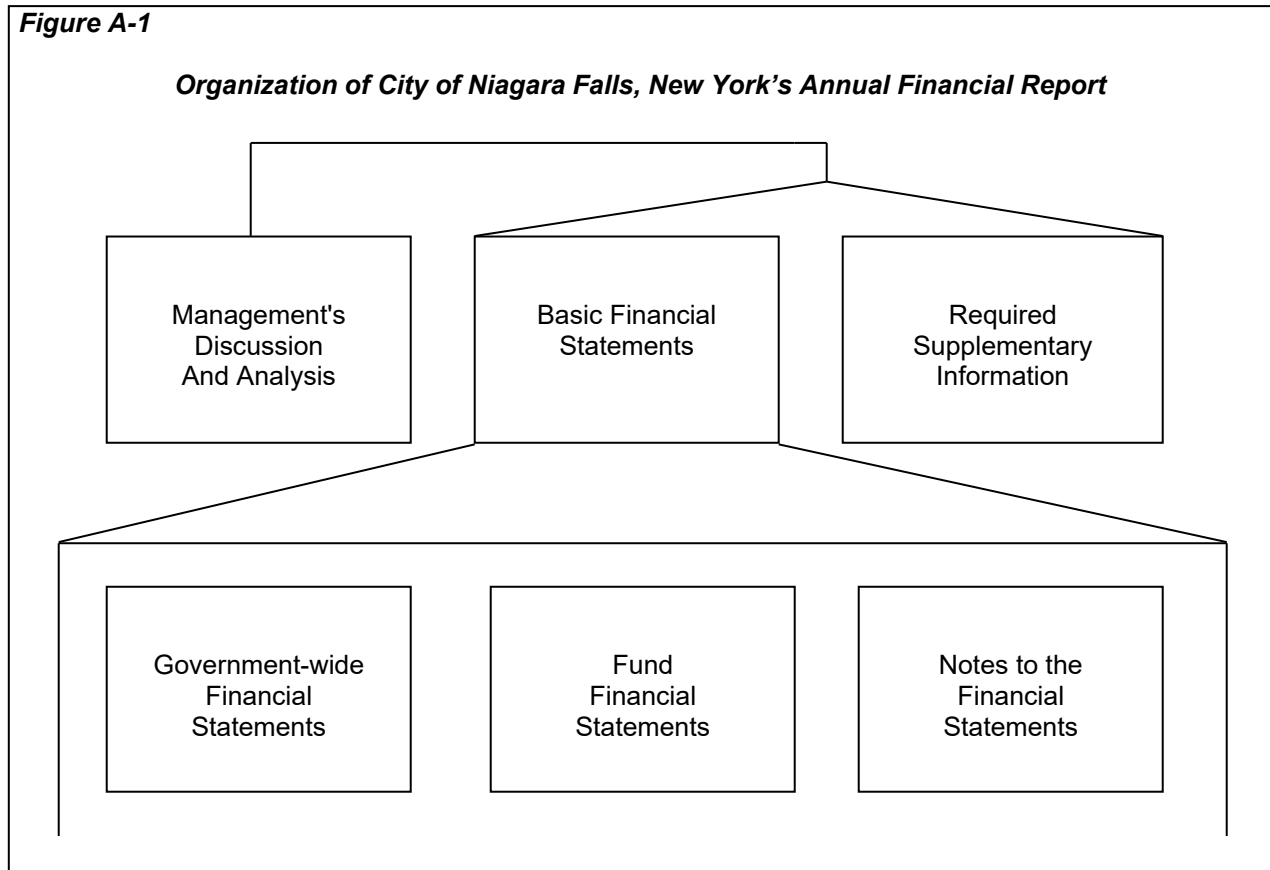


Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>			
	Government-wide Statements	Fund Financial Statements	
	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire government (except Fiduciary funds)	The activities of the City that are not proprietary or fiduciary, such as public safety and transportation	The activities of the City in which the City charges for services
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses and Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and deferred outflows of resources and liabilities and deferred inflows of resources, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; generally no capital assets or long-term liabilities included	All assets and deferred outflows of resources and liabilities and deferred inflows of resources, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The government-wide financial statements present the financial position of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business type activities separately. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt).

The two government-wide statements report the City's net position and how they have changed. Net position - the difference between the City's assets and liabilities - is one way to measure the City's financial health or financial position.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the City's overall health, one needs to consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's infrastructure and other facilities.

In the Statement of Net Position and the Statement of Activities, the City's activities are separated as follows:

Governmental activities - Most of the City's basic services are reported in this category, including the general government, police, fire, public safety, health, transportation, economic assistance, culture and recreation, home and community services, and refuse and recycling. Property and sales taxes, user fees, interest income, franchise fees, and state and federal grants finance these activities.

Business-type activities - The City's internal service activities are reported in this category.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the City's funds, focusing on its most significant or "major" funds - not the City as a whole. Some funds are required to be established by State law. However, the City Council establishes other funds to control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants or other money.

The City has three kinds of funds:

- **Governmental Funds:** Most of the City's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information provided with the governmental funds statements explains the relationship (or differences) between them.
- **Proprietary Funds:** These funds are generally used to account for services for which the City charges customers (both external and internal). These funds use accrual accounting, which is the same method used by the private sector. The City of Niagara Falls has one internal service fund..

- **Fiduciary Funds:** The City is the trustee, or fiduciary, for assets that belong to others, such as deposits. The City is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The City excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

**Financial Analysis of the City as a Whole**

**Figure A-3**

**Condensed Statement of Net Position**  
**(in thousands of dollars)**

	Governmental Activities		Increase (Decrease)
	2020	2019	
Current and other assets	\$ 46,098	\$ 46,533	\$ (435)
Capital assets, net	159,429	162,924	(3,495)
<b>Total assets</b>	<b>205,528</b>	<b>209,457</b>	<b>(3,929)</b>
Deferred outflows of resources	120,941	70,193	50,748
Long-term liabilities	530,385	480,660	49,725
Other liabilities	25,681	26,064	(383)
<b>Total liabilities</b>	<b>556,066</b>	<b>506,724</b>	<b>49,342</b>
Deferred inflow of resources	110,099	88,793	21,306
Net investment in capital assets	112,079	111,468	611
Restricted	4,082	4,507	(425)
Unrestricted	(455,858)	(431,842)	(24,016)
<b>Total net position</b>	<b>\$ (339,697)</b>	<b>\$ (315,867)</b>	<b>\$ (23,830)</b>

**Governmental Activities**

The largest portion of the City's total assets (78% at 2019 and 2020) represents its investment in capital assets (land, buildings, improvements, vehicles, machinery, and equipment). The City uses these capital assets to provide necessary services.

Restricted net position represents amounts required by law to be used for a specific purpose and include reserves for future capital projects and funds restricted for risk retention. These funds can only be used for expenditures for their respective purpose.

Unrestricted net position is in a deficit however, this does not mean that the City cannot fund City programs in the next fiscal year or that the City does not have sufficient resources to pay its bills next year. Rather, it is the result of having long-term commitments that are more than currently available resources.

**Figure A-4**

**Changes in Net Position from Operating Results  
(in thousands of dollars)**

	Governmental Activities		
	2020	2019	Increase (Decrease)
<b>Program Revenues:</b>			
Charges for services	\$ 7,516	\$ 7,599	\$ (83)
Operating grants and contributions	7,988	6,758	1,230
Capital grants and contributions	2,940	6,450	(3,510)
<b>General Revenues:</b>			
Property taxes, special assessments and property tax items	35,610	35,553	57
Non-property taxes	19,500	23,264	(3,764)
Interest earnings	607	623	(16)
State and federal sources	672	19,224	(18,552)
Miscellaneous	19,084	5,637	13,447
Interfund revenues	21,822	19,302	2,520
Seneca-Niagara casino funds, Section 99-H	9,274	10,397	(1,123)
Total revenues	<u>125,013</u>	<u>134,807</u>	<u>(9,794)</u>
<b>Program Expenses:</b>			
General government	19,578	23,032	(3,454)
Public safety	90,304	88,958	1,346
Transportation	12,350	10,747	1,603
Economic assistance	1,903	10,153	(8,250)
Culture and recreation	5,498	8,552	(3,054)
Home and community service	17,484	9,482	8,002
Interest on debt	1,726	1,850	(124)
Total expenses	<u>148,843</u>	<u>152,774</u>	<u>(3,931)</u>
Change in net position	(23,830)	(17,967)	(5,863)
Net position - beginning	<u>(315,867)</u>	<u>(297,900)</u>	<u>(17,967)</u>
Net position - ending	<u>\$ (339,697)</u>	<u>\$ (315,867)</u>	<u>\$ (23,830)</u>

Overall net position decreased by \$23,789,461, resulting in a net deficit of (\$339,656,476) as of December 31, 2020. The primary support for the City's programs is local property taxes, State Aid, and sharing of sales tax from Niagara County and New York State. Taxes and related items represent 44% of total revenues in 2020 (44% in 2019). Due to an ongoing dispute between the Seneca Nation of Indians and New York State, casino revenue sharing payments that are to be paid to New York State and then passed onto the local municipalities in accordance with the Laws of New York State Section 99h have not been made for gaming activity incurred during calendar years 2017 through 2020. See additional details below in the "Factors Bearing on the City's Future" section.

Program expenses include an allocable share of employee benefits and depreciation on capital assets for each category presented. Interest expense is not allocated. The most significant category of expense is public safety at approximately 60% of total expenses in 2020 (58% in 2019), consisting principally of the City's police and fire departments. Total expenses decreased by \$2.4 million (or 1.5%) in 2020 due mainly to the City's response to the COVID-19 pandemic and the anticipated reductions in budgeted revenue.

### **Financial Analysis of the City's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

#### **General Fund**

The General Fund is the City's main operating fund. This fund is used to account for all City operations that are not financed by a special revenue source. It includes all general City offices, police, fire, parks and recreation, and other general services. The General Fund, which also includes all tourism and grant fund activities, experienced a decrease in fund balance of \$4,687,182 for 2020. This decrease is explained in detail in the "General Fund Budgetary Highlights" section below.

#### **Miscellaneous Special Revenue Fund**

The Miscellaneous Special Revenue Fund is a special revenue fund supported from the Seneca Niagara Casino received in an allocation from New York State. The fund balance decreased by \$260,321 in 2020.

Revenues were \$9,276,574, while expenditures were \$9,536,895. Revenue recorded in 2020 represent an advance payment from New York State from the City's 2018 Local Share of Casino funds in the amount of \$9,273,706. The advanced revenue was equal to what the City used as a revenue to balance its' operating funds. Included in expenditures are transfers out to other funds to support other projects in the amount of \$9,799,406. Other than the advance noted above, the City has not received payment for 2017 through 2020 gaming related activity due to a dispute between the Seneca Nation of Indians and the State of New York. See additional details below in the "Factors Bearing on the City's Future" section.

#### **Community Development Fund**

The Community Development Fund is a special revenue fund mainly supported by money from the U.S. Department of Housing and Urban Development. The fund balance increased by \$41,315 during 2020, resulting in an ending fund balance of \$534,956.

#### **Capital Projects Funds**

Used to account for financial resources to be used for the acquisition of construction of major capital facilities.

#### **Self Insurance Fund**

The Self Insurance Fund was created in 2019, and is used to account for all self-insurance activities maintained by the City. This includes medical insurance, dental insurance, workers compensation, and litigation and claims. The total net fund balance as of December 31, 2020 is \$2,411,621. Included within the net fund balance total is a deficit fund balance related to medical insurance in the amount of \$1,411,466 as of December 31, 2020. See Note 2B in the Notes to Basic Financial Statements for additional detail information.

#### **Debt Service Fund**

Used to account for and report financial resources to be used in the acquisition and repayment of debt obligations.

### Other Governmental Funds

Nonmajor funds include Parking Operations, Train Station and Public Library funds. Overall for 2020, there was an increase in fund balance of \$109,888.

### **General Fund Budgetary Highlights**

Operations for the City were significantly impacted in 2020 as a result of the COVID-19 pandemic. Reduced revenue collections, elimination and/or reduction of various City services, and an increase in expenses in responding to the COVID-19 pandemic were all activities that were incurred throughout 2020. Overall, actual revenues earned, other than interfund transfers in, were less than the budgeted amount by \$6,110,183 in 2020. The most significantly impacted revenue areas were reduced sales tax collections in the amount of \$1,169,338, the inability for the City to perform a tax foreclosure auction due to emergency declarations by NYS, resulting in a \$1,000,000 revenue loss, and the withholding of NYS AIM Aid in the amount of \$889,721 by the NYS Budget Office.

Actual expenditures, other than interfund transfers out, were less than budget by \$3,035,292. This was mainly due to the elimination and/or reduction of City services that occurred throughout 2020 as a direct result of the COVID-19 pandemic. This in part included services related to the Senior Centers, Youth Services/Recreation, and Special Events. Additionally, due to the reduced revenue collections in 2020, as vacancies were created within various departments due mainly to retirements, the re-hiring of related personnel was delayed in an effort to save on associated personnel costs. As a result, personnel costs were less than budget for the year by \$646,438, including social security cost savings.

Amendments to the budget occur throughout the year for a variety of reasons. These include reserves for encumbrances from prior year unexpended purchase orders which are added to the current year budget at time of closing of the prior year and grants or other forms of financial aid which were received during the year but not anticipated. Additionally, unavoidable expenditures and transfers of appropriations among object classes within department budgets are performed to address particular issues not anticipated at the level of object class totals within each department. The department heads and Controller have the authority to transfer appropriations among line items within each object class within departments. The reserve for encumbrances on prior year purchase orders are added to the budget as part of the annual financial closing process. All other budget amendments must be authorized by formal resolution of the City Council.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

Net capital assets decreased by \$3,494,366 during the current year. This reflects new improvement and infrastructure projects under construction of \$984,807 and reduced by current year depreciation expense of \$6,006,634. Additional information on the City's capital assets can be found in Note 3.E to the financial statements.

**Figure A-5**

**Capital Assets Net of Depreciation  
(in thousands of dollars)**

	Governmental Activities	
	2020	2019
Land	\$ 2,891	\$ 2,891
Construction work in progress	37,525	43,021
Land improvement	1,335	1,335
Land held for development and sale	1,291	1,291
Works of art/historical treasures	17	17
Land improvement-exhaustible	4,258	2,991
Buildings and building improvements	23,489	23,778
Furniture, office and other equipment	543	661
Vehicles	2,698	3,343
Infrastructure	85,382	83,596
Total	<u>\$ 159,429</u>	<u>\$ 162,924</u>

**Long-Term Obligations**

The City has a bond rating of BBB from Standard and Poor's, BBB- from Fitch Rating Services, and Baa3 rating from Moody's Investors Services, Inc. for the uninsured outstanding bonded indebtedness of the City.

At December 31, 2020, the City has total long-term debt outstanding of \$47,064,766 of which \$3,674,766 is estimated to be payable within the next year. The City has pledged its full faith and credit for the serial bonds that are outstanding. The remainder of the City's outstanding obligations arise out of contractual or other legal obligations.

The State of New York has a statutory limit for the amount of general obligation debt a local governmental entity may enter into. These limitations are applicable to the serial bonded debt of the City. In general the City may issue such obligations not to exceed 7% of its annual average five-year valuation. The current debt-margin for the City approximates 42.09%; therefore the City is in compliance with its constitutional debt limit.

More detailed information on the City's capital assets and long-term debt activity is provided in the Notes to the Financial Statements under Note 3 subsections E and H, respectively.



**Figure A-5**

**Outstanding Long-Term Obligations  
(in thousands of dollars)**

	Governmental Activities	
	2020	2019
General obligation debt backed by the City	\$ 47,040	\$ 51,150
Unamortized bond premium	1,729	1,845
Installment purchase debt	25	170
Due to retirement system	2,022	2,717
Compensated absences	14,753	15,651
Workers' compensation	11,102	11,953
Other postemployment benefit obligations	404,673	381,334
Net pension liability	49,041	15,840
Total	<u>\$ 530,385</u>	<u>\$ 480,660</u>

**Factors Bearing on the City's Future**

- In March 2020 the World Health Organization declared the coronavirus a pandemic. Due to the actions to help mitigate the spread of the coronavirus across the world, restrictions were put in place that included impacts on travel, forced closures for certain types of public places and businesses, and quarantines in certain areas. Being a municipality that takes advantage of the tourism market, the impacts on the City were felt immediately. Additionally, being a City that has a border with Canada, the closure of all cross border discretionary travel has also had a negative impact on the City. As of the date of the issuance of these financial statements, the border with Canada remains closed. The local impacts of the coronavirus, specifically on the Tourism market, will continue throughout 2021 and potentially for multiple years to come.
- The impacts of the COVID-19 pandemic resulted in reduced revenue collections and the elimination and/or reduction of various City services throughout 2020. The City was also required to adhere to various Executive Orders from NYS in response to the COVID-19 pandemic, which resulted in additional expenses being incurred to adhere to these required guidelines. Despite the efforts to reduce expenses, ultimately the City incurred net losses for the year as a result of reduced revenue collections. The City ended the 2020 fiscal year with a deficit in the General Fund of \$4,687,182, and an unassigned fund balance deficit of \$3,263,230.
- On March 11, 2021, the American Rescue Plan Act (ARPA) was signed into law by the President of the United States. The ARPA will provide resources to the City to help in responding to the COVID-19 pandemic and its economic impacts. Included in the ARPA was the allocation of \$57,207,528 to the City of Niagara Falls. As of the issuance date of these financial statements, the City has received \$28,603,764 in funding, with the remaining balance to be paid in May 2022. The Department of the Treasury has issued its initial guidance on the intended use of these funds and continues to provide updates on any additional questions related to the intended uses along with reporting guidelines required throughout the term of use for these funds.

## **Impact of Seneca Nation / New York State Compact**

In August of 2002, a Nation-State Gaming Compact was entered into by and between the Seneca Nation of Indians (Senecas) and the State of New York. This compact was to expire on December 31, 2016 and has now been extended until December 31, 2023. This compact permits the Senecas to operate Class III gaming facilities in certain geographic areas in Western New York. In consideration for this exclusivity, the Senecas agreed to pay New York State a percentage of the net drop from a certain type of gaming device. Legislation was enacted that provided New York State to pay a certain amount that it receives from the Senecas to the host communities. That legislation is Section 99-h of the New York State Finance Law and the City of Niagara Falls is one of those host communities. Since the compact came into existence, the City has benefited from this compact and the legislation. Section 99-h provides for the City to pay certain amounts to various entities such as the Niagara Falls School District and the Niagara Falls Medical Center Hospital from its share of host community benefit revenues. The balance is retained by the City and is to be used for such public purposes as are determined, by the City, to enhance economic development, neighborhood revitalization, public health and safety, and infrastructure improvements.

As of the date of this Auditor's report the City has collected \$221,998,377 in Casino funds for the period 2003 through December 31, 2018. Of this amount, \$61,621,180 was paid out to other entities or restricted for City road repair in accordance with the Laws of New York Section 99h. The remaining \$160,377,197 of discretionary funds were used for City capital equipment, economic development, infrastructure, neighborhood revitalization and health and public safety costs.

Due to an ongoing dispute between the Senecas and New York State, casino revenue sharing payments that are to be paid to New York State and then passed onto the local municipalities in accordance with the Laws of New York State Section 99h have not been made for gaming activity incurred during calendar years 2017, 2018, 2019, and 2020. In March 2017, the Senecas took the position that the casino revenue sharing section of the compact was no longer applicable. The Senecas claim that while the compact had been extended until December 31, 2023, the revenue sharing agreement was only intended to last through 2016. Both New York State and the City of Niagara Falls believed that the extension of the compact from December 31, 2016 to December 31, 2023 also extended the casino revenue sharing agreement through December 31, 2023. The dispute was presented to a mutually agreed upon arbitration panel. In January 2020 the arbitration panel ruled in favor of New York State, requiring the Senecas to provide payment for 2017 and 2018 gaming activity, and to continue providing revenue sharing payments going forward in accordance with the current compact. As of the date of this Auditor's report, the Senecas have yet to provide payment to New York State.

The City's annual local share of Casino funds from 2013 through 2016 has gradually decreased from \$20,138,918 in 2013 to \$16,794,680 in 2016. The continual decrease has created some concern since the City has been utilizing casino funds in its General Fund operating budget to help offset increases in debt service payments, loss of tax revenue from the land the Seneca Niagara Casino is located on, to offset increases in public safety overtime costs in the area of the Seneca Niagara Casino, increases in animal control costs, and utilizing a portion for property tax relief.

Due to the above facts, the State has advanced \$10.375 million to the City for its 2019 fiscal year budget and \$9.3 million for its 2020 fiscal year budget. Such payments are deemed an advancement of future expected Seneca revenue sharing payments owed to the City, and hence will be deducted against such revenue expected from the Nation. The City's 2021 fiscal year budget included an advancement of approximately \$8.7 million.

## **Minimum Fund Balance Policy**

Under the City's minimum fund balance policy, approximately 5% of the General Fund appropriations should be reported as unassigned fund balance. At December 31, 2020, the City was not in compliance with this policy as the City had an unassigned fund balance deficit of \$3,263,230. This was mainly the result of the negative impacts of the COVID-19 pandemic. With the allocation of the ARPA funds to the City, the expectation is that at a minimum the City will be able to recoup the revenue losses incurred in 2020 as a result of the COVID-19 pandemic. This is expected to result in the City to be more inline with the policy guidelines. Going forward, the City continues to review all current sources of revenue to determine what adjustments can be made. Additionally, the City is reviewing all of its expenses to identify where adjustments are necessary to reduce costs as deemed appropriate.

From 2017 through 2020 the City was able to agree on new long-term union contracts with all unions through at least 2024. Due to this, the amount of retro payments to be made by the City going forward should be minimal. In previous years, retro payments have been one of the main reasons for costs exceeding revenues.

### **Contacting the City's Financial Management**

This financial report is designed to provide the City's citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Office of the City Controller, City of Niagara Falls, 745 Main Street, P.O. Box 69, Niagara Falls, New York.

**CITY OF NIAGARA FALLS, NEW YORK**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2020**

	<u>Primary Government Governmental Activities</u>	<u>Component Units</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,496,804	\$ 1,361,395
Cash and cash equivalents - restricted	3,976,045	-
Accounts receivable	5,608,971	2,978
Taxes receivable, net	15,812,266	-
Intergovernmental receivables	7,418,856	139,178
Loans receivable	6,868,389	-
Inventory	737,171	-
Prepays items	2,179,778	91,270
Capital assets not being depreciated	43,059,653	-
Capital assets, net of accumulated depreciation	116,369,837	28,444,985
Total assets	<u>205,527,770</u>	<u>30,039,806</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows - pension	36,150,985	-
Deferred outflows - OPEB	83,175,922	-
Deferred outflows - refunding	1,613,831	-
Total deferred outflows of resources	<u>120,940,738</u>	<u>-</u>
<b>LIABILITIES</b>		
Accounts payable	4,613,976	18,636
Accrued liabilities	1,201,108	675
Retainages payable	170,250	-
Accrued interest payable	318,749	-
Due to custodial funds	627,865	-
Due to other governments	10,864,985	-
Unearned revenues	7,884,196	235,559
Noncurrent liabilities:		
Due and payable within one year	4,508,495	-
Due and payable after one year	525,876,802	-
Total liabilities	<u>556,066,426</u>	<u>254,870</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows - pension	2,711,090	-
Deferred inflows - OPEB	107,387,748	-
Total deferred inflows of resources	<u>110,098,838</u>	<u>-</u>
<b>NET POSITION (DEFICIT)</b>		
Net investment in capital assets	112,078,935	28,444,985
Restricted for:		
Tourism	537,604	-
Trolley	687,302	-
Community development	534,956	-
Miscellaneous	1,165,745	-
Debt service	1,156,569	-
Unrestricted (deficit)	(455,857,867)	1,339,951
Total net position (deficit)	<u>\$ (339,696,756)</u>	<u>\$ 29,784,936</u>

See accompanying notes to basic financial statements.

**CITY OF NIAGARA FALLS, NEW YORK  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2020**

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Component Units
<b>Governmental activities:</b>						
General government	\$ 19,578,088	\$ 1,774,237	\$ -	\$ -	\$ (17,803,851)	\$ -
Public safety	90,303,586	1,336,014	292,998	347,028	(88,327,546)	-
Transportation	12,350,307	1,625,941	-	2,592,831	(8,131,535)	-
Economic assistance and opportunity	1,902,712	-	-	-	(1,902,712)	-
Culture and recreation	5,497,914	20,884	24,000	-	(5,453,030)	-
Home and community services	17,484,328	2,758,876	7,670,544	-	(7,054,908)	-
Interest on debt	1,725,744	-	-	-	(1,725,744)	-
Total governmental activities	<u>148,842,679</u>	<u>7,515,952</u>	<u>7,987,542</u>	<u>2,939,859</u>	<u>(130,399,326)</u>	<u>-</u>
<b>Component units:</b>						
Bellevue Local Development Corporation	\$ 995,332	\$ -	\$ -	\$ -		(995,332)
N.F.C. Development Corporation	77,703	11,993	-	-		(65,710)
Niagara Falls Public Library	1,949,561	2,158,596	-	-		209,035
Total component units	<u>\$ 3,022,596</u>	<u>\$ 2,170,589</u>	<u>\$ -</u>	<u>\$ -</u>		<u>(852,007)</u>
General revenues:						
Real property taxes					31,777,662	-
Real property tax items					3,832,095	-
Non-property taxes					19,500,036	-
Use of money and property					607,156	760
Sale of property and compensation for loss					847,504	-
Miscellaneous					18,236,767	-
Interfund revenues					21,821,917	-
State aid not received for a specific purpose					9,946,448	-
Total general revenues					<u>106,569,585</u>	<u>760</u>
Change in net position					(23,829,741)	(851,247)
Net position (deficit) - beginning					<u>(315,867,015)</u>	<u>30,636,183</u>
Net position (deficit) - ending					<u>\$ (339,696,756)</u>	<u>\$ 29,784,936</u>

See accompanying notes to basic financial statements.

**CITY OF NIAGARA FALLS, NEW YORK**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2020**

	<u>General</u>	<u>Community Development</u>	<u>Capital Projects</u>	<u>Miscellaneous Special Revenue</u>	<u>Self Insurance</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>								
Cash and cash equivalents	\$ 2,870	\$ 2,411,174	\$ 622,194	\$ -	\$ 303,200	\$ -	\$ 151,696	\$ 3,491,134
Cash and cash equivalents - restricted	1,224,906	534,956	-	1,059,614	-	1,156,569	-	3,976,045
Accounts receivable	3,886,611	65,346	5,145	-	1,490,796	-	161,073	5,608,971
Taxes receivable, net	15,812,266	-	-	-	-	-	-	15,812,266
Due from other funds	1,407,215	-	4,115,505	106,131	1,719,945	-	-	7,348,796
Intergovernmental receivables	5,435,999	481,097	1,501,760	-	-	-	-	7,418,856
Loans receivable	5,000,000	1,868,389	-	-	-	-	-	6,868,389
Prepaid items	2,179,678	-	-	-	-	-	-	2,179,678
Total assets	<u>\$ 34,949,545</u>	<u>\$ 5,360,962</u>	<u>\$ 6,244,604</u>	<u>\$ 1,165,745</u>	<u>\$ 3,513,941</u>	<u>\$ 1,156,569</u>	<u>\$ 312,769</u>	<u>\$ 52,704,135</u>
<b>LIABILITIES</b>								
Accounts payable	\$ 3,843,383	\$ -	\$ 417,750	\$ -	\$ 412,872	\$ -	\$ 82,036	\$ 4,756,041
Accrued liabilities	510,630	-	-	-	689,448	-	1,030	1,201,108
Due to other funds	5,941,581	1,267,913	-	-	-	-	139,302	7,348,796
Due to other governments	10,071,961	793,024	-	-	-	-	-	10,864,985
Unearned revenues	5,012,939	2,765,069	106,188	-	-	-	-	7,884,196
Total liabilities	<u>25,380,494</u>	<u>4,826,006</u>	<u>523,938</u>	<u>-</u>	<u>1,102,320</u>	<u>-</u>	<u>222,368</u>	<u>32,055,126</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable revenue - property taxes	9,427,697	-	-	-	-	-	-	9,427,697
Total deferred inflows of resources	<u>9,427,697</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,427,697</u>
<b>FUND BALANCES</b>								
Nonspendable	2,179,678	-	-	-	-	-	-	2,179,678
Restricted for:								
Tourism	537,604	-	-	-	-	-	-	537,604
Trolley	687,302	-	-	-	-	-	-	687,302
Community development	-	534,956	-	-	-	-	-	534,956
Miscellaneous	-	-	-	1,165,745	-	-	-	1,165,745
Debt service	-	-	-	-	-	1,156,569	-	1,156,569
Assigned	-	-	5,720,666	-	3,823,087	-	90,401	9,634,154
Unassigned (deficit)	(3,263,230)	-	-	-	(1,411,466)	-	-	(4,674,696)
Total fund balances	<u>141,354</u>	<u>534,956</u>	<u>5,720,666</u>	<u>1,165,745</u>	<u>2,411,621</u>	<u>1,156,569</u>	<u>90,401</u>	<u>11,221,312</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 34,949,545</u>	<u>\$ 5,360,962</u>	<u>\$ 6,244,604</u>	<u>\$ 1,165,745</u>	<u>\$ 3,513,941</u>	<u>\$ 1,156,569</u>	<u>\$ 312,769</u>	<u>\$ 52,704,135</u>

See accompanying notes to basic financial statements.

**CITY OF NIAGARA FALLS, NEW YORK  
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2020**

---

Amounts reported for governmental activities in the Statement of Net Position (page 16) are different because:

Total fund balance - governmental funds (page 18)	\$ 11,221,312
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	159,429,490
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds:	
Serial bonds (including unamortized premiums)	(48,769,370)
Installment purchase debt	(24,766)
Due to retirement system	(2,022,097)
Worker's compensation	(11,102,125)
Compensated absences	(14,753,034)
Total OPEB liability	(404,672,980)
Net pension liability	(49,040,925)
Net accrued interest expense for bonds not reported in the funds	(318,749)
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds	9,427,697
Internal service net position which is due to governmental activities and related to charges for services provided	86,891
Deferred outflow and inflows are not assets or liabilities of the current period and therefore are not reported in the funds:	
Deferred pension outflows	36,150,985
Deferred pension inflows	(2,711,090)
Deferred OPEB outflows	83,175,922
Deferred OPEB inflows	(107,387,748)
Deferred outflows - bond refunding	<u>1,613,831</u>
Net position of governmental activities	<u>\$ (339,696,756)</u>

**CITY OF NIAGARA FALLS, NEW YORK**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>General</u>	<u>Community Development</u>	<u>Capital Projects</u>	<u>Miscellaneous Special Revenue</u>	<u>Self Insurance</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>								
Real property taxes	\$ 30,123,143	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,123,143
Real property tax items	3,948,445	-	-	-	-	-	-	3,948,445
Non-property tax items	19,500,036	-	-	-	-	-	-	19,500,036
Departmental income	3,305,907	-	-	-	-	-	1,224,316	4,530,223
Intergovernmental charges	1,777,379	-	418,143	-	-	-	-	2,195,522
Use of money and property	558,649	45,300	-	2,868	339	-	-	607,156
Licenses and permits	845,758	-	-	-	-	-	-	845,758
Fines and forfeitures	362,592	-	-	-	-	-	-	362,592
Sale of property and compensation for loss	134,777	-	-	-	596,377	-	-	731,154
Miscellaneous	257,735	-	-	-	224,329	850,000	-	1,332,064
Interfund revenues	162,966	-	-	-	21,074,396	-	-	21,237,362
State sources	17,791,894	48,350	1,977,402	9,273,706	-	-	-	29,091,352
Federal sources	102,549	7,622,194	544,314	-	-	-	-	8,269,057
Total revenues	<u>78,871,830</u>	<u>7,715,844</u>	<u>2,939,859</u>	<u>9,276,574</u>	<u>21,895,441</u>	<u>850,000</u>	<u>1,224,316</u>	<u>122,773,864</u>
<b>EXPENDITURES</b>								
Current:								
General government	9,281,569	-	-	-	1,510,990	1,750	688,757	11,483,066
Public safety	41,161,749	-	-	-	-	-	-	41,161,749
Transportation	3,964,875	-	-	-	-	-	-	3,964,875
Economic assistance and opportunity	1,839,225	-	-	-	-	-	-	1,839,225
Culture and recreation	2,848,356	-	-	-	-	-	1,035,957	3,884,313
Home and community services	6,818,932	7,674,529	-	-	-	-	-	14,493,461
Employee benefits	19,701,029	-	-	-	16,889,593	-	827,350	37,417,972
Debt service:								
Principal	-	-	-	-	-	4,255,077	-	4,255,077
Interest	-	-	-	-	-	1,775,066	-	1,775,066
Capital outlay:								
General government	-	-	47,991	-	-	-	-	47,991
Public safety	-	-	619,534	-	-	-	-	619,534
Transportation	-	-	2,902,290	-	-	-	-	2,902,290
Economic assistance and opportunity	-	-	116,227	-	-	-	-	116,227
Culture and recreation	-	-	386,566	-	-	-	-	386,566
Total expenditures	<u>85,615,735</u>	<u>7,674,529</u>	<u>4,072,608</u>	<u>-</u>	<u>18,400,583</u>	<u>6,031,893</u>	<u>2,552,064</u>	<u>124,347,412</u>

See accompanying notes to basic financial statements.



**CITY OF NIAGARA FALLS, NEW YORK**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020 (Continued)**

	<u>General</u>	<u>Community Development</u>	<u>Capital Projects</u>	<u>Miscellaneous Special Revenue</u>	<u>Self Insurance</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Excess (deficit) of revenues over expenditures	<u>(6,743,905)</u>	<u>41,315</u>	<u>(1,132,749)</u>	<u>9,276,574</u>	<u>3,494,858</u>	<u>(5,181,893)</u>	<u>(1,327,748)</u>	<u>(1,573,548)</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Interfund transfers in	10,671,552	-	525,701	262,511	550,000	6,092,266	1,985,483	20,087,513
Interfund transfers out	<u>(8,614,829)</u>	<u>-</u>	<u>(275,431)</u>	<u>(9,799,406)</u>	<u>-</u>	<u>(850,000)</u>	<u>(547,847)</u>	<u>(20,087,513)</u>
Total other financing sources (uses)	<u>2,056,723</u>	<u>-</u>	<u>250,270</u>	<u>(9,536,895)</u>	<u>550,000</u>	<u>5,242,266</u>	<u>1,437,636</u>	<u>-</u>
Net change in fund balances	(4,687,182)	41,315	(882,479)	(260,321)	4,044,858	60,373	109,888	(1,573,548)
Fund balances (deficit) - beginning	<u>4,828,536</u>	<u>493,641</u>	<u>6,603,145</u>	<u>1,426,066</u>	<u>(1,633,237)</u>	<u>1,096,196</u>	<u>(19,487)</u>	<u>12,794,860</u>
Fund balances - ending	<u>\$ 141,354</u>	<u>\$ 534,956</u>	<u>\$ 5,720,666</u>	<u>\$ 1,165,745</u>	<u>\$ 2,411,621</u>	<u>\$ 1,156,569</u>	<u>\$ 90,401</u>	<u>\$ 11,221,312</u>

See accompanying notes to basic financial statements.

**CITY OF NIAGARA FALLS, NEW YORK  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2020**

---

Amounts reported for governmental activities in the Statement of Activities (page 17) are different because:

Net change in fund balances - total governmental funds (page 21)	\$	(1,573,548)
<p>Governmental funds report capital outlays as expenditures. However in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$8,992,583), excluding construction work in progress placed in service (\$6,480,315), exceeded depreciation expense (\$6,006,634) in the current period.</p>		
		(3,494,366)
<p>Revenues that are not available to pay current obligations are not reported in the fund financial statements, but they are presented as revenues in the Statement of Activities.</p>		
		1,654,519
<p>Long-term liabilities, including bonds payable, installment purchase debt, workers' compensation, retirement system, net pension liability, compensated absences and total OPEB liability are not due and payable in the current period and therefore are not reported in the funds. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Repayment of serial bonds	\$	4,110,000
Repayment of installment purchase debt		145,077
Premium amortization		115,292
Change in due to retirement system		695,056
Change in workers' compensation liability		851,195
Change in compensated absences		898,002
Change in total OPEB liability		(23,338,660)
Change in net pension liability		<u>(33,201,130)</u>
		(49,725,168)
<p>Interest on debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the fund when it is due and payable, and thus require current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>		
		28,961
<p>Change in the deferred outflow of bond refunding does not provide for or require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
		(94,931)
<p>Changes in the proportionate share of the net pension and OPEB deferred inflows and outflows reported in the Statement of Net Position during the measurement period between the City's contributions and its proportionate share to the total contributions to the pension systems and OPEB subsequent to the measurement date do not provide for or require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
Net pension liability - proportionate share		23,590,256
Other postemployment benefits		5,946,046
<p>Internal service fund is used by management to charge the costs of the central garage, postage, stationary, copier leases and telephone. The change in the net position for such services is reported with governmental activities.</p>		
		<u>(161,510)</u>
Change in net position of governmental activities	\$	<u><u>(23,829,741)</u></u>

**CITY OF NIAGARA FALLS, NEW YORK**  
**STATEMENT OF NET POSITION – PROPRIETARY FUND - INTERNAL SERVICE FUNDS**  
**DECEMBER 31, 2020**

---

	<b>Internal Service Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 5,670
Prepaid items	100
Inventory	737,171
Total assets	<u>742,941</u>
<b>LIABILITIES</b>	
Accounts payable	28,185
Due to other funds	627,865
Total liabilities	<u>656,050</u>
<b>NET POSITION</b>	
Unrestricted	<u>86,891</u>
Total net position	<u>\$ 86,891</u>

See accompanying notes to basic financial statements.

**CITY OF NIAGARA FALLS, NEW YORK  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUND -  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2020**

---

	<u>Internal Service Funds</u>
<b>REVENUES</b>	
Charges for services	\$ 584,555
Total revenues	<u>584,555</u>
<b>EXPENSES</b>	
Contractual expenses	<u>746,065</u>
Total expenses	<u>746,065</u>
Change in net position	(161,510)
Net position - beginning	<u>248,401</u>
Net position - ending	<u>\$ 86,891</u>

**CITY OF NIAGARA FALLS, NEW YORK  
 STATEMENT OF CASH FLOWS - PROPRIETARY FUND - INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2020**

---

	<u>Internal Service Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from providing services	\$ 584,555
Cash payments for contractual expenses	<u>(588,284)</u>
Net cash used by operating activities	<u>(3,729)</u>
Net decrease in cash and cash equivalents	(3,729)
Cash and cash equivalents - beginning	<u>9,399</u>
Cash and cash equivalents - ending	<u>\$ 5,670</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (161,510)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Decrease in prepaid items	235
Decrease in inventory	250
(Decrease) in accounts payable	(55,360)
Increase in due to other funds	<u>212,656</u>
Net cash used by operating activities	<u>\$ (3,729)</u>

**CITY OF NIAGARA FALLS, NEW YORK**  
**STATEMENT OF NET POSITION – COMPONENT UNITS**  
**DECEMBER 31, 2020**

	<u>Bellevue Local Development Corporation</u>	<u>N.F.C. Development Corporation</u>	<u>Niagara Falls Public Library</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 663,645	\$ 697,750	\$ 1,361,395
Accounts receivable	-	-	2,978	2,978
Loans receivable, net	-	139,178	-	139,178
Intergovernmental receivables	-	-	91,270	91,270
Capital assets, net of accumulated depreciation	28,366,960	-	78,025	28,444,985
Total assets	<u>28,366,960</u>	<u>802,823</u>	<u>870,023</u>	<u>30,039,806</u>
<b>LIABILITIES</b>				
Accounts payable	-	36	18,600	18,636
Accrued liabilities	-	-	675	675
Unearned revenue	-	-	235,559	235,559
Total liabilities	<u>-</u>	<u>36</u>	<u>254,834</u>	<u>254,870</u>
<b>NET POSITION</b>				
Net investment in capital assets	28,366,960	-	78,025	28,444,985
Unrestricted	-	802,787	537,164	1,339,951
Total net position	<u>\$ 28,366,960</u>	<u>\$ 802,787</u>	<u>\$ 615,189</u>	<u>\$ 29,784,936</u>

See accompanying notes to basic financial statements.

**CITY OF NIAGARA FALLS, NEW YORK**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - COMPONENT UNITS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Bellevue Local Development Corporation</u>	<u>N.F.C. Development Corporation</u>	<u>Niagara Falls Public Library</u>	<u>Total</u>
<b>OPERATING REVENUES</b>				
Transfers from City of Niagara Falls	\$ -	\$ -	\$ 1,832,042	\$ 1,832,042
Charges for services	-	2,022	5,151	7,173
Grants and aid	-	-	172,142	172,142
Other revenues	-	9,971	149,261	159,232
Total operating revenues	<u>-</u>	<u>11,993</u>	<u>2,158,596</u>	<u>2,170,589</u>
<b>OPERATING EXPENSES</b>				
Contractual expense	-	13,317	1,916,495	1,929,812
Grant expense	-	64,386	-	64,386
Depreciation	995,332	-	33,066	1,028,398
Total operating expenses	<u>995,332</u>	<u>77,703</u>	<u>1,949,561</u>	<u>3,022,596</u>
Operating income (loss)	<u>(995,332)</u>	<u>(65,710)</u>	<u>209,035</u>	<u>(852,007)</u>
<b>NONOPERATING REVENUES</b>				
Interest income	-	760	-	760
Total nonoperating revenues	<u>-</u>	<u>760</u>	<u>-</u>	<u>760</u>
Change in net position	(995,332)	(64,950)	209,035	(851,247)
Net position - beginning	<u>29,362,292</u>	<u>867,737</u>	<u>406,154</u>	<u>30,636,183</u>
Net position - ending	<u>\$ 28,366,960</u>	<u>\$ 802,787</u>	<u>\$ 615,189</u>	<u>\$ 29,784,936</u>

See accompanying notes to basic financial statements.

**CITY OF NIAGARA FALLS, NEW YORK**  
**STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
**DECEMBER 31, 2020**

---

	<u>Private Purpose Trust Fund</u>	<u>Custodial Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 56,821	\$ 598,430
Due from other funds	-	627,865
	<hr/>	<hr/>
Total assets	56,821	1,226,295
	<hr/>	<hr/>
<b>LIABILITIES</b>		
Accounts payable	-	5,167
	<hr/>	<hr/>
Total liabilities	-	5,167
	<hr/>	<hr/>
<b>NET POSITION</b>		
Restricted for:		
Trusts	56,821	53,790
Forfeitures	-	213,859
Individuals, organizations and other governments	-	953,479
	<hr/>	<hr/>
Total net position	\$ 56,821	\$ 1,221,128
	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to basic financial statements.



**CITY OF NIAGARA FALLS, NEW YORK**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Private Purpose Trust Fund</u>	<u>Custodial Funds</u>
<b>ADDITIONS</b>		
Custodial fees	\$ -	\$ 578,350
Interest and earnings	201	-
Forfeiture of crime proceeds	-	582,726
Donations	-	9,475
Proceeds of seized and unclaimed properties	-	2,302,283
	<hr/>	<hr/>
Total additions	201	3,472,834
<b>DEDUCTIONS</b>		
Administrative expenses	-	19,620
Disbursements to individuals, organizations or other governments	85	4,131,942
	<hr/>	<hr/>
Total deductions	85	4,151,562
Change in net position	116	(678,728)
Net position - beginning	56,705	1,899,856
	<hr/>	<hr/>
Net position - ending	\$ 56,821	\$ 1,221,128
	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to basic financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. REPORTING ENTITY**

**1. PRIMARY GOVERNMENT**

The City is a unit of local government created by the State of New York. The City operates under provisions of New York State law and with authority vested by those statutes and under the provisions of the City Charter adopted by the City Council. The City provides services and facilities in the areas of police, highway, sanitation, parks, recreation, storm sewers, library, community development, fire and general administration. The five-member City Council is the legislative body responsible for overall operations. The Mayor serves as Chief Executive Officer. The City Administrator serves as the Chief Administrative Officer. The City Controller serves as the Chief Financial Officer. Independently elected officials of the City include the Mayor and five council members.

The County of Niagara, New York, is a unit of local government, whose boundaries include the City. Public education is provided by an independent school district within the City, the Niagara Falls City School District.

The financial reporting entity includes all organizational functions, and activities over which the City's elected officials exercise oversight responsibility. The oversight responsibility is derived from the governmental unit's power and includes, but is not limited to, financial interdependency, a selection of government authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

**2. COMPONENT UNITS**

In conformity with GAAP, the financial statements of three component units have been included in the financial reporting entity as discretely presented component units. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government.

The N.F.C. Development Corporation's (NFC) purpose is to identify and develop business opportunities within the City, to package needed financing and to develop financial programs to support business development. The governing body of NFC is comprised of the Mayor, the five members of the City Council, four members appointed by the Mayor and nine at large members elected by the existing NFC Board. Additionally, NFC is managed by the City; therefore, the City is able to impose its will on NFC. Complete financial statements for NFC may be obtained at their offices located at 1022 Main Street, Niagara Falls, New York.

The Bellevue Local Development Corporation's (Bellevue) purpose was to develop and construct a new public safety facility, plus other functions related to the administration of justice for the City. The governing body of Bellevue is comprised of the Mayor and additional Board members appointed by the Mayor. Additionally, Bellevue is managed by the City; therefore, the City is able to impose its will on Bellevue. Upon the completion of the facility the asset was to be transferred to the City. The facility has been completed, but it is awaiting approval related to environmental matters before being transferred to the City. Bellevue does not issue stand-alone financial statements.

**CITY OF NIAGARA FALLS, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

---

The Niagara Falls Public Library's (the Library) purpose is to provide the citizens of the City with quality library service, access to excellent collections, assistance in using emerging technologies in a pleasing, safe environment. The Library operates two city-owned buildings, one of which is commonly referred to as the Main Library or Earl W. Brydges Public Library and the other which is commonly known as the LaSalle Library. Complete financial statements for the Library can be obtained from their offices located at 1425 Main Street, Niagara Falls, New York.

**B. BASIS OF PRESENTATION**

**1. GOVERNMENT-WIDE FINANCIAL STATEMENTS**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As discussed earlier, the City has three discretely presented component units. None of these component units, consisting of the N.F.C Development Corporation, Bellevue Local Development Corporation and Niagara Falls Public Library, are considered to be a major component unit, therefore they are shown in one component unit column in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and transit functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**2. FUND FINANCIAL STATEMENTS**

The fund financial statements provide information about the City's funds, including its proprietary and fiduciary funds. Separate statements for each fund category—governmental, proprietary and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund - the principal operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Community Development Fund - this is used to account for the various programs of financial assistance (principally federal aid) for urban development. Community Development administers programs directly, as well as acting as a conduit for pass-through funds to sub-recipients whose goal is also to benefit the community.

Capital Projects Fund - used to account for and report financial resources to be used in the acquisition, construction or renovation of major capital facilities.

Debt Service Fund - used to account for and report financial resources to be used in the acquisition and repayment of debt obligations.

Miscellaneous Special Revenue Fund - used to account for the receipts and disbursements of the Seneca Niagara Casino money received by the City.

Self Insurance Fund - used to accumulate reserve funds to account for certain judgments and claims related to dental and health insurance, workers' compensation, litigation matters, and to purchase insurance coverage.

**CITY OF NIAGARA FALLS, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

---

The City reports the following nonmajor governmental funds consolidated into the nonmajor governmental funds column:

Special Revenue Funds (Train Station, Public Library, and Parking Ramp) - to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes or for which separate accounting is required by administrative action.

Additionally, the City reports the following fund types:

Proprietary Fund (Internal Service Fund) – used to account for copying, postage, stationary, telephone and central garage services provided to other departments or agencies of the City on a cost reimbursement basis.

Fiduciary Funds – is used to account for certain trust funds and other custodial funds. Custodial Funds report fiduciary activities not held in trust. These activities are not included in the government-wide financial statements because their resources do not belong to the City and are not available for use. Trust funds account for resources received and disbursements made in accordance with trust agreements or applicable legislative enactments for each particular fund.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources or economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. 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.

The governmental fund statements are reported using the *current financial resources measurement focus* and the *modified accrual 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 with 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 sixty days of the end of the current fiscal period. 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, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest 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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within sixty days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

**D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE**

**1. CASH AND CASH EQUIVALENTS**

The City's cash and cash equivalents consists of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of purchase.

**2. RESTRICTED ASSETS**

Certain assets are classified on the balance sheet as restricted because their use is limited. Restrictions represent amounts to support fund balance/net position restrictions.

**3. ACCOUNTS RECEIVABLE**

Receivables, with the exception of taxes receivable, are shown gross, with uncollectible amounts recognized under the direct write-off method. Generally accepted accounting principles require the establishment of an allowance for uncollectible receivables; however, no allowance for uncollectible receivables has been provided since it is believed that such allowance would not be material.

**4. TAXES RECEIVABLE**

The City accounts for taxes receivable at outstanding billed amounts, net of the allowance for uncollectible taxes. Accounts for which no payments have been received for one year are considered delinquent and further collection efforts are begun. After all collection efforts are exhausted, the account is written off. As of December 31, 2020, the allowance for uncollectible taxes was \$4,334,706, which is estimated based on historical collection experience.

**5. DUE TO/FROM OTHER FUNDS**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds."

The amounts reported on the Statement of Net Position for due to and due from other funds represents amounts due between different fund types (governmental and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year-end is provided in Note 3.J.

**6. INVENTORY**

All inventories are valued at cost using the first-in/first-out (FIFO) method for proprietary funds. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed.

**7. PREPAID ITEMS**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**8. CAPITAL ASSETS**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities column in the government-wide financial statements.

**CITY OF NIAGARA FALLS, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

---

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Contributed capital assets are recorded at fair value at the date received.

Land and construction in progress are not depreciated. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings and building improvements	\$ 100,000	straight-line	25-50 years
Land improvements - exhaustible	100,000	straight-line	20-100 years
Infrastructure	100,000	straight-line	30-50 years
Machinery and equipment	5,000	straight-line	3-10 years

**9. UNEARNED REVENUES**

Unearned revenues arise when potential revenues do not meet both the measurable and available criteria for recognition in the current period. This occurs when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the City has legal claim to resources, the liability for unearned revenues is removed and revenues are recognized.

**10. INSURANCE**

The City is self-insured for general liability including but not limited to property damage and personal injury, workers' compensation and medical insurance.

The City has purchased reinsurance agreements to reduce exposure to large losses. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

**11. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the Statement of Net Position includes a separate section for *deferred outflows of resources*. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has three items that qualified for reporting in this category. These are related to pensions, other postemployment benefits (OPEB) and deferred charge on refunding reported in the government-wide Statement of Net Position. The deferred amounts related to pensions and OPEB relate to differences between the actual investment earnings, changes in assumptions and other pension and OPEB related charges.

In addition to liabilities, the Statement of Net Position includes a separate section for *deferred inflows of resources*. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three types of items that qualify for reporting in this category. In the government-wide financial statements the City reports deferred amounts related to pension and OPEB. In the Balance Sheet – Governmental Funds, the City reports unavailable revenue related to property taxes.

**CITY OF NIAGARA FALLS, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

---

See details of deferred pension outflows and inflows in Note 3.F. and deferred OPEB outflows and inflows in Note 3.G.

**12. LONG-TERM OBLIGATIONS**

All long-term obligations to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of serial bonds payable, premium liability, installment purchase debt, due to retirement system, workers' compensation, compensated absences, net pension liability and other postemployment benefit liability.

Long-term liabilities for governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal, interest and other long-term obligations are reported as expenditures.

**13. NET POSITION FLOW ASSUMPTION**

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**14. FUND BALANCE FLOW ASSUMPTIONS**

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

The City Council adopted a formal spending policy under the provisions of GASB Statement No. 54 stating that the City Council will assess the current financial condition of the City and then determine the order of application of expenditures to which fund balance classification will be charged.

**15. FUND BALANCE POLICIES**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**E. REVENUES AND EXPENDITURES/EXPENSES**

**1. PROGRAM REVENUES**

Amounts reported as *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 or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital

**CITY OF NIAGARA FALLS, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

---

requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**2. PROPERTY TAXES**

The City property taxes are levied in December of each year, based on the assessed valuation as of the preceding July 1. On January 1 of each year, property taxes become a lien on property.

Tax payments are due and payable in equal installments on January 31 and May 31, after which it becomes delinquent and interest and penalties accrue. The City also bills for relieved garbage, sewer and water user charges and for unpaid school taxes.

The State Constitution limits the amount that may be raised by the City tax levy on real estate in any fiscal year to two percent (2%) of the last five-year average full valuation of taxable real estate of the City plus (1) the amounts required for principal and interest on all capital indebtedness, and (2) current appropriations for certain capital purposes.

The City is responsible for collection of delinquent City school taxes. In the event that school taxes are not collected from the City's relevy, the City is obligated to remit taxes in full to the school district. A provision for uncollectible taxes is estimated based on historical collection experience.

**3. CASINO REVENUES**

In accordance with State Finance Law Section 99-H (Section 99-H), the City is authorized to receive an allocation of casino revenue directly from New York State. This revenue is restricted for various purposes as determined by law. Amounts are recognized when received in the fund financial statements. Within the government-wide financial statements, revenues are recorded when earned. No allowance has been recorded, as the City is legally authorized to receive the allocation.

**4. COMPENSATED ABSENCES**

The City labor agreements and City Council rules and regulations provide for sick and vacation leave. Upon retirement, certain eligible employees qualify for partially paid medical and dental insurance premiums and/or payment for fractional values of unused sick leave. These payments are budgeted annually without accrual.

Consistent with GASB Statement No. 16, Accounting for Compensated Absences, an accrual for accumulated sick leave is included in compensated absences at year-end. The compensated absences liability is calculated based on the contractually negotiated rates in effect at year-end.

Compensated absences for governmental fund type employees are reported as a fund liability and as an expenditure in the government-wide financial statements. A portion of the compensated absences liability recognized is attributed to the value of sick leave converted to pay the employees' share of postemployment health insurance premiums.

The compensated absences liability for the governmental funds at the year-end totaled \$14,753,034. A liability for those amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Payment of compensated absences recorded in the government-wide financial statements is dependent upon many factors; therefore timing of future payments are not readily determinable. However, management believes that sufficient resources will be made available for the payment of compensated absences when such payments become due.

**F. USE OF ESTIMATES IN PREPARATION OF FINANCIAL STATEMENTS**

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 affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent



**CITY OF NIAGARA FALLS, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

---

assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**G. ACCOUNTING PRONOUNCEMENTS**

On May 8, 2020, the GASB issued Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance* in response to the COVID-19 pandemic. The effective dates of GASB Statements not yet implemented by the City have been updated below to reflect the impact of this Statement. There were no new GASB Statements implemented by the City for the year ended December 31, 2020.

The following are GASB Statements that have been issued recently and are currently being evaluated, by the City, for their potential impact in future years.

- Statement No. 87, *Leases*, which will be effective for the year ending December 31, 2022.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective for the year ending December 31, 2021.
- Statement No. 91, *Conduit Debt Obligations*, which will be effective for the year ending December 31, 2022.
- Statement No. 92, *Omnibus 2020*, which will be effective for the year ending December 31, 2022.
- Statement No. 93, *Replacement of Interbank Offered Rates*, which will be effective for the year ending December 31, 2021, except for paragraph 11b, which will be effective for the year ending December 31, 2022.
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which will be effective for the year ending December 31, 2023.
- Statement No. 96, *Subscription-Based Information Technology Arrangements*, which will be effective for the year ending December 31, 2023.
- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment of GASB Statements No. 14 and 84, and a supersession of GASB Statement No. 32*, which will be effective for the year ending December 31, 2022.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. LEGAL COMPLIANCE - BUDGETS**

Budgets and Budgetary Accounting – The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- On November 1<sup>st</sup>, the Mayor submits a complete operating plan of proposed expenditures and estimated revenues for the City to the City Council for the fiscal year commencing the following January 1<sup>st</sup>.
- The City Council has the power to delete, reduce or add expenditure items to the budget except for debt service, other items required by law and an appropriation for a reserve for uncollected taxes, capital equipment and estimated deficit.
- The Mayor has a line item veto power which must be exercised within ten (10) days of City Council action. The Council then has five (5) days to override such vetoes.
- Reallocation of the budget among municipal service categories must be approved by the City Council.
- Appropriations generally expire at the end of the fiscal year except amounts administratively approved for reappropriation. These reappropriations are include in the assigned fund balance for encumbrances in the fund financial statements.
- Expenditures for each department may not legally exceed the total appropriations for that department. During the year, several supplemental appropriations were necessary.

**CITY OF NIAGARA FALLS, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

---

**B. DEFICIT FUND BALANCE**

At December 31, 2020, the General Fund has a deficit unassigned fund balance of \$3,263,230. The deficit is a result of lost revenues and increased expenditures as an effect of the COVID-19 pandemic in 2020. The deficit will be eliminated through federal funding received through the American Rescue Plan (ARP) and other budgetary adjustments. The City has been allocated \$57,207,528 in ARP funding to assist in the recovery and response to the COVID-19 pandemic

The Self Insurance Fund, a major fund, reported a deficit unassigned fund balance of \$1,411,466 at December 31, 2020, which represents a \$2,190,583 improvement from December 31, 2019. The deficit was created in relation to the excess of expenditures over revenues related to the City's self-funded health insurance program. The deficit will be eliminated through increases in budgeted appropriations to be paid from the City's General Fund. Additionally, the City will continue to look at ways to potentially reduce costs related to administrative expenses and continue to take advantage of available discounts and rebate programs on both prescription drugs and medical claim costs.

**NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS**

**A. DEPOSITS AND INVESTMENTS**

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

Collateral is required for demand deposits and certificates of 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, and obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organizations

The City's aggregate bank balances were fully collateralized at December 31, 2020.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end consists of the following:

Tourism	\$	537,604
Trolley		687,302
Community development		534,956
Tribal revenue		1,059,614
Debt service		1,156,569
	\$	<u>3,976,045</u>

Investment and Deposit Policy

The City follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the City Controller.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The City's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**CITY OF NIAGARA FALLS, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

---

Credit Risk

The City's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The City's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts.
- Certificates of deposit.
- Obligations of the United States Treasury and United States agencies.
- Obligations of New York State and its localities.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the City's investment and deposit policy, all deposits of the City including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 102% of the aggregate amount of deposits. The City restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by New York State and its localities.
- Obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organizations.

**B. RECEIVABLES**

Significant revenues accrued by the City at December 31, 2020 include the following:

General Fund:

Tourism - 4th quarter occupancy tax	\$	337,518
Grants		5,171
Franchise fees		350,261
Gross utilities taxes		33,384
Garbage user fee		1,601,813
Miscellaneous receivables		1,558,464
Total		<u>3,886,611</u>

Community Development Fund:

Grant receivables	17,527
Rental payments	46,277
Miscellaneous	1,542
Total	<u>65,346</u>

Capital Projects Fund:

Regional bike sharing	<u>5,145</u>
-----------------------	--------------

Self Insurance Fund:

Health insurance - December	1,421,341
Dental insurance - December	66,470
Miscellaneous	2,985
Total	<u>1,490,796</u>

**CITY OF NIAGARA FALLS, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

Nonmajor Funds:

Train Station - Amtrak - 4th quarter	84,024
Train Station - Underground Railroad	31,074
Parking charges	45,975
Total	<u>161,073</u>
Total accounts receivable	<u>\$ 5,608,971</u>

Intergovernmental receivables represent amounts due from other governmental entities at December 31, 2020:

General Fund:

Niagara County - sales tax	\$ 1,187,095
Niagara County - miscellaneous	46,124
Niagara Falls Board of Education - school tax fees	66,219
NYS sales tax	330,098
AIM-related payments	2,669,164
Arterial maintenance	401,625
Medicare Part D	21,109
NYS Power Authority	23,711
NYS Department of Criminal Justice Services	207,287
NYS 8th District	143,452
Unemployment overpayment reimbursement	164,377
Miscellaneous receivables	175,738
Total	<u>5,435,999</u>

Community Development Fund:

HUD receivables	381,516
Grant receivables	87,672
Miscellaneous	11,909
Total	<u>481,097</u>

Capital Projects Fund:

DPW Capital Highway Improvement (CHIPS)	1,364,382
Grant receivables	137,378
Total	<u>1,501,760</u>
Total intergovernmental receivables	<u>\$ 7,418,856</u>

**C. LOANS RECEIVABLE**

The loan receivable recorded in the General Fund represent amounts owed to the City relating to the CB – Emmanuel Realty, LLC City Lofts project. The outstanding loan balance as of December 31, 2020 was \$5,000,000. See Note. 4.C. for additional information.

The loans receivable recorded in the Community Development Fund represent amounts owed to the City relating to the U.S. Department of Housing and Urban Development Community Development loan program. Loans outstanding as of December 31, 2020, were as follows:

Community Development Fund:

Loans receivable - Community Development Block Grant	\$ 739,276
Loans receivable - Miscellaneous	792,371
Loans receivable - HOME	336,742
Total loans receivable	<u>\$ 1,868,389</u>

**CITY OF NIAGARA FALLS, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

**D. TAXES RECEIVABLE**

The taxes receivable, net, recorded in the General Fund represents amounts owed to the City relating to real property taxes were as follows at December 31, 2020:

General Fund:

City taxes receivable current	\$ 2,849,886
City taxes receivable overdue	9,710,750
School taxes receivable	<u>7,586,336</u>
Total taxes receivable	20,146,972
Less: allowance for uncollectibles	<u>4,334,706</u>
Total taxes receivable, net	<u><u>\$ 15,812,266</u></u>

**E. CAPITAL ASSETS**

Capital asset activity for governmental activities for the year ended December 31, 2020, is as follows:

	<u>Balance 01/01/2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2020</u>
Capital assets, not being depreciated:				
Land	\$ 2,891,293	\$ -	\$ -	\$ 2,891,293
Land improvement - inexhaustible	1,334,807	-	-	1,334,807
Construction work in progress	43,020,733	984,807	6,480,315	37,525,225
Land held for development and sale	1,290,950	-	-	1,290,950
Works of art/historical treasures	17,378	-	-	17,378
Total capital assets, not being depreciated	<u>48,555,161</u>	<u>984,807</u>	<u>6,480,315</u>	<u>43,059,653</u>
Capital assets, being depreciated:				
Infrastructure	165,718,095	5,800,978	-	171,519,073
Land improvements - exhaustible	5,506,565	1,507,101	-	7,013,666
Buildings and building improvements	47,533,189	562,131	-	48,095,320
Furniture, office and other equipment	9,577,752	20,360	300	9,597,812
Library/museum resources	9,072,896	-	-	9,072,896
Vehicles	19,827,849	117,206	-	19,945,055
Total capital assets, being depreciated	<u>257,236,346</u>	<u>8,007,776</u>	<u>300</u>	<u>265,243,822</u>
Less accumulated depreciation:				
Infrastructure	82,121,799	4,014,831	-	86,136,630
Land improvements - exhaustible	2,516,035	240,010	-	2,756,045
Buildings and building improvements	23,755,365	851,008	-	24,606,373
Furniture, office and other equipment	8,917,090	137,787	300	9,054,577
Library/museum resources	9,072,896	-	-	9,072,896
Vehicles	16,484,466	762,998	-	17,247,464
Total accumulated depreciation	<u>142,867,651</u>	<u>6,006,634</u>	<u>300</u>	<u>148,873,985</u>
Total capital assets being depreciated, net	<u>114,368,695</u>	<u>2,001,142</u>	<u>-</u>	<u>116,369,837</u>
Governmental activities capital assets, net	<u>\$ 162,923,856</u>	<u>\$ 2,985,949</u>	<u>\$ 6,480,315</u>	<u>\$ 159,429,490</u>

Depreciation expense was charged to the functions/programs of the governmental activities as follows:

General government	\$ 90,369
Public safety	511,798
Transportation	4,311,264
Culture and recreation	777,971
Home and community services	315,232
Total depreciation expense - governmental activities	<u>\$ 6,006,634</u>

**CITY OF NIAGARA FALLS, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

---

**F. PENSION OBLIGATIONS**

***New York State and Local Retirement System - Employees' Retirement System (ERS) and Police and Fire Retirement System (PFRS) (the System)***

Plan Description

The City participates in the New York State and Local Employees' Retirement System (ERS) and the Police and Fire Retirement System (PFRS), which are collectively referred to as New York State and Local Retirement System (the System). This is a cost-sharing multiple-employer defined benefit retirement system. 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 fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of 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 a State statute. The City also participates in the Public Employees' Group Life Insurance Plan (GLIP), 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 benefit's 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, NY 12244.

Funding Policy

The System is noncontributory, except for employees who joined the ERS after July 27, 1976 who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 10, 2010 (ERS) or January 9, 2010 (PFRS), who generally contribute three percent (3%) to three and one half percent (3.5%) of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. 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<sup>st</sup>.

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

At December 31, 2020, the City reported the following liability for its proportionate share of the net pension liability to the System. The 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 liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. This information was provided by the System in reports provided to the City.

	<u>ERS</u>	<u>PFRS</u>
Measurement date	03/31/2020	03/31/2020
Net pension liability	\$ 11,461,209	\$ 37,579,716
City's portion of the Plan's total net pension liability	0.0432816 %	0.7030899 %
Change in proportion since the prior measurement date	(0.0021758)	(0.0493564)
Pension expense at December 31, 2020	\$ 3,990,514	\$ 12,909,687

**CITY OF NIAGARA FALLS, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

At December 31, 2020 the City's reported deferred outflows of resources and deferred inflows of resources related to pensions arose from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	PFRS	ERS	PFRS
Differences between expected and actual experience	\$ 674,538	\$ 2,502,413	\$ -	\$ 629,456
Change of assumptions	230,774	3,212,157	199,270	-
Net difference between projected and actual earnings on pension plan investments	5,875,573	16,923,328	-	-
Changes in proportion and differences between the City's contributions and proportionate share of contributions	400,820	391,037	137,499	1,744,865
City's contributions subsequent to the measurement date	<u>1,366,418</u>	<u>4,573,927</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 8,548,123</u>	<u>\$ 27,602,862</u>	<u>\$ 336,769</u>	<u>\$ 2,374,321</u>

The City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	ERS	PFRS
<u>Year ended March 31:</u>		
2021	\$ 1,217,753	\$ 4,292,643
2022	1,746,019	4,837,928
2023	2,163,367	6,233,904
2024	1,717,797	5,152,664
2025	-	137,475
Thereafter	-	-

**Actuarial Assumptions**

The total pension liability as of the March 31, 2020 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 used the following actuarial assumptions:

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

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2018. 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.

**CITY OF NIAGARA FALLS, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2020 for both ERS and PFRS are summarized below:

Asset Class:	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	36.0 %	4.1 %
International equity	14.0	6.2
Private equity	10.0	6.8
Real estate	10.0	5.0
Absolute return strategies	2.0	3.3
Opportunistic funds/portfolio	3.0	4.7
Real assets	3.0	6.0
Bonds and mortgages	17.0	0.8
Cash	1.0	-
Inflation-indexed bonds	4.0	0.5
Total	<u>100.0 %</u>	

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 the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments to 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 Assumption

The following tables present the City's proportionate share of the net pension liability calculated using the discount rate of 6.8%, 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%) or 1-percentage point higher (7.8%) than the current rate:

	<u>1% Decrease (5.8%)</u>	<u>Current Assumption (6.8%)</u>	<u>1% Increase (7.8%)</u>
<u>ERS</u>			
City's proportionate share of the net pension liability	\$ 21,034,554	\$ 11,461,209	\$ 2,644,117
<u>PFRS</u>			
City's proportionate share of the net pension liability	\$ 67,193,298	\$ 37,579,716	\$ 11,060,083



**CITY OF NIAGARA FALLS, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

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:

	(Dollars in Thousands)		
	ERS	PFRS	Total
Employers' total pension liability	\$ 194,596,261	\$ 35,309,017	\$ 229,905,278
Plan net position	168,115,682	29,964,080	198,079,762
Employers' net pension liability	<u>\$ 26,480,579</u>	<u>\$ 5,344,937</u>	<u>\$ 31,825,516</u>
Ratio of plan net position to the employers' total pension liability	86.4%	84.9%	86.2%

Prepays to the Pension Plan

For ERS and PFRS, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Prepaid retirement contributions as of December 31, 2020 represent the employer contribution for the period of January 1, 2021 through March 31, 2021 of the retirement invoice for the Plan year April 1, 2020 through March 31, 2021. Prepaid retirement contributions as of December 31, 2020 amounted to \$533,030 and \$1,646,648 for ERS and PFRS, respectively.

**G. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

Plan Description

The City of Niagara Falls, New York (the City) administers the City of Niagara Falls Retiree Medical, Dental and Life Insurance Plan (the Plan) as a single-employer defined benefit Other Post Employment Benefit plan (OPEB). The Plan provides for continuation of medical, dental and life insurance benefits for certain retirees and their spouses and can be amended by action of the City subject to applicable collective bargaining and employment agreements. The Plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Funding Policy

The obligations of the plan members and employers are established by action of the City pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members varies depending on the applicable agreement. The employer currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the City.

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

Inactive employees or beneficiaries currently receiving benefit payments	548
Inactive employees entitled to but not receiving benefit payments	-
Active employees	<u>525</u>
Total	<u><u>1,073</u></u>

The City's total OPEB liability of \$404,672,980 was measured as of January 1, 2020, and was determined by an interim actuarial valuation as of December 31, 2020.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 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	2.25 %
Salary increases	2.00
Discount rate	2.00
Healthcare cost trend rates	3.78
Retirees' share of benefit-related costs	0.00 - 15.00

**CITY OF NIAGARA FALLS, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

The discount rate was based on the Fidelity Municipal General Obligation AA 20 year Bond rate as of the measurement date.

Mortality rates for retirees and surviving spouses were based on Scale MP-2020 mortality improvement scale on a generational basis.

Retirement and termination assumptions reflect general published tables based on large-scale retirement plan population data. The plan's estimated termination and retirement experience is then analyzed, and the base table is adjusted accordingly as necessary. No formal experience study is prepared for this plan.

Changes in the Total OPEB Liability:

	<u>Total OPEB Liability</u>
Balance at January 1, 2020	\$ 381,334,320
Changes for the year:	
Service cost	12,912,502
Interest	9,336,429
Changes of benefit terms	12,230,642
Differences between expected and actual experience	(49,742,241)
Changes in assumptions or other inputs	48,597,512
Benefit payments	<u>(9,996,184)</u>
Net changes	<u>23,338,660</u>
Balance at December 31, 2020	<u>\$ 404,672,980</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.75 percent in 2019 to 2.00 percent in 2020 updated premium information and changes in the Mortality Improvement Scale from MP-2019 to MP-2020.

Effective November 2020, Firefighter and Fire Brass surviving spouses are eligible for health benefits upon death of the retiree provided the member had at least 10 years of service with the Niagara Falls Fire Department. This change was measured as of December 31, 2020 and resulted in an increase in liabilities.

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 (1.00%) or 1 percentage point higher (3.00%) than the current discount rate.

	1% Decrease (1.00%)	Discount Rate (2.00%)	1% Increase (3.00%)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total OPEB liability	\$ <u>477,789,475</u>	\$ <u>404,672,980</u>	\$ <u>346,403,109</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

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 healthcare cost trend rates that are 1 percentage point lower (2.78%) or 1 percentage point higher (4.78%) than the current healthcare cost trend rate:

**CITY OF NIAGARA FALLS, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

	1% Decrease (6.00% decreasing to 2.78%)	Healthcare Cost Trend Rates (7.00% decreasing to 3.78%)	1% Increase (8.00% decreasing to 4.78%)
Total OPEB liability	\$ <u>338,276,919</u>	\$ <u>404,672,980</u>	\$ <u>490,749,456</u>

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended December 31, 2020, the City recognized OPEB expense of \$27,388,798. At December 31, 2020, the City reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 81,283,589
Changes of assumptions or other inputs	83,175,922	26,104,159
Contributions subsequent to the measurement date	-	-
Total	\$ <u>83,175,922</u>	\$ <u>107,387,748</u>

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

Year ended December 31:

2021	\$ (7,090,775)
2022	(7,090,775)
2023	(7,090,775)
2024	(3,016,718)
2025	101,494
Thereafter	(24,277)

**H. LONG-TERM LIABILITIES**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as noncurrent liabilities in the Statement of Net Position.

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Further, the unmatured principal of general long-term debt does not require current appropriations and expenditure of governmental fund financial resources.

The City's outstanding long-term liabilities include serial bonds, installment purchase debt, premium obligation on bond, amortization of obligation due to retirement system, compensated absences, workers' compensation, other postemployment benefits, and aggregate net pension liability.

**CITY OF NIAGARA FALLS, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

A summary of changes in the City's long-term liabilities for the year ended December 31, 2020 are presented as follows:

	Balance 01/01/2020	Additions	Reductions	Balance 12/31/2020	Due Within One Year
Serial bonds	\$ 51,150,000	\$ -	\$ 4,110,000	\$ 47,040,000	\$ 3,650,000
Bond premium	1,844,662	-	115,292	1,729,370	115,292
Total bonds payable	52,994,662	-	4,225,292	48,769,370	3,765,292
Installment purchase debt	169,843	-	145,077	24,766	24,766
Due to retirement system	2,717,153	-	695,056	2,022,097	718,437
Compensated absences*	15,651,036	-	898,002	14,753,034	-
Workers' compensation	11,953,320	1,234,184	2,085,379	11,102,125	-
Total OPEB liability	381,334,320	33,334,844	9,996,184	404,672,980	-
Net pension liability*	15,839,795	33,201,130	-	49,040,925	-
Total	\$ 480,660,129	\$ 67,770,158	\$ 18,044,990	\$ 530,385,297	\$ 4,508,495

Long-term debt maturity schedule:

Issue Description	Original Issue Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding Balance 12/31/2020
<u>General obligation bonds:</u>					
Various - general fund/sewer lines	1994	\$ 10,670,000	5.3-7.5 %	2024	\$ 5,000
Various - general fund	2009	8,190,000	3.0-5.5 %	2024	2,435,000
Various - general fund	2011	7,437,000	3.0-4.0 %	2026	3,335,000
2014 Refunding - general fund	2014	7,355,000	0.5-3.0 %	2024	2,075,000
2016 Refunding bonds	2016	39,490,000	1.75-5.0 %	2037	32,760,000
Various - general fund	2017	8,093,305	3.0-3.625 %	2042	6,430,000
Total general obligation bonds					\$ 47,040,000

Installment purchase debt:

NYPA loan	2010	\$ 1,390,120	0.53 %	2021	\$ 24,766
-----------	------	--------------	--------	------	-----------

Summary schedule of maturing debt - The following is a summary of maturing debt service requirements for the City's serial bonds and installment purchase debt:

Year ending December 31,	Serial Bonds			Installment Purchase Debt	
	Principal	Interest	Premium	Principal	Interest
2021	\$ 3,650,000	\$ 1,658,495	\$ 115,292	\$ 24,766	\$ 14
2022	3,785,000	1,520,820	115,292	-	-
2023	3,800,000	1,388,732	115,292	-	-
2024	3,835,000	1,254,091	115,292	-	-
2025	2,825,000	1,125,853	115,292	-	-
2026-2030	12,050,000	3,961,606	576,458	-	-
2031-2035	11,225,000	1,905,131	576,452	-	-
2036-2040	5,485,000	364,263	-	-	-
2041-2042	385,000	25,663	-	-	-
Total	\$ 47,040,000	\$ 13,204,654	\$ 1,729,370	\$ 24,766	\$ 14

Constitutional Debt Limit

As of December 31, 2020, the City has exhausted 42.09 percent of its constitutional debt limit with \$47,065,137 of outstanding debt principal of a total \$111,822,580 debt limit.

**CITY OF NIAGARA FALLS, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

---

Defeasance of Debt

In prior years, the City defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City’s financial statements. At December 31, 2020, a total amount of \$1,002,175 of bonds outstanding are considered defeased.

**I. NET POSITION AND FUND BALANCE**

Net Position

For government-wide reporting, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and debt used to fund capital asset purchases reduce the balance in this category. The following presents a reconciliation of capital assets (net of accumulated depreciation), to net investment in capital assets:

Capital assets, net of accumulated depreciation	\$ 159,429,490
Deferred outflows - bond refundings	1,613,831
Bonds payable used for capital assets	(47,040,000)
Bond premium	(1,729,370)
Installment purchase debt payable	(24,766)
Retainages payable	(170,250)
Net investment in capital assets	<u>\$ 112,078,935</u>

Restricted net position – This category presents external restrictions imposed by creditors, grantors, contributors, or laws and 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.

Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called “fund balance.” The City’s governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

Nonspendable – represents amounts that are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balances maintained by the City at December 31, 2020 include:

- Prepaid items – represents amounts prepaid to the retirement system and other miscellaneous items that are applicable to future accounting periods. This balance is nonspendable as the asset does not represent an available resource.

Restricted – represents amounts with constraints placed on the use of resources and are either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

- Restricted for debt service – represents unspent debt proceed funds to be used towards future debt service requirements.
- Restricted for community development – represents funds to be used for any future community development projects.

**CITY OF NIAGARA FALLS, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

- *Restricted for miscellaneous* – represents casino revenues allocated from New York State. These funds are restricted for various purposes as determined by law.
- *Restricted for Tourism and Trolley Services* – represents funds set aside to be used for the specific programs.

Committed – represents amounts that are subject to a purpose constraint imposed by a formal action of the City’s highest level of decision-making authority. As of December 31, 2020, the City had no committed fund balance.

Assigned – represents amounts that are constrained by the City’s intent to be used for the specified purposes noted below, but are neither restricted nor committed.

- *Assigned to subsequent years’ expenditures* – Represents available fund balance being appropriated to meet expenditure requirements in the 2021 fiscal year.
- *Assigned to specific use* – Represents fund balance within the special revenue funds that is assigned for a specific purpose. The assignment’s purpose relates to each fund’s operations and represents amounts within funds that are not restricted or committed.
- *Assigned for judgments and claims* – represents funds to be used for any future risk financing activities related to judgments and claims.
- *Assigned for dental self insurance* – represents funds to be used for the City’s dental self insurance plan.

Unassigned – represents all amounts not included in other spendable classifications. The General Fund is the only fund that would report a positive amount in unassigned fund balance. Residual deficit amounts of governmental funds would also be reported as in this category.

Detail of Fund Balances

As of December 31, 2020, the governmental fund’s fund balances were classified as follows:

	General	Community Development	Capital Projects	Miscellaneous Special Revenue	Self Insurance	Debt Service	Nonmajor Funds	Total
<u>Nonspendable:</u>								
Prepaid items	\$ 2,179,678	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,179,678
<u>Restricted:</u>								
Casino	-	-	-	1,165,745	-	-	-	1,165,745
Debt service	-	-	-	-	-	1,156,569	-	1,156,569
Community development	-	534,956	-	-	-	-	-	534,956
Tourism	537,604	-	-	-	-	-	-	537,604
Trolley	687,302	-	-	-	-	-	-	687,302
<u>Assigned:</u>								
Capital projects	-	-	5,720,666	-	-	-	-	5,720,666
Judgments and claims	-	-	-	-	1,292,815	-	-	1,292,815
Dental insurance	-	-	-	-	1,020,394	-	-	1,020,394
Workers' compensation	-	-	-	-	1,509,878	-	-	1,509,878
Library	-	-	-	-	-	-	90,401	90,401
<u>Unassigned:</u>								
General Fund (deficit)	(3,263,230)	-	-	-	-	-	-	(3,263,230)
Health insurance (deficit)	-	-	-	-	(1,411,466)	-	-	(1,411,466)
<b>Total</b>	<b>\$ 141,354</b>	<b>\$ 534,956</b>	<b>\$ 5,720,666</b>	<b>\$ 1,165,745</b>	<b>\$ 2,411,621</b>	<b>\$ 1,156,569</b>	<b>\$ 90,401</b>	<b>\$ 11,221,312</b>

**CITY OF NIAGARA FALLS, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

**J. INTERFUND ACTIVITIES**

Interfund receivables, payables and transfers as of and for the year ended December 31, 2020, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Community Development	\$ 1,267,913
General	Train Station	98,074
General	Library	11,290
General	Parking Ramp	29,938
Capital Projects	General	4,115,505
Miscellaneous special revenue	General	106,131
Self Insurance	General	1,719,945
Custodial	Stationary	2,969
Custodial	Central Garage	624,896
Total		<u>\$ 7,976,661</u>

Interfund payables to the General Fund are for payroll expenditures. Amounts due to the Self Insurance Fund are for self insured medical insurance. To improve cash management, all City accounts are pooled into a consolidated bank account. The interfund receivables and payables arise due to a reclass of negative pooled cash and are short term in nature and are typically repaid in less than one year.

	<u>Transfer in:</u>						<u>Total</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Miscellaneous Special Revenue</u>	<u>Self Insurance</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	
<u>Transfer out:</u>							
General	\$ -	\$ -	\$ -	\$ 550,000	\$ 6,079,346	\$ 1,985,483	\$ 8,614,829
Capital Projects	-	-	262,511		12,920	-	275,431
Miscellaneous Special Revenue	9,273,705	525,701	-	-	-	-	9,799,406
Debt Service	850,000	-	-	-	-	-	850,000
Nonmajor Funds	547,847	-	-	-	-	-	547,847
Total	<u>\$ 10,671,552</u>	<u>\$ 525,701</u>	<u>\$ 262,511</u>	<u>\$ 550,000</u>	<u>\$ 6,092,266</u>	<u>\$ 1,985,483</u>	<u>\$ 20,087,513</u>

Transfers among funds are provided for as part of the annual budget process. They facilitate annual contributions from the operating budget to other funds. They also include transfers to fund and to close out capital projects for excess cash remaining after the conclusion of the project.

**NOTE 4 – COMMITMENTS AND CONTINGENCIES**

**A. LANDFILL CLOSURE COSTS**

The City has been identified by the United States Environmental Protection Agency (EPA) as a responsible party which can be held liable for a portion of the long-term maintenance and operation of a landfill site in Niagara County.

The City's portion for the long-term maintenance and operation of the landfill has been estimated to be approximately \$630,000. All parties designated as potentially responsible parties by the EPA participated in a Pilot Allocation Program. As a result of the Pilot Allocation Program, the City is required to make annual payments of \$28,000 for the long-term operation and maintenance of the landfill through 2024. Since 2004, the Niagara County Refuse Trust's administration has not requested payment from the City under this program. The liability recorded as Due to Other Governments at December 31, 2020 was \$482,899.

**CITY OF NIAGARA FALLS, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

---

**B. USA NIAGARA DEVELOPMENT CORPORATION MEMORANDUM OF UNDERSTANDING**

In 2014, the City entered into a Memorandum of Understanding with USA Niagara Development Corporation ("USAN") for the City to pay USAN for the operating costs related to the Conference Center on Old Falls Street. USAN delegated Global Spectrum, LP to maintain, manage, and coordinate all activities at the Conference Center on Old Falls Street. The City agreed to pay from its annual share of casino revenues an amount not to exceed \$1,500,000 per year for the years 2014-2018. This is subject to the City reviewing the operating deficits and capital investments in the operating and capital investment budgets. - Due to the ongoing litigation between the Seneca Nation and New York State, the 2017 and 2018 amounts due to USAN is still pending.

**C. CB – EMMANUEL REALTY, LLC CITY LOFTS PROJECT**

During 2017, the City was the recipient of a \$5 million Restore NY Communities grant from New York State Empire State Development. The grant monies were used by the City to loan funds to CB – Emmanuel Realty, LLC, an unrelated third-party, to be used in construction of the Niagara City Lofts housing project. Per the terms of the loan agreement, repayment of the \$5 million principal balance plus one percent interest annually for a term of 30 years, is due upon completion of the project. However, this is contingent on the annual net cash flows of the project. If the annual net cash flow of the project is not sufficient to make payment in any year, the accrued interest shall be deferred and payable with the final payment.

**D. ASSESSMENTS**

The City is a defendant in various litigation under Article 7 of the Real Property Tax Law of the State of New York to review tax assessments. While the City vigorously defends assessments, the likelihood of success is on a case by case basis, and is dependent upon various factors including market values and appraised amounts. Management believes that the level of potential losses on these cases, if any, would be immaterial and no provisions have been made within the financial statements.

**E. OTHER**

*Other* - On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus included restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The City's management assessed these events and the impact of these restrictions and closures related to the City's operations. As of the date of these financial statements and as these events continue to unfold, management believes there will still be an impact related to various revenue sources collected by the City related to sales tax, occupancy tax, and downtown parking fees that the City will receive in fiscal year 2021, due in part to the continued closure of the U.S./Canadian border crossing. The 2021 budget has been adapted to account for this anticipated revenue reduction.

*Litigation* - The City is also involved in litigation arising in the ordinary course of its operations. The City believes that its ultimate liability, if any, in connection with these matters will not have a material effect on the City's financial condition or results of operations.

**NOTE 5 – RISK FINANCING**

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has determined that it was not economically justifiable to carry insurance for risks or loss related to torts and other general liability claims except for amounts in excess of \$1,000,000. The City's insurance provides coverage of up to \$5,000,000 per occurrence and \$15,000,000 in the aggregate. The City is self-insured for unemployment insurance and certain employee health plans. Amounts paid for unemployment and general liability claims were not material to the City's financial statements. Claims settlements over the past four years have not exceeded the available insurance coverage. The City reports all of its risk management activities in its Self Insurance Fund. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.



**CITY OF NIAGARA FALLS, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

The City's Corporation Counsel assesses liability for unpaid claims on a case-by-case basis. Resolution of outstanding unpaid claims is not expected to be material to the financial statements.

Total expenditures for claims and judgments recorded in the City's governmental funds for the year ended December 31, 2020 was \$314,015.

The workers' compensation plan maintains excess insurance, which insures against catastrophic claim losses for amounts over \$500,000, per occurrence, up to the limitations provided under the contract. The plan establishes reserve liabilities based on the estimated cost of individual claims incurred. Those estimates are determined based on many factors, one of the most significant being past experience. Since the reserve liability is an estimate it may not reflect the plan's ultimate liability. This is reported as a long-term liability on the government-wide financial statements.

The City's estimated claims since December 31, 2018 for the workers' compensation plan are noted below.

	Workers' Compensation
Estimated claims December 31, 2018	\$ 11,261,755
Claims incurred and adjustments during 2019	3,503,017
Payments made during 2019	<u>(2,811,452)</u>
Estimated claims December 31, 2019	<u>11,953,320</u>
Claims incurred and adjustments during 2020	1,234,184
Payments made during 2020	<u>(2,085,379)</u>
Estimated claims December 31, 2020	<u><u>\$ 11,102,125</u></u>

The City provides health insurance through various insurance programs to its employees. The claim liability is reported as fund balance in the Self Insurance Fund. During the current year the amount budgeted and transferred for claim expenditures exceeded actual claim costs reducing the deficit unassigned fund by \$2,095,124. The City maintains stop loss coverage for claims in excess of \$250,000 per occurrence. Due to the short-term nature of this liability, it is included in accrued liabilities on the governmental fund financial statements.

The City's estimated claims since December 31, 2018 for the medical and dental insurance program are noted below.

	Health Insurance
Estimated claims December 31, 2018	\$ 890,947
Claims incurred and adjustments during 2019	18,611,690
Payments made during 2019	<u>(18,770,755)</u>
Estimated claims December 31, 2019	<u>731,882</u>
Claims incurred and adjustments during 2020	15,604,933
Payments made during 2020	<u>(15,647,367)</u>
Estimated claims December 31, 2020	<u><u>\$ 689,448</u></u>

**NOTE 6 – TAX ABATEMENTS**

The City has multiple real property tax abatement agreements entered into by the Niagara County Industrial Development Agency (NCIDA) under Article 18-A of the real property tax law. These agreements provide for abatement of real property taxes in exchange for a payment in lieu of taxes (PILOT) and are under one of the following two programs:

**Industrial Real Property Tax Abatement**

To increase economic development and job growth, the NCIDA has PILOT programs for commercial and industrial projects. Projects include a PILOT with real property tax abatement of 10 years for Commercial projects and 15 years for Industrial projects. The total amount of taxes abated under this program was \$9,823,727 for the year ended December 31, 2020.

**CITY OF NIAGARA FALLS, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**Opportunity Zones Program**

To increase investment within the distressed downtown areas of Niagara County, the Opportunity Zones program provides incentives for small retail related companies and commercial businesses to expand or relocate to Niagara County with a 5 year PILOT agreement. The City did not have any tax abatements under this program for the year ended December 31, 2020.

**NOTE 7 – SUBSEQUENT EVENTS**

On May 18, 2021, the City received the first installment of funding awarded through the American Rescue Plan (ARP) in the amount of \$28,603,764. The City was awarded \$57,207,528 in total.

Management has evaluated subsequent events through September 22, 2021 which is the date the financial statements are available for issuance and have determined there are no subsequent events that require disclosure under generally accepted accounting principles other than the matter referred to above.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF NIAGARA FALLS, NEW YORK  
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget</u>
<b>REVENUES</b>				
Real property taxes	\$ 30,592,678	\$ 30,592,678	\$ 30,123,143	\$ (469,535)
Real property tax items	5,097,084	5,212,934	3,948,445	(1,264,489)
Non-property tax items	19,100,000	19,100,000	17,786,232	(1,313,768)
Departmental income	4,642,104	4,642,104	3,305,907	(1,336,197)
Intergovernmental charges	1,261,654	1,261,654	1,277,606	15,952
Use of money and property	667,451	667,451	558,649	(108,802)
Licenses and permits	933,290	933,290	845,758	(87,532)
Fines and forfeitures	671,000	671,000	362,592	(308,408)
Sale of property and compensation for loss	37,750	37,750	134,776	97,026
Miscellaneous local sources	307,500	307,500	257,736	(49,764)
Interfund revenues	273,200	273,200	162,966	(110,234)
State sources	18,966,326	18,966,326	17,791,894	(1,174,432)
<b>Total revenues</b>	<u>82,550,037</u>	<u>82,665,887</u>	<u>76,555,704</u>	<u>(6,110,183)</u>
<b>EXPENDITURES</b>				
Current:				
General government	11,437,921	10,348,774	9,281,569	1,067,205
Public safety	40,059,662	41,010,274	40,555,715	454,559
Transportation	4,268,787	4,350,095	3,964,875	385,220
Economic assistance and opportunity	468,000	502,999	501,963	1,036
Culture and recreation	3,144,865	3,144,240	2,848,356	295,884
Home and community services	6,371,661	6,436,199	6,339,729	96,470
Employee benefits	20,427,686	20,435,946	19,701,028	734,918
<b>Total expenditures</b>	<u>86,178,582</u>	<u>86,228,527</u>	<u>83,193,235</u>	<u>3,035,292</u>
Deficit of revenues over expenditures	(3,628,545)	(3,562,640)	(6,637,531)	(3,074,891)
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers in	12,419,319	12,419,319	10,829,200	(1,590,119)
Interfund transfers out	(8,790,774)	(8,827,816)	(8,614,829)	212,987
<b>Total other financing sources (uses)</b>	<u>3,628,545</u>	<u>3,591,503</u>	<u>2,214,371</u>	<u>(1,377,132)</u>
Net change in fund balance **	-	28,863	(4,423,160)	(4,452,023)
Fund balance - beginning	4,828,536	4,828,536	4,828,536	-
Fund balance - ending	<u>\$ 4,828,536</u>	<u>\$ 4,857,399</u>	<u>\$ 405,376</u>	<u>\$ (4,452,023)</u>

\*\* The net change in fund balance is included in the budget as an appropriation (i.e spenddown) of fund balance and re-appropriation of prior year encumbrances.

**CITY OF NIAGARA FALLS, NEW YORK  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY –  
EMPLOYEES' AND POLICE AND FIRE RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS\***

**EMPLOYEES' RETIREMENT SYSTEM**

	<b>Year Ended December 31,</b>					
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Measurement date	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020
City's proportion of the net pension liability	0.0453898%	0.0443032%	0.0439208%	0.0462646%	0.0454574%	0.0432816%
City's proportionate share of the net pension liability	\$ <u>1,533,380</u>	\$ <u>7,110,780</u>	\$ <u>4,126,895</u>	\$ <u>1,493,165</u>	\$ <u>3,220,796</u>	\$ <u>11,461,209</u>
City's covered payroll	\$ 11,848,000	\$ 12,172,000	\$ 13,443,401	\$ 13,934,155	\$ 13,443,735	\$ 12,856,461
City's proportionate share of the net pension liability as a percentage of its covered payroll	12.9%	58.4%	30.7%	10.7%	24.0%	89.1%
Plan fiduciary net position as a percentage of the total pension liability	97.9%	90.7%	94.7%	98.2%	96.3%	86.4%

**POLICE AND FIRE RETIREMENT SYSTEM**

	<b>Year Ended December 31,</b>					
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Measurement date	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020
City's proportion of the net pension liability	0.7631545%	0.7162741%	0.7073095%	0.8017391%	0.7005245%	0.7030899%
City's proportionate share of the net pension liability	\$ <u>2,100,656</u>	\$ <u>21,207,352</u>	\$ <u>14,660,064</u>	\$ <u>8,103,633</u>	\$ <u>12,618,999</u>	\$ <u>37,579,716</u>
City's covered payroll	\$ 22,813,000	\$ 28,390,000	\$ 26,915,367	\$ 26,615,984	\$ 25,804,158	\$ 25,204,900
City's proportionate share of the net pension liability as a percentage of its covered payroll	9.2%	74.7%	54.5%	30.4%	48.9%	149.1%
Plan fiduciary net position as a percentage of the total pension liability	98.5%	90.2%	93.5%	96.9%	95.1%	84.9%

\*This Schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

The notes to the required supplementary information are an integral part of this schedule.

**CITY OF NIAGARA FALLS, NEW YORK  
SCHEDULE OF THE CITY'S PENSION CONTRIBUTIONS - EMPLOYEES' AND POLICE AND FIRE RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS\***

**EMPLOYEES' RETIREMENT SYSTEM**

	<b>Year Ended December 31,</b>					
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Contractually required contribution	\$ 2,202,000	\$ 1,882,000	\$ 2,268,227	\$ 2,285,069	\$ 2,209,402	\$ 2,144,667
Contributions in relation to the contractually required contribution	<u>2,202,000</u>	<u>1,882,000</u>	<u>2,268,227</u>	<u>2,285,069</u>	<u>2,209,402</u>	<u>2,144,667</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 11,776,043	\$ 12,319,663	\$ 14,420,796	\$ 13,486,712	\$ 13,727,683	\$ 12,374,342
Contributions as a percentage of covered payroll	18.7%	15.3%	15.7%	16.9%	16.1%	17.3%

**POLICE AND FIRE RETIREMENT SYSTEM**

	<b>Year Ended December 31,</b>					
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Contractually required contribution	\$ 5,909,000	\$ 5,960,000	\$ 6,818,083	\$ 6,617,724	\$ 6,438,361	\$ 6,540,152
Contributions in relation to the contractually required contribution	<u>5,909,000</u>	<u>5,960,000</u>	<u>6,818,083</u>	<u>6,617,724</u>	<u>6,438,361</u>	<u>6,540,152</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 22,836,686	\$ 26,328,810	\$ 28,072,144	\$ 27,244,427	\$ 27,272,856	\$ 26,687,688
Contributions as a percentage of covered payroll	25.9%	22.6%	24.3%	24.3%	23.6%	24.5%

\*Pension Schedules in the Required Supplemental Information are intended to show information for ten years, additional years' information will be displayed as it becomes available.

**CITY OF NIAGARA FALLS, NEW YORK  
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS  
LAST TEN FISCAL YEARS \***

<b><u>Total OPEB Liability</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>
Service cost	\$ 16,064,796	\$ 13,507,520	\$ 12,912,502
Interest	13,279,140	13,685,909	9,336,429
Changes of benefit terms	-	-	12,230,642
Differences between expected and actual experience	-	(57,478,786)	(49,742,241)
Changes of assumptions or other inputs	(48,737,821)	61,610,148	48,597,512
Benefit payments	<u>(9,927,056)</u>	<u>(10,750,741)</u>	<u>(9,996,184)</u>
<b>Net change in total OPEB liability</b>	<b>(29,320,941)</b>	<b>20,574,050</b>	<b>23,338,660</b>
<b>Total OPEB liability - beginning</b>	<b><u>390,081,211</u></b>	<b><u>360,760,270</u></b>	<b><u>381,334,320</u></b>
<b>Total OPEB liability - ending</b>	<b><u>\$ 360,760,270</u></b>	<b><u>\$ 381,334,320</u></b>	<b><u>\$ 404,672,980</u></b>
<b>Covered-employee payroll</b>	<b>\$ 42,163,658</b>	<b>\$ 41,991,359</b>	<b>\$ 39,965,184</b>
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	<b>855.62%</b>	<b>908.13%</b>	<b>1012.56%</b>

\* This Schedule is intended to show information for ten years. Additional years will be included as they become available.

**CITY OF NIAGARA FALLS, NEW YORK  
NOTES TO REQUIRE SUPPLEMENTARY INFORMATION**

---

**NOTE 1 - BUDGETARY INFORMATION**

**BUDGETARY BASIS OF ACCOUNTING**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. The budgetary schedule for the General Fund does not include the risk retention fund, tourism fund or grant fund which do not have legally adopted budgets. The Capital Projects Fund is appropriated on a project-length basis. Other special revenue funds do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

Capital Projects Fund appropriations are not included in the City's annual budget. Instead appropriations are approved through a City Council resolution at the project's inception and lapse upon termination of the project.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

**NOTE 2 - FACTORS AFFECTING TRENDS IN THE RETIREMENT SYSTEM**

The City's proportionate share of the net pension liability of the pension systems is significantly dependent on the performance of the stock market and the funds that the retirement system invests in. The discount rate in effect at each measurement date is as follows:

	ERS	PFRS
<u>Year ended March 31:</u>		
2020	6.80%	6.80%
2019	7.00%	7.00%
2018	7.00%	7.00%
2017	7.00%	7.00%
2016	7.00%	7.00%
2015	7.50%	7.50%

**NOTE 3 - FACTORS AFFECTING TRENDS IN THE RETIREE HEALTH PLAN (OPEB)**

The City's retiree health plans most significant factors and assumptions affecting the total OPEB liability are as follows:

	Long-Term Bond Rate	Salary Scale	Single Discount Rate	Ultimate Healthcare Cost Trend Rate
<u>Year Ended December 31:</u>				
2020	2.00%	2.00%	2.00%	3.78%
2019	2.75%	2.00%	2.75%	3.78%
2018	3.71%	2.00%	3.71%	3.78%



## **SUPPLEMENTARY INFORMATION**

**CITY OF NIAGARA FALLS, NEW YORK  
 COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2020**

	<u>Train Station</u>	<u>Public Library</u>	<u>Parking Ramp</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 150,156	\$ 1,540	\$ 151,696
Accounts Receivables	115,098	-	45,975	161,073
Total assets	<u>\$ 115,098</u>	<u>\$ 150,156</u>	<u>\$ 47,515</u>	<u>\$ 312,769</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 17,024	\$ 48,465	\$ 16,547	\$ 82,036
Accrued liabilities	-	-	1,030	1,030
Due to other funds	98,074	11,290	29,938	139,302
Total liabilities	<u>115,098</u>	<u>59,755</u>	<u>47,515</u>	<u>222,368</u>
<b>FUND BALANCES</b>				
Assigned	-	90,401	-	90,401
Total fund balances	<u>-</u>	<u>90,401</u>	<u>-</u>	<u>90,401</u>
Total liabilities and fund balances	<u>\$ 115,098</u>	<u>\$ 150,156</u>	<u>\$ 47,515</u>	<u>\$ 312,769</u>

**CITY OF NIAGARA FALLS, NEW YORK  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Train Station</u>	<u>Public Library</u>	<u>Parking Ramp</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>				
Departmental income	\$ 261,845	\$ -	\$ 962,471	\$ 1,224,316
Total revenues	<u>261,845</u>	<u>-</u>	<u>962,471</u>	<u>1,224,316</u>
<b>EXPENDITURES</b>				
Current:				
General government	325,629	-	363,128	688,757
Culture and recreation	-	1,035,957	-	1,035,957
Employee benefits	84,798	686,197	56,355	827,350
Total expenditures	<u>410,427</u>	<u>1,722,154</u>	<u>419,483</u>	<u>2,552,064</u>
Excess (deficit) of revenues over expenditures	<u>(148,582)</u>	<u>(1,722,154)</u>	<u>542,988</u>	<u>(1,327,748)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers in	148,582	1,832,042	4,859	1,985,483
Interfund transfers out	<u>-</u>	<u>-</u>	<u>(547,847)</u>	<u>(547,847)</u>
Total other financing sources (uses)	<u>148,582</u>	<u>1,832,042</u>	<u>(542,988)</u>	<u>1,437,636</u>
Net change in fund balances	-	109,888	-	109,888
Fund balances (deficit) - beginning	<u>-</u>	<u>(19,487)</u>	<u>-</u>	<u>(19,487)</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ 90,401</u>	<u>\$ -</u>	<u>\$ 90,401</u>

**CITY OF NIAGARA FALLS, NEW YORK**  
**COMBINING BALANCE SHEET – PROPRIETARY FUNDS – INTERNAL SERVICE FUNDS**  
**DECEMBER 31, 2020**

	<u>Postage</u>	<u>Stationary</u>	<u>Telephone</u>	<u>Central Garage</u>	<u>Copier Lease</u>	<u>Total</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,660	\$ -	\$ 3,010	\$ -	\$ -	\$ 5,670
Prepaid items	-	-	-	100	-	100
Inventory	3,736	3,037	-	730,398	-	737,171
Total assets	<u>6,396</u>	<u>3,037</u>	<u>3,010</u>	<u>730,498</u>	<u>-</u>	<u>742,941</u>
<b>LIABILITIES</b>						
Accounts payable	5,000	-	-	23,185	-	28,185
Due to other funds	-	2,969	-	624,896	-	627,865
Total liabilities	<u>5,000</u>	<u>2,969</u>	<u>-</u>	<u>648,081</u>	<u>-</u>	<u>656,050</u>
<b>NET POSITION</b>						
Unrestricted	1,396	68	3,010	82,417	-	86,891
Total net position	<u>\$ 1,396</u>	<u>\$ 68</u>	<u>\$ 3,010</u>	<u>\$ 82,417</u>	<u>\$ -</u>	<u>\$ 86,891</u>

**CITY OF NIAGARA FALLS, NEW YORK  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY  
 FUNDS – INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2020**

---

	<u>Postage</u>	<u>Stationary</u>	<u>Telephone</u>	<u>Central Garage</u>	<u>Copier Lease</u>	<u>Total</u>
<b>REVENUES</b>						
Charges for services	\$ 44,128	\$ 1,407	\$ 54,562	\$ 452,672	\$ 31,786	\$ 584,555
Total revenues	<u>44,128</u>	<u>1,407</u>	<u>54,562</u>	<u>452,672</u>	<u>31,786</u>	<u>584,555</u>
<b>EXPENSES</b>						
Contractual expenses	<u>44,128</u>	<u>1,489</u>	<u>54,562</u>	<u>614,100</u>	<u>31,786</u>	<u>746,065</u>
Total expenses	<u>44,128</u>	<u>1,489</u>	<u>54,562</u>	<u>614,100</u>	<u>31,786</u>	<u>746,065</u>
Changes in net position	-	(82)	-	(161,428)	-	(161,510)
Net position - beginning	<u>1,396</u>	<u>150</u>	<u>3,010</u>	<u>243,845</u>	-	<u>248,401</u>
Net position - ending	<u><u>1,396</u></u>	<u><u>68</u></u>	<u><u>3,010</u></u>	<u><u>82,417</u></u>	<u><u>-</u></u>	<u><u>86,891</u></u>

**CITY OF NIAGARA FALLS, NEW YORK  
COMBINING STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS – INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Postage</u>	<u>Stationary</u>	<u>Telephone</u>	<u>Central Garage</u>	<u>Copier Lease</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from providing services	\$ 44,128	\$ 1,407	\$ 54,562	\$ 452,672	\$ 31,786	\$ 584,555
Cash payments for contractual expenses	<u>(45,000)</u>	<u>(1,407)</u>	<u>(54,562)</u>	<u>(452,672)</u>	<u>(34,643)</u>	<u>(588,284)</u>
Net cash used by operating activities	<u>(872)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,857)</u>	<u>(3,729)</u>
Net decrease in cash and cash equivalents	(872)	-	-	-	(2,857)	(3,729)
Cash and cash equivalents - beginning	<u>3,532</u>	<u>-</u>	<u>3,010</u>	<u>-</u>	<u>2,857</u>	<u>9,399</u>
Cash and cash equivalents - ending	<u>\$ 2,660</u>	<u>\$ -</u>	<u>\$ 3,010</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,670</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>						
Operating loss	\$ -	\$ (82)	\$ -	\$ (161,428)	\$ -	\$ (161,510)
Adjustments to reconcile operating loss to net cash used by operating activities:						
Decrease in prepaid items	-	-	-	235	-	235
Decrease (increase) in inventory	(872)	1,122	-	-	-	250
(Decrease) in accounts payable	-	(2,541)	-	(49,962)	(2,857)	(55,360)
Increase in due to other funds	<u>-</u>	<u>1,501</u>	<u>-</u>	<u>211,155</u>	<u>-</u>	<u>212,656</u>
Net cash used by operating activities	<u>\$ (872)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,857)</u>	<u>\$ (3,729)</u>

## **FEDERAL FINANCIAL ASSISTANCE**

**CITY OF NIAGARA FALLS, NEW YORK  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass Through Entity Identifying Number	Passed-Through to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Housing and Urban Development</b>				
<i>Direct Programs:</i>				
<i>CDBG - Entitlement Grants Cluster</i>				
Community Development Block Grants/Entitlement Grants	14.218	--	\$ 435,501	\$ 2,444,246
COVID-19 - Community Development Block Grants/Entitlement Grants	14.218	--	328,195	331,363
<i>Total CDBG - Entitlement Grants Cluster</i>			<u>763,696</u>	<u>2,775,609</u>
Emergency Solutions Grant Program	14.231	--	123,973	134,880
COVID-19 - Emergency Solutions Grant Program	14.231	--	303,482	303,482
<i>Total Emergency Solutions Grant</i>			<u>427,455</u>	<u>438,362</u>
Home Investment Partnerships Program	14.239	--	135,886	201,403
<i>Section 8 Project-Based Cluster</i>				
Lower Income Housing Assistance Program-Section 8 Moderate Rehabilitation	14.856	--	-	48,337
<i>Total Section 8 Project-Based Cluster</i>			<u>-</u>	<u>48,337</u>
<i>Housing Voucher Cluster</i>				
Section 8 Housing Choice Vouchers	14.871	--	-	3,902,081
<i>Total Housing Voucher Cluster</i>			<u>-</u>	<u>3,902,081</u>
Total U.S. Department of Housing and Urban Development			<u>1,327,037</u>	<u>7,365,792</u>
<b>U.S. Department of Justice</b>				
<i>Direct Program:</i>				
COVID-19 - Coronavirus Emergency Supplemental Funding Program	16.034	--	-	102,549
Total U.S. Department of Justice			<u>-</u>	<u>102,549</u>
<b>U.S. Department of Transportation</b>				
<i>Passed through New York State Department of Transportation:</i>				
<i>Highway Planning and Construction Cluster</i>				
Highway Planning and Construction	20.205	D017307	-	2,400
Highway Planning and Construction	20.205	D035642	-	304,000
Highway Planning and Construction	20.205	D035999	-	17,027
Highway Planning and Construction	20.205	D036278	-	48,100
Highway Planning and Construction	20.205	D035964	-	66,609
Highway Planning and Construction	20.205	D263803	-	40,280
Highway Planning and Construction	20.205	D040045	-	65,899
<i>Total Highway Planning and Construction Cluster</i>			<u>-</u>	<u>544,315</u>
Total U.S. Department of Transportation			<u>-</u>	<u>544,315</u>
<b>Total Expenditures of Federal Awards</b>			<b>\$ <u>1,327,037</u></b>	<b>\$ <u>8,012,656</u></b>



**CITY OF NIAGARA FALLS, NEW YORK  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

---

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the federal assistance programs administered by the City of Niagara Falls, New York (the City) under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

**NOTE 2 – BASIS OF ACCOUNTING**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The amounts reported as federal expenditures were obtained from the City's financial reporting system, which is the source of the City's basic financial statements.

**NOTE 3 – INDIRECT COST**

The City has elected not to use the 10-percent de minimis indirect cost rate allowable under the Uniform Guidance.

## **INTERNAL CONTROL AND COMPLIANCE**

**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**

**INDEPENDENT AUDITOR'S REPORT**

The Honorable Members of City Council  
City of Niagara Falls, New York

We have audited, 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, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Niagara Falls, New York (the City), as of and for the year ended December 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 September 22, 2021. Our report includes a reference to other auditors who audited the financial statements of the Niagara Falls Public Library, as described in our report on the City's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by the other auditor. However, this report, insofar as it related to the results of the other auditor, is based solely on the report of the other auditor.

**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 determination of financial statement amounts. 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying *Schedule of Findings and Questioned Costs* as item 2020-001.

## **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.

*Freed Maxick CPAs, P.C.*

Buffalo, New York  
September 22, 2021



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

**INDEPENDENT AUDITOR'S REPORT**

The Honorable Members of City Council  
City of Niagara Falls, New York

**Report on Compliance for Each Major Federal Program**

We have audited the City of Niagara Falls, New York's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2020. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified opinion on compliance for major federal programs. However, our audit does not provide a legal determination of the City's compliance.

***Basis for Qualified Opinion on 14.218 – CDBG-Entitlement Grants Cluster, 14.239 – Home Investment Partnership Program and 14.871 – Housing Voucher Cluster***

As described in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding *14.218 – CDBG Entitlement Grants Cluster, 14.239 – Home Investment Partnership Program (not a major program in the current year) and 14.871 – Housing Voucher Cluster as described in finding number 2020-001 for Allowable Costs – Time and Effort*. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to those programs.

**Qualified Opinion on 14.218 – CDBG-Entitlement Grants Cluster, 14.239 – Home Investment Partnership Program and 14.871 – Housing Voucher Cluster**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CDBG Entitlement Grants Cluster and Housing Voucher Cluster for the year ended December 31, 2020.

**Other Matters**

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2020-002, 2020-003, 2020-004 and 2020-006. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2020-001, 2020-002, 2020-003, 2020-004, 2020-005 and 2020-006 to be material weaknesses.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

*Fred Maxick CPAs, P.C.*  
Buffalo, New York  
September 22, 2021

**CITY OF NIAGARA FALLS, NEW YORK  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED DECEMBER 31, 2020 (Continued)**

**I. SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified?  yes  none reported

Noncompliance material to financial statements noted?

yes  no

***Federal Awards***

Internal control over major federal programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified?  yes  none reported

Type of auditor's report(s) issued on compliance for major federal programs:

Qualified - all major federal programs

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes  no

Identification of major federal programs:

Assistance Listing Number(s)

Name of Federal Program or Cluster

14.218  
14.871

CDBG-Entitlement Grant Cluster  
Housing Voucher Cluster

Dollar threshold used to distinguish between Type A and Type B Programs:

\$750,000

Auditee qualified as low-risk auditee?

yes  no

**CITY OF NIAGARA FALLS, NEW YORK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2020 (Continued)**

---

**II. FINANCIAL STATEMENT FINDINGS**

There were no financial statement findings noted for the year ended December 31, 2020.

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION**

**2020-001 Allowable Costs - Time and Effort**

*Assistance Listing No. 14.218 – CDBG-Entitlement Grants Cluster  
14.239 – Home Investment Partnership Program  
14.871 – Housing Voucher Cluster  
Direct Award for the Year Ended December 31, 2020  
Federal Agency: U.S. Department of Housing and Urban Development*

*Criteria:* The City is required to establish and maintain effective internal controls that comply with cost principles identified by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Subpart D; Section 200.303 *Internal Controls* and Subpart E; Sections 200.430, 200.430(a) and 200.430(i) *Standards for Documentation of Personnel Expenses*.

*Condition:* The City allocates payroll by employee to specific grant programs at the time of hire and/or during the annual budget process, using the expectations of what program the employee will be assigned to. However, the City does not perform monitoring activities over the actual time worked towards a specific federal program in order to ensure appropriate allocations of time worked are claimed against each applicable federal program.

*Cause:* The City has a process in place for employees to complete timecards for overall hours worked, however these timecards do not indicate the allocation of time spent on individual federal programs. There is no process in place to provide monitoring related to the payroll allocations of time worked by employees on each federal program in order to determine the allocation of time and effort to each federal program was appropriate and updated in a timely manner.

*Effect or potential effect:* The City allocates an employee to specific federal programs at the time of hire and/or during the annual budget process, however there are no monitoring activities being performed over the actual time worked towards a specific federal program. As a result, we were unable to determine if payroll expenditures under the major federal programs noted above were appropriately charged and allowable in order to be deemed in compliance with the Uniform Guidance. Failure to ensure compliance with the Uniform Guidance could have funding implications in the future.

*Questioned costs:* Questioned costs cannot be reasonably determined.

*Context:* This finding was identified through inquiries of newly appointed management and audit testing related to allowable cost activities for the major federal programs noted above. There was significant turnover in the City's Department of Community Development, who administered the major programs noted above, during the 2019 fiscal year, which continued to impact the 2020 fiscal year.

*Identification as a repeat finding:* This finding was reported in the fiscal year ended December 31, 2019 as item 2019-001.

*Recommendation:* Effective for the fiscal year ending December 31, 2021, the City has established written control procedures that relate to their standards of documentation of personnel expenditures and monitoring over their time and effort certifications. These procedures will assist the City in ensuring compliance with the requirements of the Uniform Guidance, ensure time and effort certifications are maintained in a timely manner, and allow for review to verify all time and effort is being appropriately charged to the related federal programs. We recommend that the City implement and adhere to these procedures for the 2021 fiscal year.



**CITY OF NIAGARA FALLS, NEW YORK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2020 (Continued)**

---

*Views of Responsible Officials:* An internal procedure has been created whereby hours worked are accounted for by the respective employees within their respective HUD program (Community Planning & Development or Housing Choice Voucher Program). On an annual basis the percentage of time allocated to each grant will be updated within the payroll system for each employee to better reflect the time and effort spent administering each grant award. The Community Development Finance Manager will track all hours and adjustments will be recorded within the Payroll system to more accurately reflect the percentage of time spent on each grant at least on an annual basis.

**2020-002      Period of Performance – Timeliness**

*Assistance Listing No.14.218 – CDBG Entitlement Grants Cluster  
Direct Award for the Year Ended December 31, 2020  
Federal Agency: U.S. Department of Housing and Urban Development (HUD)*

*Criteria:* The City is required to establish and maintain an effective control environment, and monitor compliance with the period of performance requirement of this federal award, per Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, Audit Requirements for Federal Awards* (Uniform Guidance), Subpart D; Section 200.303 *Internal Controls* and under the provisions of 24 CFR 570.902 of the CDBG regulations. A grantee is considered to meet period of performance and be timely, if 60 days prior to the end of the grantee's program year, the balance in its line-of-credit does not exceed 1.5 times the annual grant.

To determine whether entitlement grantees meet timely performance, HUD calculates the ratio of unexpended funds to the annual grant award 60 days prior to the end of the program year. To do this HUD sums the amount of program income the grantee has on hand with the amount of funds remaining in the CDBG line of credit and divides by the amount of the annual grant award. If the ratio is less than or equal to 1.5, then the grantee has met the timely performance requirement. This requirement is monitored using the IDIS CDBG Timeliness Report (PR56 report).

*Condition:* The City's Department of Community Development did not have an established internal control process to appropriately monitor the timeliness requirement and ensure compliance. The City exceeded the allowable balance in its line-of-credit with a ratio of greater than 1.5, resulting in noncompliance with this period of performance requirement.

*Cause:* The City did not have an established control process in place to appropriately monitor and ensure compliance with these requirements.

*Effect or potential effect:* The City is not in compliance with the federal program's period of performance requirement. Noncompliance could have funding implications in the future.

*Questioned costs:* No questioned costs identified.

*Context:* This finding was identified through inquiries of newly appointed management and review of the IDIS CDBG Timeliness Report. There was significant turnover in the City's Department of Community Development, who administered the major program noted above, during the 2019 fiscal year, which continued to impact the 2020 fiscal year.

*Identification as a repeat finding:* This finding was reported in the fiscal year ended December 31, 2019 as item 2019-003.

*Recommendation:* We recommend the City's Department of Community Development contact HUD to develop a plan for expending CDBG funds in order to reduce the amount of unexpended funds to a level that will fall within the required parameters. In addition, we recommend implementing a monitoring process over spending of CDBG grant funds to ensure funding is used within the specified time requirements and in compliance with the period of performance requirement.

**CITY OF NIAGARA FALLS, NEW YORK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2020 (Continued)**

---

*Views of Responsible Officials:* The City acknowledges that prior to 2020 there was a lack of internal control over monitoring the timeliness requirement per CDBG regulations. Over each of the past three (3) fiscal years the City has not been in compliance with this regulation, however under new leadership of the department the City has begun to make improvements to its timeliness ratio. The City has also been working with our local HUD representatives in an effort to improve our timeliness ratio so that it is in compliance with the regulation. The City approved in July 2020 the reallocation of previous year's unspent CDBG grant awards in the amount of \$1,209,882. Additionally, various projects previously awarded were ones that took multiple years to complete, resulting in the City failing the timeliness requirement. Going forward, the City will consider the timing aspect of projects (i.e. estimated start date and estimated completion date) when determining the allocation of CDBG grant awards.

**2020-003 Reporting – Financial and Performance Reporting**

*Assistance Listing No.14.218 – CDBG Entitlement Grants Cluster  
Direct Award for the Year Ended December 31, 2020  
Federal Agency: U.S. Department of Housing and Urban Development*

*Criteria:* The City is required to establish and maintain an effective control environment and complete timely financial and performance reports per Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Subpart D; Section 200.303 *Internal Controls* to ensure compliance with reporting requirements of the federal award. The City is required to submit a Consolidated Annual Performance and Evaluation Report (CAPER) and the HUD 60002, *Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons* (OMB No. 2529-0043). These reports are required to be submitted 90 days after the end of a grantee's program year. Additionally, the City is required to submit a SF-425, Federal Financial Report each quarter, within 30 days after the quarter end.

*Condition:* The City's Department of Community Development did not establish a control environment over the preparation and submission of the CAPER, the Section 3 Summary Report, and the SF-425. The City did not submit the CAPER, Section 3 Summary Reports and the SF-425 Financial Report within the established timeframe required by the federal agency, resulting in noncompliance with the reporting requirements.

*Cause:* The City did not have an established control process in place to appropriately monitor and ensure compliance with these requirements.

*Effect or potential effect:* The City is not in compliance with the reporting requirements of the federal program. Noncompliance could have funding implications in the future.

*Questioned costs:* No questioned costs identified.

*Context:* This finding was identified through inquiries of newly appointed management and testing performed over the preparation and submission of reporting requirements. There was significant turnover in the City's Department of Community Development, who administered the major program noted above, during the 2019 fiscal year, which continued to impact the 2020 fiscal year.

*Identification as a repeat finding:* This finding was reported in the fiscal year ended December 31, 2019 as item 2019-004.

*Recommendation:* Effective for the fiscal year ending December 31, 2021, the City's Department of Community Development has established a control environment over the preparation of their reporting requirements, and a monitoring process to ensure reporting deadlines are met. We recommend that the City implement and adhere to these procedures for the 2021 fiscal year.

*Views of Responsible Officials:* A new procedure was created in 2020 to assist in the preparation and submission of the annual CAPER and Section 3 summary Report.

**CITY OF NIAGARA FALLS, NEW YORK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2020 (Continued)**

---

**2020-004 Eligibility Determination**

*Assistance Listing No.14.871 – Housing Voucher Cluster  
Direct Award for the Year Ended December 31, 2020  
Federal Agency: U.S. Department of Housing and Urban Development*

*Criteria:* The City is required to establish and maintain an effective control environment, per Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Subpart D; Section 200.303 *Internal Controls* to ensure compliance with the eligibility requirements of the federal award.

*Condition:* The City's Department of Community Development has not conducted supervisory reviews over eligibility determinations for those participating in the Housing Voucher grant program.

*Cause:* The City has not established a control process for supervisory review over eligibility determinations.

*Effect or potential effect:* The lack of a supervisory review process over eligibility determinations could result in noncompliance with the eligibility requirements under the federal award and unallowable costs being charged to the program.

*Questioned costs:* No questioned costs identified.

*Context:* This finding was identified through inquiries of newly appointed management and testing performed over the City's eligibility determinations. There was significant turnover in the City's Department of Community Development, who administered the major program noted above, during the 2019 fiscal year, which continued to impact the 2020 fiscal year.

*Identification as a repeat finding:* This finding was reported in the fiscal year ended December 31, 2019 as item 2019-006.

*Recommendation:* We recommend the City's Department of Community Development develop and implement a written process to ensure an individual independent of the eligibility determination is performing a review over the determination, prior to disbursing funds to the grant applicant.

*Views of Responsible Officials:* Quality assurance reviews of supervisory Section 8 eligibility determinations get conducted during the month of January and February each year. This corresponds with the HUD required HUD SEMAP certification. HUD SEMAP Indicator #3 mandates Section 8 Programs review a SEMAP sample of participant files to determine income eligibility was calculated correctly prior to the SEMAP submission. Due to COVID-19, HUD has waived the submission of the HUD SEMAP certification for the 2020-2022 program years. No additional supervisory reviews are needed for eligibility determinations.

**2020-005 Reporting – Financial and Special Reporting**

*Assistance Listing No.14.871 – Housing Voucher Cluster  
Direct Award for the Year Ended December 31, 2020  
Federal Agency: U.S. Department of Housing and Urban Development*

*Criteria:* The City is required to establish and maintain effective internal controls surrounding the reporting program requirements provided by the federal agency within the Compliance Supplement, per Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Subpart D; Section 200.303 *Internal Controls*. The City is required to submit the HUD52681-B, *Voucher for Payment of Annual Contributions and Operating Statement, Financial Reports* (Financial Assessment Sub-system, FASS-PH) and the HUD-50058, *Family Report*. The information within the financial and special reporting requirements is relied upon by HUD for use in funding determinations, monitoring of program activity and for Section 8 Management Assessment Program (SEMAP) related decisions.

**CITY OF NIAGARA FALLS, NEW YORK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2020 (Continued)**

---

*Condition:* The City's Department of Community Development did not have controls in place surrounding the preparation and submission of the HUD52681-B, Voucher for Payment of Annual Contributions and Operating Statement, Financial Reports and the HUD-50058, Family Report.

*Cause:* The City did not have an established control process in place to appropriately monitor the preparation and filing of the required reports noted above.

*Effect or potential effect:* Without effective internal controls, the City could report inaccurate information to HUD, or neglect to file reports, which could lead to noncompliance under the program requirements.

*Questioned costs:* No questioned costs identified.

*Context:* This finding was identified through inquiries of management and testing performed over the preparation and submission of reporting requirements. There was significant turnover in the City's Department of Community Development during the 2019 fiscal year, which has had a continued impact on the 2020 fiscal year.

*Identification as a repeat finding:* This finding was reported in the fiscal year ended December 31, 2019 as item 2019-007.

*Recommendation:* We recommend the City's Department of Community Development implement monitoring controls over the preparation and submission of the required reporting.

*Views of Responsible Officials:* There is no requirement in 24 CFR Part 982 that requires a Section 8 Housing Choice Voucher Program implement internal controls surrounding the submission of HUD 52681 -B or HUD 50058 data in HUD PIC. On a monthly basis, HUD Financial Management staff notifies the Director of Community Development if there are any changes in the Voucher Management Systems (VMS) data over/under 10% of the previous month's VMS submission. If there are any, a review of the VMS submission by HUD and a response from the PHA would be required. As it relates to the HUD 50058 entries, HUD REAC (PIC) system utilizes a Delinquency Reporting Rate system that cross checks any HUD 50058 submission errors for accuracy. Leased Housing reviews the Department's MTCS Delinquency Reporting Rate monthly for errors and makes the appropriate corrections monthly. No additional supervisory reviews are needed related to the HUD 52681-B submission or the HUD 50058 submissions.

**2020-006 Special Tests and Provisions – Reasonable Rent, Housing Assistance Payment, and Rolling Forward Equity Balances**

*Assistance Listing No.14.871 – Housing Voucher Cluster  
Direct Award for the Year Ended December 31, 2020  
Federal Agency: U.S. Department of Housing and Urban Development*

*Criteria:* The City is required to establish and maintain an effective control environment, per Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), Subpart D; Section 200.303 Internal Controls to ensure compliance with the special tests requirements provided by the federal agency. The federal awarding agency has identified additional requirements under this award, per the Code of Federal Regulations (CFR), related to reasonable rent, housing assistance payment and rolling forward of equity balances.

*Condition:* The City was unable to provide documentation to verify the control process existed surrounding the independent review of the rent comparisons prepared by the caseworker and maintained in the case file, or documentation to verify the control process existed over the independent review of payments processed to owners. The City did not have established controls over the reconciliation of equity balances, accounting for the appropriate HAP and administrative fee equity on an annual basis.

*Cause:* The City did not have an established control process in place to appropriately monitor and ensure compliance with these requirements.

*Effect or potential effect:* Insufficient internal control processes could result in noncompliance related to the requirements noted above.

**CITY OF NIAGARA FALLS, NEW YORK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2020 (Continued)**

---

*Questioned costs:* No questioned costs identified.

*Context:* This finding was identified through inquiries of newly appointed management, as well as control and compliance testing over the requirements identified above. There was significant turnover in the City's Department of Community Development, who administered the major program noted above, during the 2019 fiscal year, which continued to impact to the 2020 fiscal year.

*Identification as a repeat finding:* This finding was reported in the fiscal year ended December 31, 2019 as item 2019-008. The prior year finding related to depository agreements was not noted as a repeat finding in the current year.

*Recommendation:* We recommend the City's Department of Community Development develop a written control process to ensure these requirements are appropriately monitored through independent review, sufficient documentation retained, and reconciliations performed on a consistent basis to ensure the City's compliance with program requirements.

*Views of Responsible Officials:* Section 8 Leased Housing does not create the rent comparable data. The software provider utilized by the staff provides our office with the "rent comparable" data. The Section 8 Leased Housing division utilized an outside Accountant to assist in reviewing and submitting the 2019 FDS for Section 8. The 2019 unaudited FDS (REAC) filing was approved by HUD.

**CITY OF NIAGARA FALLS, NEW YORK  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2020 (Continued)**

---

**I. FINANCIAL STATEMENT FINDINGS**

There were no findings related to the financial statement audit noted for the year ended December 31, 2019.

**II. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION**

**2019-001 Allowable Costs - Time and Effort**

*Assistance Listing No. 14.218 – CDBG Entitlement Grants Cluster  
14.239 – Home Investment Partnership Program  
14.871 – Housing Voucher Cluster*

*Direct Award for the Year Ended December 31, 2019  
Federal Agency: U.S. Department of Housing and Urban Development*

*Criteria:* The City is required to establish and maintain effective internal controls that comply with cost principles identified by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Subpart D; Section 200.303 *Internal Controls* and Subpart E; Sections 200.430, 200.430(a) and 200.430(i) *Standards for Documentation of Personnel Expenses*.

*Condition:* The City allocates payroll by employee to specific grant programs at the time of hire and/or during the annual budget process, using the expectations of what program the employee will be assigned to. However, the City did not perform monitoring activities over the actual time worked towards a specific federal program in order to ensure appropriate allocations of time worked are claimed against each applicable federal program.

*Cause:* The City has a process in place for employees to complete timecards for overall hours worked, however these timecards did not indicate the allocation of time spent on individual federal programs. There was no process in place to provide monitoring related to the payroll allocations of time worked by employees on each federal program in order to determine the allocation of time and effort to each federal programs was appropriate and updated in a timely manner.

*Effect or potential effect:* The City allocates an employee to specific federal programs at the time of hire and/or during the annual budget process, however there were no monitoring activities being performed over the actual time worked towards a specific federal program. As a result, we were unable to determine if payroll expenditures under the major federal programs noted above were appropriately charged and allowable in order to be deemed in compliance with the Uniform Guidance. Failure to ensure compliance with the Uniform Guidance could have funding implications in the future.

*Questioned costs:* Questioned costs cannot be reasonably determined.

*Context:* This finding was identified through inquiries of newly appointed management and audit testing related to allowable cost activities for the major federal programs noted above. There was significant turnover in the City's Department of Community Development, who administered the major programs noted above during the 2019 fiscal year.

*Status:* There has been no change to this finding for the year ended December 31, 2020. See finding 2020-001 for recurrence of this finding.

**CITY OF NIAGARA FALLS, NEW YORK  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2020 (Continued)**

---

**2019-002 Program Income**

*Assistance Listing No. 14.218 – CDBG Entitlement Grants Cluster  
14.239 – Home Investment Partnership Program  
Direct Award for the Year Ended December 31, 2019  
Federal Agency: U.S. Department of Housing and Urban Development*

*Criteria:* The City is required to establish and maintain effective internal controls that comply with program income requirements Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Subpart D; Section 200.307 *Program Income* and Subpart D; Section 200.303 *Internal Controls*.

*Condition:* The City's Department of Community Development receives program income continuously throughout the year as a result of federal program activity. Upon receipt of program income a departmental collection report is prepared and submitted for review, a journal entry is recorded to account for the activity within the City's general ledger and the program income is recorded into the required Integrated Disbursement and Information System (IDIS) maintained by the U.S. Department of Housing and Urban Development (HUD). During our testing we obtained and reviewed a sample of the departmental collection reports and related journal entries and noted there was no supervisory review performed over this activity.

*Cause:* The City has established procedures over program income, however the City was not currently following those procedures as there was no supervisory review taking place.

*Effect or potential effect:* The City could record and report program income in error under a federal program if controls are not established and operating effectively, which could result in noncompliance with program requirements and could have funding implications in the future.

*Questioned costs:* No questioned costs identified.

*Context:* This finding was identified through inquiries of newly appointed management and test of controls over the City's receipt, recording and reporting of program income for the major federal programs noted above. There was significant turnover in the City's Department of Community Development, who administered the major programs noted above, during the 2019 fiscal year.

*Status:* There was no reoccurrence of this finding noted in the year ended December 31, 2020.

**2019-003 Period of Performance – Timeliness**

*Assistance Listing No. 14.218 – CDBG Entitlement Grants Cluster  
Direct Award for the Year Ended December 31, 2019  
Federal Agency: U.S. Department of Housing and Urban Development*

*Criteria:* The City is required to establish and maintain an effective control environment, and monitor compliance with the period of performance requirement of this federal award, per Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, Audit Requirements for Federal Awards* (Uniform Guidance), Subpart D; Section 200.303 *Internal Controls* and under the provisions of 24 CFR 570.902 of the CDBG regulations. A grantee is considered to meet period of performance and be timely, if 60 days prior to the end of the grantee's program year, the balance in its line-of-credit does not exceed 1.5 times the annual grant.

**CITY OF NIAGARA FALLS, NEW YORK  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2020 (Continued)**

---

To determine whether entitlement grantees meet timely performance, HUD calculates the ratio of unexpended funds to the annual grant award 60 days prior to the end of the program year. To do this HUD sums the amount of program income the grantee has on hand with the amount of funds remaining in the CDBG line of credit and divides by the amount of the annual grant award. If the ratio is less than or equal to 1.5, then the grantee has met the timely performance requirement. This requirement was monitored using the IDIS CDBG Timeliness Report (PR56 report).

*Condition:* The City's Department of Community Development did not have an established internal control process to appropriately monitor the timeliness requirement and ensure compliance. The City exceeded the allowable balance in its line-of-credit with a ratio of greater than 1.5, resulting in noncompliance with this period of performance requirement.

*Cause:* The City did not have an established control process in place to appropriately monitor and ensure compliance with these requirements.

*Effect or potential effect:* The City was not in compliance with the federal program's period of performance requirement. Noncompliance could have funding implications in the future.

*Questioned costs:* No questioned costs identified.

*Context:* This finding was identified through inquiries of newly appointed management and review of the IDIS CDBG Timeliness Report. There was significant turnover in the City's Department of Community Development, who administered the major program noted above during the 2019 fiscal year.

*Status:* There has been no change to this finding for the year ended December 31, 2020. See finding 2020-002 for recurrence of this finding.

**2019-004 Reporting – Financial and Performance Reporting**

*Assistance Listing No. 14.218 – CDBG Entitlement Grants Cluster  
Direct Award for the Year Ended December 31, 2019  
Federal Agency: U.S. Department of Housing and Urban Development*

*Criteria:* The City is required to establish and maintain an effective control environment and complete timely financial and performance reports per Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Subpart D; Section 200.303 *Internal Controls* to ensure compliance with reporting requirements of the federal award. The City is required to submit a Consolidated Annual Performance and Evaluation Report (CAPER) and the HUD 60002, *Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons* (OMB No. 2529-0043). These reports are required to be submitted 90 days after the end of a grantee's program year.

*Condition:* The City's Department of Community Development did not establish a control environment over the preparation and submission of the CAPER and the Section 3 Summary Report. The City did not submit the CAPER and Section 3 Summary Reports within the established timeframe required by the federal agency, resulting in noncompliance with the reporting requirements.

*Cause:* The City did not have an established control process in place to appropriately monitor and ensure compliance with these requirements.



**CITY OF NIAGARA FALLS, NEW YORK  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2020 (Continued)**

---

*Effect or potential effect:* The City was not in compliance with the reporting requirements of the federal program. Noncompliance could have funding implications in the future.

*Questioned costs:* No questioned costs identified.

*Context:* This finding was identified through inquiries of newly appointed management and testing performed over the preparation and submission of reporting requirements. There was significant turnover in the City's Department of Community Development, who administered the major program noted above during the 2019 fiscal year.

*Status:* There has been no change to this finding for the year ended December 31, 2020. See finding 2020-003 for recurrence of this finding.

**2019-005 Subrecipient Monitoring**

*Assistance Listing No. 14.239 – Home Investment Partnership Program  
Direct Award for the Year Ended December 31, 2019  
Federal Agency: U.S. Department of Housing and Urban Development*

*Criteria:* The City is required to establish and maintain an effective control environment over the monitoring and evaluation of subrecipients for risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward, in accordance with Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Subpart D; Sections 200.331 and 200.331(b), *Requirements for pass-through entities, and Audit Requirements for Federal Awards* (Uniform Guidance), Subpart D; Section 200.303 *Internal Controls*.

*Condition:* The City's Department of Community Development had not established supervisory controls to ensure performance of risk assessments over subrecipients. We noted there were no ongoing monitoring activities performed, as required, in accordance with the criteria noted above.

*Cause:* The City did not have established control processes in place to perform risk assessments and ongoing monitoring activities over subrecipients.

*Effect or potential effect:* The City was not in compliance with subrecipient monitoring requirements per the Uniform Guidance. Noncompliance could have funding implications in the future.

*Questioned costs:* No questioned costs identified.

*Context:* This finding was identified through inquiries of newly appointed management and testing performed over the City's subrecipient monitoring and management. There was significant turnover in the City's Department of Community Development, who administered the major program noted above during the 2019 fiscal year.

*Status:* Based on the testing performed, there has been no change to this finding for the year ended December 31, 2020. This program was not required to be tested as a major program in 2020.

**CITY OF NIAGARA FALLS, NEW YORK  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2020 (Continued)**

---

**2019-006 Eligibility Determination**

*Assistance Listing No. 14.871 – Housing Voucher Cluster  
Direct Award for the Year Ended December 31, 2019  
Federal Agency: U.S. Department of Housing and Urban Development*

*Criteria:* The City is required to establish and maintain an effective control environment, per Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Subpart D; Section 200.303 *Internal Controls* to ensure compliance with the eligibility requirements of the federal award.

*Condition:* The City's Department of Community Development had not conducted supervisory reviews over eligibility determinations for those participating in the Housing Voucher grant program.

*Cause:* The City had not established a control process for supervisory review over eligibility determinations.

*Effect or potential effect:* The lack of a supervisory review process over eligibility determinations could result in noncompliance with the eligibility requirements under the federal award and unallowable costs being charged to the program.

*Questioned costs:* No questioned costs identified.

*Context:* This finding was identified through inquiries of newly appointed management and testing performed over the City's eligibility determinations. There was significant turnover in the City's Department of Community Development, who administered the major program noted above during the 2019 fiscal year.

*Status:* There has been no change to this finding for the year ended December 31, 2020. See finding 2020-004 for recurrence of this finding.

**2019-007 Reporting – Financial and Special Reporting**

*Assistance Listing No. 14.871 – Housing Voucher Cluster  
Direct Award for the Year Ended December 31, 2019  
Federal Agency: U.S. Department of Housing and Urban Development*

*Criteria:* The City is required to establish and maintain effective internal controls surrounding the reporting program requirements provided by the federal agency within the Compliance Supplement, per Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Subpart D; Section 200.303 *Internal Controls*. The City is required to submit the *HUD52681-B, Voucher for Payment of Annual Contributions and Operating Statement, Financial Reports* (Financial Assessment Sub-system, FASS-PH) and the *HUD-50058, Family Report*. The information within the financial and special reporting requirements is relied upon by HUD for use in funding determinations, monitoring of program activity and for Section 8 Management Assessment Program (SEMAP) related decisions.

*Condition:* The City's Department of Community Development had not established controls over preparation and submission of the *HUD52681-B, Voucher for Payment of Annual Contributions and Operating Statement, Financial Reports* (FASS-PH) and the *HUD-50058, Family Report*. In addition, the City did not submit the annual FASS-PH report for the fiscal year ended December 31, 2019.

*Cause:* The City did not have an established control process in place to appropriately monitor the preparation and filing of the required reports noted above.

**CITY OF NIAGARA FALLS, NEW YORK  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2020 (Continued)**

---

*Effect or potential effect:* Without effective internal controls, the City could report inaccurate information to HUD, or neglect to file reports, which could lead to noncompliance under the program requirements. In addition, the City did not submit the FASS-PH for the fiscal year ended December 31, 2019 and was not in compliance with the federal program. Noncompliance could have funding implications in the future.

*Questioned costs:* No questioned costs identified.

*Context:* This finding was identified through inquiries of newly appointed management and testing performed over the preparation, review and submission of reporting requirements. There was significant turnover in the City's Department of Community Development, who administered the major program noted above during the 2019 fiscal year.

*Status:* There has been no change to this finding for the year ended December 31, 2020. See finding 2020-005 for recurrence of this finding.

**2019-008 Special Tests and Provisions – Reasonable Rent, Housing Assistance Payment, Depository Agreements and Rolling Forward Equity Balances**

*Assistance Listing No. 14.871 – Housing Voucher Cluster  
Direct Award for the Year Ended December 31, 2019  
Federal Agency: U.S. Department of Housing and Urban Development*

*Criteria:* The City is required to establish and maintain an effective control environment, per Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Subpart D; Section 200.303 *Internal Controls* to ensure compliance with the special tests requirements provided by the federal agency. The federal awarding agency has identified additional requirements under this award, per the Code of Federal Regulations (CFR), related to reasonable rent, housing assistance payment, depository agreements and rolling forward of equity balances.

*Condition:* The City did not establish a review process over the above requirements. In addition, the City was unaware of the depository agreements and rolling forward of equity balances requirements.

*Cause:* The City did not have an established control process in place to appropriately monitor and ensure compliance with these requirements.

*Effect or potential effect:* Insufficient internal control processes could result in noncompliance related to the requirements noted above. Specifically, the City was not in compliance with the depository agreements and rolling forward of equity balances requirements.

*Questioned costs:* No questioned costs identified.

*Context:* This finding was identified through inquiries of newly appointed management, as well as control and compliance testing over the requirements identified above. There was significant turnover in the City's Department of Community Development, who administered the major program noted above during the 2019 fiscal year.

*Status:* There has been no change to this finding in relation to the reasonable rent and housing assistance payment requirements, or the control finding of the rolling forward of equity balances. See finding 2020-006 for reoccurrence of these findings.

There was no reoccurrence related to the depository agreements finding, or the noncompliance related to the rolling forward of equity balances, noted in the year ended December 31, 2020.

**NEW YORK STATE TRANSPORTATION  
ASSISTANCE EXPENDED**

**REPORT ON COMPLIANCE FOR NEW YORK STATE  
TRANSPORTATION ASSISTANCE EXPENDED  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH DRAFT PART 43 OF NYCRR**

**INDEPENDENT AUDITOR'S REPORT**

The Honorable Members of City Council  
City of Niagara Falls, New York

**Report On Compliance For Each Major State Transportation Assistance Program**

We have audited the City of Niagara Falls, New York's (the City) compliance with the types of compliance requirements described in the preliminary Draft Part 43 of the New York State Codification of Rules and Regulations (NYCRR) that could have a direct and material effect on the major state transportation assistance program tested for the year ended December 31, 2020. The City's program tested is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for New York State transportation assistance expended.

***Management's Responsibility***

Management is responsible for compliance with requirements of laws, regulations, contracts and grants applicable to its major state transportation assistance program.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major state transportation assistance programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the preliminary Draft Part 43 of NYCRR. Those standards and regulations require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state transportation assistance programs tested has occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state transportation assistance program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major State Transportation Assistance Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state transportation assistance programs for the year ended December 31, 2020.

## Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major state transportation assistance program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state transportation assistance program and to test and report on the internal control over compliance in accordance with the preliminary Draft Part 43 of NYCRR, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the preliminary Draft Part 43 of NYCRR. Accordingly, this report is not suitable for any other purpose.

*Freed Maxick CPAs, P.C.*

Buffalo, New York  
September 22, 2021

**CITY OF NIAGARA FALLS, NEW YORK  
 SCHEDULE OF NEW YORK STATE TRANSPORTATION ASSISTANCE EXPENDED  
 FOR THE YEAR ENDED DECEMBER 31, 2020**

<b>Grantor/Program Title</b>	<b>NYS DOT Contract/ Reference Number</b>	<b>NYS DOT Expenditures</b>
<b>NYS Department of Transportation</b>		
Consolidated Local Street and Highway Improvement Program (CHIPS) Aid	542035	\$ 1,693,726
Marchiselli Program - Match for Federal Aid Highway Projects:		
Buffalo Avenue - Rainbow to 24th St.	D036278	12,356
Military Road-NF Blvd to Cayuga & Tuscarora Rd	D040045	9,019
Total Marchiselli Program		<u>21,375</u>
Highway Projects		
Buffalo Avenue-Cayuga Dr-102nd St	D035642	76,000
Arterial Maintenance	D017263	401,625
<b>Total State Transportation Assistance Expended</b>		\$ <u><u>2,192,726</u></u>

See notes to the Schedule of New York State Transportation Assistance expended.

**CITY OF NIAGARA FALLS, NEW YORK  
NOTES TO THE SCHEDULE OF NEW YORK STATE TRANSPORTATION ASSISTANCE EXPENDED  
FOR THE YEAR ENDED DECEMBER 31, 2020**

---

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying Schedule of New York State Transportation Assistance Expended by the City of Niagara Falls, New York (the City), an entity as defined in Note 1 to the City's basic financial statements, presents the activity of all financial assistance programs provided by the New York State Department of Transportation.

**NOTE 2 - BASIS OF ACCOUNTING**

The accompanying Schedule of New York State Transportation Assistance Expended is presented using the modified accrual basis of accounting.



