

CITY OF NIAGARA FALLS, NEW YORK

Basic Financial Statements
Supplementary Information and
Independent Auditors' Report

December 31, 2021

CITY OF NIAGARA FALLS, NEW YORK

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of City Council
City of Niagara Falls, New York:

Report on the Audit of the Financial Statements

Adverse, Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, the proprietary funds 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, 2021, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Aggregate Discretely Presented Component Units	Unmodified
Major Funds:	
General Fund	Unmodified
Community Development Fund	Unmodified
Capital Projects Fund	Unmodified
Miscellaneous Special Revenue Fund	Unmodified
Self Insurance Fund	Unmodified
Debt Service	Unmodified
Proprietary Funds	Adverse
Aggregate Remaining Fund Information	Unmodified

Adverse Opinion on Proprietary Funds

In our opinion, because of the significance of the matter discussed in the Basis for Adverse, Qualified and Unmodified Opinions section of our report, the financial statements referred to above do not present fairly the financial position of the proprietary funds of the City, as of December 31, 2021, or the changes in financial position or cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Qualified Opinion on Governmental Activities

In our opinion , except for the matters described in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the City, as of December 31, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on the Aggregate Discretely Presented Component Units, Each Major Fund and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Adverse, Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse, qualified and unmodified audit opinions.

Matter Giving Rise to Adverse Opinion on Proprietary Funds and Qualified Opinion on Governmental Activities

As discussed in note 1 to the financial statements, management has not conducted a physical inventory of assets in the Central Garage Fund for the year ended December 31, 2021. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities and proprietary funds has not been determined.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information, as listed in the table of contents and the schedule of expenditures of federal awards, 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, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the other supplementary information, as listed in the table of contents and the schedule of expenditures of federal awards 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 June 30, 2022 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
June 30, 2022

CITY OF NIAGARA FALLS, NEW YORK

Management's Discussion and Analysis

December 31, 2021

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, 2021. Please read it in conjunction with the City's financial statements, which immediately follow this section.

Financial Highlights

- In June 2011, New York State (NYS or the 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 2021 Adopted Budget. The 2021 Adopted Budget property tax levy was \$32,050,848, an increase of \$771,570 or 2.47% from 2020.
- 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 2020-21 and 2021-22 the City fully funded the Employee Retirement System 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 2021 Constitutional Tax Limit was 81.95% of the percentage of tax limit exhausted with a \$5,974,497 constitutional tax margin remaining.
- The City's 2021 taxable assessed value is \$1,282,274,599 with a 71% equalization rate. The taxable full value is \$1,806,020,562.
- As of December 31, 2021 the City was at 37.45% of its constitutional debt limit of outstanding principal on existing debt, leaving a \$72,468,402 debt margin.
- The City's Parking Operations Fund is not an Enterprise Fund. The 2021 General Fund's adopted budget included a revenue transfer in from the Parking Operations Fund in the amount of \$1,842,115. The actual transfer from the Parking Operations Fund to the General Fund was \$1,907,563.

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

- The City's Train Station Fund is not an Enterprise Fund. The 2021 General Fund's adopted budget included a subsidy to the Train Station Fund in the amount of \$133,700. The actual transfer from the General Fund to the Train Station Fund was \$146,216. The City currently has two 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 year lease beginning in 2019, with a five year extension beyond the initial five 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 2021 was \$36,426. The City expenditures will be for utilities and property insurance in addition to contributions to the leasee for utility costs for the five 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 2021 was \$60,471.
- 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

- Plati Niagara Inc. broke ground in December 2021 on a new Cambria Hotel to be located at 311 Rainbow Boulevard in the downtown tourist district. The Cambria Hotel in Niagara Falls will feature upscale amenities that include a state-of-the-art fitness center, multi-function meeting and event spaces and many others. The hotel will be a seven story, 120-room building. The \$18 million multi-use development project will also include three residential guest houses nearby with a plan to open everything by spring 2023.
- HOGHOL, Inc. (The Cataract House) has been approved and received a \$10,000 NFC Development Corporation (NFC) Micro-Enterprise Grant for their new restaurant business that is located at 310 Rainbow Boulevard. This Minority & Women Business Enterprise (MWBE) business uses this business and mission to support mentoring and workforce development programs and open eateries and food halls in communities to help serve the diverse populations in Niagara Falls and the Tourist district. The project created three full-time and five part-time jobs. The total project cost was \$55,000. The restaurant officially opened its doors during the last week of December 2021.
- MGRD Bar, Inc. (d/b/a) The GoldBar has been approved and received a \$10,000 NFC Micro-Enterprise Grant. The project included interior renovations, renovations to the bar/restaurant area and restrooms. Project equipment to be purchased includes new light fixtures, refrigeration, ice machine, new bar top and signage. The GoldBar opened in December 2021 for business. The new business is located at 435 Third Street in the entertainment district. The total project cost is \$58,500 and has created three new full time and two part-time jobs.

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

- Judas Tree, LLC in March 2021 celebrated their grand opening. The new aperitivo bar is located at 1507 Pine Ave. The total project cost was \$213,023 and created two full time positions and three part time positions. The outdoor patio project is currently on-going and is expected to be completed in Summer 2022.
- NFC in 2021 provided a total of \$80,000 in financial assistance to five local businesses: HOGHOL, Inc, MGRD Bar, Inc., Culbert's Pub, Inc., Buffalo Niagara Hospitality, Inc. (d/b/a Sight See Rentals), and 324 Niagara Street Landlord, LLC. These projects created 14 new jobs and retained one job.
- In 2019, the City was awarded a \$500,000 grant from the New York State Dormitory Authority to make improvements to the streetscape on Buffalo Avenue in the LaSalle Business District. Joy Kuebler Landscape Architect, PC was hired as the lead consultant to the City to provide design, analysis and engagement with the goal of energizing the district from the intersection of South Military Road to the intersection of 84th Street. The project is intended to support the reimagining of the district through improvements to sidewalks, crosswalk intersections, street furniture, banners, interpretive signage, gateways and vegetation. The LaSalle Streetscape project remains on track and is scheduled to be completed by December 31, 2022.
- In May 2022, utilizing American Rescue Plan funds, the City initiated a new MWBE grant program for qualified businesses worth up to \$50,000. The program's goal is to provide an alternative source of funding to benefit new and existing small business enterprises owned and controlled by socially and economically disadvantaged individuals - promoting economic development, job creation, and diversity in the City.
- In May 2022, utilizing American Rescue Plan funds, the City terminated a long-term lease agreement with a development company related to the real property known as the Niagara Falls City Market (Market), located at 1726 Pine Avenue. The Market operates a farmers market and also subleases retail space within the property to several businesses. With the termination of the lease, the City has a once in a generation opportunity to plot a course that will not only allow the Market to reach its full potential, but to serve as a catalyst to the revitalization of the Pine Avenue corridor and its nearby neighborhoods. The City will temporarily assume all operations at the Market until such time as an agreement with a new operator can be reached.

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.

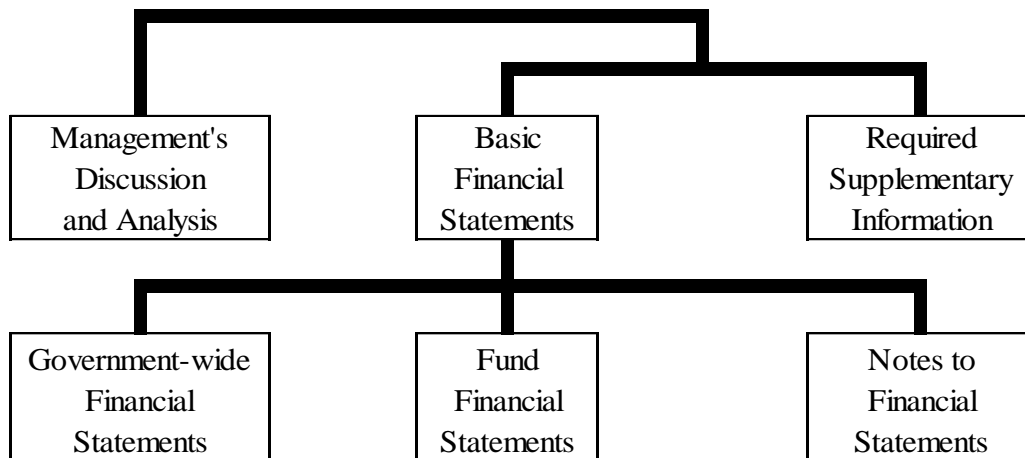
CITY OF NIAGARA FALLS, NEW YORK
Management's Discussion and Analysis, Continued

- 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

Organization of the City of Niagara Falls, New York's Annual Financial Report



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

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.

Figure A-2 Major Features of the Government-wide and Fund Financial 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"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenue, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenue, Expenses and Changes in Net Position • Statement of Cash Flows
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 revenue and expenses during year, regardless of when cash is received or paid	Revenue 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 revenue and expenses during year, regardless of when cash is received or paid

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

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, deferred outflows of resources, liabilities and deferred inflows of resources - 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 - 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.

Component units - Legally separate organizations for which the City is financially accountable or the nature and significance of their relationship to the City are such that their exclusion would change the City's financial statements to be misleading or incomplete 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.

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

- **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 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		
	<u>2021</u>	<u>2020*</u>	Increase/ <u>(decrease)</u>
Assets:			
Current and other assets	\$ 79,842	46,098	33,744
Capital assets, net	<u>154,470</u>	<u>158,039</u>	<u>(3,569)</u>
Total assets	<u>234,312</u>	<u>204,137</u>	<u>30,175</u>
Deferred outflows of resources	<u>126,671</u>	<u>120,941</u>	<u>5,730</u>
Liabilities:			
Current liabilities	55,701	25,681	30,020
Long-term liabilities	<u>519,345</u>	<u>530,385</u>	<u>(11,040)</u>
Total liabilities	<u>575,046</u>	<u>556,066</u>	<u>18,980</u>
Deferred inflows of resources	<u>129,454</u>	<u>110,099</u>	<u>19,355</u>
Net position:			
Net investment in capital assets	110,817	110,689	128
Restricted	3,880	4,082	(202)
Unrestricted	<u>(458,214)</u>	<u>(455,858)</u>	<u>(2,356)</u>
Total net position (deficit)	<u>\$ (343,517)</u>	<u>(341,087)</u>	<u>(2,430)</u>

*Restated as discussed in note 8.

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

Governmental Activities

The largest portion of the City's total assets (66% at 2021 and 78% at 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)

	<u>Governmental Activities</u>		
	<u>2021</u>	<u>2020*</u>	<u>Increase/ (decrease)</u>
Program revenue:			
Charges for services	\$ 9,383	7,516	1,867
Operating grants and contributions	8,631	7,988	643
Capital grants and contributions	5,109	2,940	2,169
General revenue:			
Property taxes, special assessments and property tax items	35,232	35,610	(378)
Nonproperty taxes	25,909	19,500	6,409
Interest earnings	565	607	(42)
State sources	1,119	672	447
Miscellaneous	21,910	19,084	2,826
Interfund revenues	20,585	21,822	(1,237)
Seneca-Niagara casino funds, Section 99-H	8,774	9,274	(500)
Total revenue	<u>137,217</u>	<u>125,013</u>	<u>12,204</u>
Program expenses:			
General government	16,801	19,578	(2,777)
Public safety	78,186	90,304	(12,118)
Transportation	12,501	13,740	(1,239)
Economic assistance	3,855	1,903	1,952
Culture and recreation	5,964	5,498	466
Home and community services	20,747	17,484	3,263
Interest on debt	1,593	1,726	(133)
Total expenses	<u>139,647</u>	<u>150,233</u>	<u>(10,586)</u>
Change in net position	<u>\$ (2,430)</u>	<u>(25,220)</u>	<u>22,790</u>

*Restated as discussed in note 8.

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

Overall net position decreased by \$2,430,327, resulting in a net deficit of (\$343,516,976) as of December 31, 2021. The primary support for the City's programs is local property taxes, State Aid, and sharing of sales tax from Niagara County and the State. Taxes and related items represent 45% of total revenue in 2021 (44% in 2020). Due to an ongoing dispute between the Seneca Nation of Indians (the Senecas) and the State, casino revenue sharing payments that are to be paid to the 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 2021 as of December 31, 2021. On March 28, the Senecas approved a resolution directing the transfer of these funds to the State. 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 56% of total expenses in 2021 (60% in 2020), consisting principally of the City's police and fire departments. Total expenses decreased by \$10,585,429 (or 6%) from 2020 (restated as discussed in note 8) primarily from actuarially determined changes in the net pension liabilities and the total other postemployment benefits (OPEB) liability.

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 an increase in fund balance of \$4,140,491 for 2021. This increase is explained in detail in the "General Fund Budgetary Highlights" section below.

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 decreased by \$344,677 during 2021, resulting in an ending fund balance of \$190,279.

Capital Projects Funds

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

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 the State. The fund balance decreased by \$4,716 in 2021.

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

Revenue was \$8,774,144, while total other financing uses was \$8,778,860. Revenue recorded in 2021 represent an advance payment from the State from the City's 2019 Local Share of Casino funds in the amount of \$8,773,707. The advanced revenue was equal to what the City used as a revenue to balance its operating funds. Included in total other financing uses are transfers out to other funds to support other projects in the amount of \$69,814. See additional details below in the "Factors Bearing on the City's Future" section.

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, 2021 is \$3,449,564.

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 Ramp, Train Station and Public Library funds. Overall for 2021, there was a decrease in fund balance of \$50,602.

General Fund Budgetary Highlights

Actual revenue earned, other than interfund transfers in, were greater than the budgeted amount by \$2,821,825 in 2021. The most significantly impacted areas were nonproperty tax items as sales tax distributions from Niagara County exceeded budget by \$2,229,554 and restaurant and hotel sales tax collections exceeded budget by \$971,464. Additionally, in 2020 as a result of the COVID-19 pandemic, NYS withheld 5% of our budgeted state aid payments. In 2021 this was subsequently paid, resulting in \$889,721 of additional state aid received in 2021 when compared to the 2021 budget. These increases compared to budget helped offset the \$1,000,000 revenue figure budgeted for a tax foreclosure auction in 2021. Due in part to restrictions from NYS, the City was unable to perform an auction in 2021.

Actual expenditures, other than interfund transfers out, were \$611,344 less than budget in 2021. This was a result of continued controls being put in place to reduce costs where appropriate as a result of the COVID-19 pandemic, in addition to vacancies within various departments as a result of increased retirements. The City has also improved its ability to budget for retirement buyouts, resulting in improved controls related to personnel costs.

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

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 \$3,569,466 during the current year. This reflects new improvement and infrastructure projects under construction of \$3,055,702 and reduced by current year depreciation expense of \$6,625,168. Additional information on the City's capital assets can be found in note 3(e) to financial statements.

Figure A-5

Capital Assets
(in thousands of dollars)

	Governmental Activities	
	<u>2021</u>	<u>2020*</u>
Land	\$ 2,891	2,891
Land improvements	1,468	1,335
Construction in progress	2,904	36,135
Land held for development and sale	1,291	1,291
Works of art/historical treasures	17	17
Infrastructure	81,368	85,382
Land improvements - exhaustible	4,018	4,258
Buildings and building improvements	57,621	23,489
Furniture, office and other equipment	645	543
Vehicles	<u>2,247</u>	<u>2,698</u>
Total	<u>\$ 154,470</u>	<u>158,039</u>

*Restated as discussed in note 8.

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

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, 2021, the City has total long-term debt outstanding of \$43,390,000 of which \$3,785,000 is 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 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 37%; 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 financial statements under note 3(e) and (h), respectively.

Figure A-6 Outstanding Long-Term Obligations
(in thousands of dollars)

	Governmental Activities	
	<u>2021</u>	<u>2020</u>
General obligation debt backed by the City	\$ 43,390	47,040
Unamortized bond premium	1,614	1,729
Installment purchase debt	-	25
Due to retirement system	1,314	2,022
Compensated absences	13,633	14,753
Workers' compensation	11,365	11,102
Total OPEB liability	436,929	404,673
Net pension liabilities	<u>11,099</u>	<u>49,041</u>
Total	<u>\$ 519,344</u>	<u>530,385</u>

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

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, there are still cross border restrictions with Canada that limit the ability to travel. The local impacts of these restrictions as a result of the Coronavirus pandemic will likely continue throughout 2022 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. Throughout 2021, the City was able to see improved revenue collections in various sales tax collections, parking operations related to the Tourist district, and bed tax collections. NYS also withheld 5% of State Aid payments as a direct result of the COVID-19 pandemic in 2020. In 2021 this amount was paid in full by NYS, resulting in \$889,721 of additional State Aid revenue in 2021. Not including interfund transfers, the City was able to increase its General Fund revenue collections in 2021 by \$8,580,613 compared to 2020. Entering 2021, the City had an unassigned fund balance deficit of \$3,263,230 due to the deficit incurred in 2020 as a result of the pandemic. The City was able to eliminate that deficit in 2021 and as of December 31, 2021 the City has an unassigned fund balance of \$114,572.

On March 11, 2021, the America Rescue Plan Act (ARPA) was signed into law by the President of the United States. ARPA will provide resources to the City to help in responding to the COVID-19 pandemic and its economic impacts. Included in ARPA was the allocation of \$57,207,528 to the City. As of the issuance of these financial statements, the City has received the total amount of funding. The Department of the Treasury has issued its final guidance on the intended use of these funds, along with the 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 Senecas and the State. 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 the State a percentage of the net drop from a certain type of gaming device. Legislation was enacted that provided the 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 revenue. 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.

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

Due to a dispute between the Senecas and the State, casino revenue sharing payments that were to be paid to the State and then passed onto the local municipalities in accordance with the Laws of New York State Section 99h were not made for gaming activity incurred during calendar years 2017, 2018, 2019, 2020 and 2021. 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 the State and the City 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 the State, requiring the Senecas to provide payment for gaming activity, and to continue providing revenue sharing payments going forward in accordance with the current compact. In March 2022, the Senecas made payment in full to NYS for all calendar years owed. In April 2022, NYS then remitted payment to the City for its share of all calendar years owed.

The City was owed \$67,384,927 of gaming revenue for the calendar years 2017 through 2021. However, from 2019 through 2021, the State provided an advancement of future expected Seneca revenue sharing payments owed to the City to assist in the annual budget process. The State advanced \$10.4 million in 2019, \$9.3 million in 2020, and \$8.8 million in 2021. These advanced payments reduced the total amount paid to the City in April 2022. As a result, the City was provided a payment of \$38.9 million, of which \$18.1 million is required to be distributed to various entities as mentioned above. The City's 2022 fiscal year budget also included an advancement of \$8.8 million as well, which will be utilized from the \$20.8 million remaining after disbursements to the various entities.

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, 2021, the City was not in compliance with this policy as the City had an unassigned fund balance of \$114,572. 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 as a result of the COVID-19 pandemic. This is expected to result in the City to be more in line 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.

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

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

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, 2021

	Governmental <u>Activities</u>	Component <u>Units</u>
Assets:		
Cash and equivalents:		
Unrestricted	\$ 38,499,664	1,696,876
Restricted	3,880,540	-
Accounts receivable	4,901,725	2,245
Taxes receivable, net	18,138,493	-
Due from State and Federal	3,835,151	-
Due from other governments	1,378,220	39,800
Loans receivables	6,077,017	44,951
Inventory	737,843	-
Prepaid items	2,393,130	-
Capital assets, not being depreciated	8,570,922	-
Capital assets, net of accumulated depreciation	<u>145,899,209</u>	<u>27,552,439</u>
Total assets	<u>234,311,914</u>	<u>29,336,311</u>
Deferred outflows of resources:		
Pensions	45,001,827	-
OPEB	80,149,913	-
Refunding	<u>1,518,900</u>	<u>-</u>
Total deferred outflows of resources	<u>126,670,640</u>	<u>-</u>
Liabilities:		
Accounts payable	6,670,542	11,693
Accrued liabilities	1,725,789	675
Retainage payable	168,257	-
Accrued interest payable	283,471	-
Other liabilities	28,603,764	-
Due to other governments	11,316,659	-
Unearned revenue	6,932,785	276,726
Noncurrent liabilities:		
Due and payable within one year	4,490,639	-
Due and payable after one year	<u>514,853,780</u>	<u>-</u>
Total liabilities	<u>575,045,686</u>	<u>289,094</u>
Deferred inflows of resources:		
Pensions	46,636,648	-
OPEB	<u>82,817,196</u>	<u>-</u>
Total deferred inflows of resources	<u>129,453,844</u>	<u>-</u>
Net position (deficit):		
Net investment in capital assets	110,816,696	27,552,439
Restricted	3,880,540	120,000
Unrestricted (deficit)	<u>(458,214,212)</u>	<u>1,374,778</u>
Total net position (deficit)	<u>\$ (343,516,976)</u>	<u>29,047,217</u>

See accompanying notes to financial statements.

CITY OF NIAGARA FALLS, NEW YORK
Statement of Activities
Year ended December 31, 2021

Functions	Expenses	Program Revenue			Net Revenue (Expense) and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Component Units
Governmental activities:						
General government support	\$ 16,800,550	1,050,483	-	-	(15,750,067)	-
Public safety	78,185,732	1,340,119	573,430	721,139	(75,551,044)	-
Transportation	12,501,815	2,986,592	-	4,388,073	(5,127,150)	-
Economic assistance and opportunity	3,855,038	-	-	-	(3,855,038)	-
Culture and recreation	5,964,546	36,071	-	-	(5,928,475)	-
Home and community services	20,746,923	3,970,030	8,057,917	-	(8,718,976)	-
Interest	1,592,539	-	-	-	(1,592,539)	-
Total governmental activities	139,647,143	9,383,295	8,631,347	5,109,212	(116,523,289)	-
Component Units:						
Bellevue Local Development Corporation	995,332	-	-	-	-	(995,332)
N.F.C. Development Corporation	35,276	5,254	-	-	-	(30,022)
Niagara Falls Public Library	1,888,809	8,738	2,167,536	-	-	287,465
Total component units	\$ 2,919,417	13,992	2,167,536	-	-	(737,889)
General revenue:						
Taxes:						
Real property taxes					31,051,137	-
Real property tax items					4,180,495	-
Nonproperty taxes					25,909,587	-
Use of money and property					565,131	170
Sale of property and compensation for loss					663,576	-
Miscellaneous					21,245,817	-
Interfund revenue					20,584,521	-
State aid not received for a specific purpose					9,892,698	-
Total general revenue					114,092,962	170
Change in net position					(2,430,327)	(737,719)
Net position (deficit) at beginning of year, as originally stated					(339,696,756)	29,784,936
Restatement (note 8)					(1,389,893)	-
Net position (deficit) at beginning of year, as restated					(341,086,649)	29,784,936
Net position (deficit) at end of year					\$ (343,516,976)	29,047,217

See accompanying notes to financial statements.

CITY OF NIAGARA FALLS, NEW YORK
Balance Sheet - Governmental Funds
December 31, 2021

	General	Community	Capital	Miscellaneous	Self	Debt	Nonmajor	Total
	Fund	Development	Projects	Special	Insurance	Service	Governmental	Governmental
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Revenue</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
Assets:								
Cash and equivalents:								
Unrestricted	\$ 28,784,037	2,698,425	3,173,998	-	3,736,775	-	102,123	38,495,358
Restricted	1,774,363	190,279	-	1,161,029	-	754,869	-	3,880,540
Accounts receivable	3,077,541	200,691	-	-	1,506,856	-	116,637	4,901,725
Taxes receivable, net	18,138,493	-	-	-	-	-	-	18,138,493
Due from other funds	2,033,328	-	1,135,405	-	-	-	-	3,168,733
Due from State and Federal	1,444,457	1,205,181	1,185,513	-	-	-	-	3,835,151
Due from other governments	1,378,220	-	-	-	-	-	-	1,378,220
Loans receivables	5,000,000	1,077,017	-	-	-	-	-	6,077,017
Prepaid items	2,392,910	-	-	-	-	-	-	2,392,910
	<u>\$ 64,023,349</u>	<u>5,371,593</u>	<u>5,494,916</u>	<u>1,161,029</u>	<u>5,243,631</u>	<u>754,869</u>	<u>218,760</u>	<u>82,268,147</u>
Liabilities, Deferred Inflows of Resources and Fund Balances:								
Liabilities:								
Accounts payable	5,468,710	-	540,788	-	530,052	-	112,733	6,652,283
Accrued liabilities	629,641	-	-	-	1,095,758	-	390	1,725,789
Retainage payable	-	-	-	-	168,257	-	-	168,257
Other liabilities	28,603,764	-	-	-	-	-	-	28,603,764
Due to other funds	-	2,393,547	292	-	-	-	65,838	2,459,677
Due to other governments	10,345,843	970,816	-	-	-	-	-	11,316,659
Unearned revenue	5,009,646	1,816,951	106,188	-	-	-	-	6,932,785
Total liabilities	<u>50,057,604</u>	<u>5,181,314</u>	<u>647,268</u>	<u>-</u>	<u>1,794,067</u>	<u>-</u>	<u>178,961</u>	<u>57,859,214</u>
Deferred inflows of resources - property taxes	<u>9,683,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,683,900</u>
Fund balances:								
Nonspendable	2,392,910	-	-	-	-	-	-	2,392,910
Restricted for:								
Tourism	898,992	-	-	-	-	-	-	898,992
Trolley	875,371	-	-	-	-	-	-	875,371
Community development	-	190,279	-	-	-	-	-	190,279
Casino	-	-	-	1,161,029	-	-	-	1,161,029
Debt service	-	-	-	-	-	754,869	-	754,869
Assigned	-	-	4,847,648	-	3,449,564	-	39,799	8,337,011
Unassigned	114,572	-	-	-	-	-	-	114,572
Total fund balances	<u>4,281,845</u>	<u>190,279</u>	<u>4,847,648</u>	<u>1,161,029</u>	<u>3,449,564</u>	<u>754,869</u>	<u>39,799</u>	<u>14,725,033</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 64,023,349</u>	<u>5,371,593</u>	<u>5,494,916</u>	<u>1,161,029</u>	<u>5,243,631</u>	<u>754,869</u>	<u>218,760</u>	<u>82,268,147</u>

See accompanying notes to financial statements.

CITY OF NIAGARA FALLS, NEW YORK
Reconciliation of Balance Sheet - Governmental Funds
to the Statement of Net Position
December 31, 2021

Total governmental fund balances	\$ 14,725,033
Total net position reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	154,470,131
Long-term liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the funds.	
Serial bonds	(45,004,078)
Due to retirement system	(1,313,595)
Workers' compensation	(11,365,225)
Compensated absences	(13,633,220)
Total OPEB liability	(436,929,156)
Net pension liabilities	(11,099,145)
Net accrued interest expense for bonds not reported in the funds.	(283,471)
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	9,683,900
Internal service net position which is due to governmental activities and related to charges for services provided.	15,054
Deferred outflow of resources and inflows of resources are not asset or liabilities of the current period and therefore are not reported in the funds:	
Deferred outflows of resources - pensions	45,001,827
Deferred inflows of resources - pensions	(46,636,648)
Deferred outflows of resources - OPEB	80,149,913
Deferred inflows of resources - OPEB	(82,817,196)
Deferred outflows of resources - bond refunding	<u>1,518,900</u>
Net position (deficit) - governmental activities	<u>\$ (343,516,976)</u>

See accompanying notes to financial statements.

CITY OF NIAGARA FALLS, NEW YORK
Statement of Revenue, Expenditures and Changes in Fund Balances -
Governmental Funds
Year ended December 31, 2021

	General	Community	Capital	Miscellaneous	Self	Debt	Nonmajor	Total
	Fund	Development	Projects	Special	Insurance	Service	Governmental	Governmental
	Fund	Fund	Fund	Revenue	Fund	Fund	Funds	Funds
Revenue:								
Real property taxes	\$ 30,794,934	-	-	-	-	-	-	30,794,934
Real property tax items	4,180,495	-	-	-	-	-	-	4,180,495
Non property tax items	25,909,587	-	-	-	-	-	-	25,909,587
Departmental income	4,523,913	709	-	-	-	-	2,584,967	7,109,589
Intergovernmental charges	1,646,574	-	1,585,250	-	-	-	-	3,231,824
Use of money and property	515,752	48,691	-	437	251	-	-	565,131
Licenses and permits	961,591	-	-	-	-	-	-	961,591
Fines and forfeitures	627,841	-	-	-	-	-	-	627,841
Sale of property and compensation for loss	19,522	-	-	-	644,054	-	-	663,576
Miscellaneous	458,835	-	-	-	291,246	850,000	-	1,600,081
Interfund revenues	16,432	-	-	-	20,568,089	-	-	20,584,521
State aid	19,996,854	180,332	3,801,138	8,773,707	-	-	-	32,752,031
Federal aid	379,712	7,323,825	275,875	-	-	-	-	7,979,412
Total revenue	90,032,042	7,553,557	5,662,263	8,774,144	21,503,640	850,000	2,584,967	136,960,613
Expenditures:								
Current:								
General government support	8,984,303	-	-	-	2,750,150	1,700	707,621	12,443,774
Public safety	43,086,528	-	-	-	-	-	-	43,086,528
Transportation	3,805,872	-	-	-	-	-	-	3,805,872
Economic assistance and opportunity	3,730,039	-	-	-	-	-	-	3,730,039
Culture and recreation	2,685,864	-	-	-	-	-	1,182,397	3,868,261
Home and community services	6,686,208	7,898,234	-	-	-	-	-	14,584,442
Employee benefits	20,761,906	-	-	-	18,615,547	-	774,785	40,152,238
Debt service:								
Principal	-	-	-	-	-	3,674,766	-	3,674,766
Interest	-	-	-	-	-	1,648,178	-	1,648,178
Capital outlay:								
General government support	-	-	179,153	-	-	-	-	179,153
Public safety	-	-	921,143	-	-	-	-	921,143
Transportation	-	-	4,381,680	-	-	-	-	4,381,680
Economic assistance and opportunity	-	-	750,792	-	-	-	-	750,792
Culture and recreation	-	-	230,026	-	-	-	-	230,026
Total expenditures	89,740,720	7,898,234	6,462,794	-	21,365,697	5,324,644	2,664,803	133,456,892
Excess (deficiency) of revenue over expenditures	291,322	(344,677)	(800,531)	8,774,144	137,943	(4,474,644)	(79,836)	3,503,721
Other financing sources (uses):								
Transfers in	12,008,910	-	698,140	762,347	900,000	5,322,944	1,936,797	21,629,138
Transfers out	(8,159,741)	-	(770,627)	(9,541,207)	-	(1,250,000)	(1,907,563)	(21,629,138)
Total other financing sources (uses)	3,849,169	-	(72,487)	(8,778,860)	900,000	4,072,944	29,234	-
Excess (deficit) of revenue over expenditures and other sources (uses)	4,140,491	(344,677)	(873,018)	(4,716)	1,037,943	(401,700)	(50,602)	3,503,721
Fund balances at beginning of year	141,354	534,956	5,720,666	1,165,745	2,411,621	1,156,569	90,401	11,221,312
Fund balances at end of year	\$ 4,281,845	190,279	4,847,648	1,161,029	3,449,564	754,869	39,799	14,725,033

See accompanying notes to financial statements.

CITY OF NIAGARA FALLS, NEW YORK
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances -
Governmental Funds to the Statement of Activities
Year ended December 31, 2021

Net change in fund balances		\$ 3,503,721
The change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of certain assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays, excluding construction work in progress placed in service, in the current period.	(3,569,466)	
Revenue that is not available to pay current obligations is not reported in the fund financial statements, but is presented as revenue in the statement of activities.	256,203	
Long-term liabilities, including bonds payable, installment purchase debt, workers' compensation, amounts due to retirement system, net pension liabilities, 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.		
Repayment of serial bonds	\$ 3,650,000	
Repayment of installment purchase debt	24,766	
Premium amortization	115,292	
Changes in:		
Due to retirement system	708,502	
Workers' compensation liability	(263,100)	
Compensated absences	1,119,814	
Total OPEB liability	(32,256,176)	
Net pension liability	<u>37,941,780</u>	11,040,878
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.	35,278	
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.	(94,931)	
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.		
Net pension liabilities - proportionate share	(35,074,716)	
Total OPEB liability	21,544,543	
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.	<u>(71,837)</u>	
Change in net position of governmental activities		<u>\$ (2,430,327)</u>
See accompanying notes to financial statements.		

CITY OF NIAGARA FALLS, NEW YORK
Statement of Net Position - Proprietary Funds - Internal Service Funds
December 31, 2021

	<u>Internal Service Funds</u>
Assets:	
Cash and equivalents - unrestricted	\$ 4,306
Prepaid items	220
Inventory	<u> 737,843</u>
Total assets	<u> 742,369</u>
Liabilities:	
Accounts payable	18,259
Due to other funds	<u> 709,056</u>
Total liabilities	<u> 727,315</u>
Net position - unrestricted	<u><u> \$ 15,054</u></u>

See accompanying notes to financial statements.

CITY OF NIAGARA FALLS, NEW YORK
Statement of Revenue, Expenses and Changes in Net Position -
Proprietary Funds - Internal Service Funds
Year ended December 31, 2021

	<u>Internal Service Funds</u>
Revenue - charges for services	\$ 921,400
Expenses - contractual expenses	<u>993,237</u>
Change in net position	(71,837)
Net position at beginning of year	<u>86,891</u>
Net position at end of year	<u><u>\$ 15,054</u></u>

See accompanying notes to the financial statements.

CITY OF NIAGARA FALLS, NEW YORK
Statement of Cash Flows - Proprietary Funds - Internal Service Funds
Year ended December 31, 2021

	<u>Internal Service Funds</u>
Cash flows from operating activities:	
Cash received from providing services	\$ 921,400
Cash paid for contractual expenses	<u>(922,764)</u>
Net cash used in operating activities	(1,364)
Cash and equivalents at beginning of year	<u>5,670</u>
Cash and equivalents at end of year	<u><u>\$ 4,306</u></u>
Reconciliation of change in net position to net cash used in operating activities:	
Change in net position	\$ (71,837)
Adjustments to reconcile change in net position to net cash used in operating activities:	
Change in:	
Prepaid items	(120)
Inventory	(672)
Accounts payable	(9,926)
Due to other funds	<u>81,191</u>
Net cash used in operating activities	<u><u>\$ (1,364)</u></u>

See accompanying notes to financial statements.

CITY OF NIAGARA FALLS, NEW YORK
Statement of Net Position - Component Units
December 31, 2021

	Bellevue Local Development <u>Corporation</u>	N.F.C. Development <u>Corporation</u>	Niagara Falls Public <u>Library</u>	<u>Total</u>
Assets:				
Cash and equivalents - unrestricted	\$ -	728,136	968,740	1,696,876
Accounts receivable	-	-	2,245	2,245
Due from other governments	-	-	39,800	39,800
Loans receivable	-	44,951	-	44,951
Capital assets, net of accumulated depreciation	<u>27,371,628</u>	<u>-</u>	<u>180,811</u>	<u>27,552,439</u>
Total assets	<u>27,371,628</u>	<u>773,087</u>	<u>1,191,596</u>	<u>29,336,311</u>
Liabilities:				
Accounts payable	-	152	11,541	11,693
Accrued liabilities	-	-	675	675
Unearned revenue	<u>-</u>	<u>-</u>	<u>276,726</u>	<u>276,726</u>
Total liabilities	<u>-</u>	<u>152</u>	<u>288,942</u>	<u>289,094</u>
Net position:				
Net investment in capital assets	27,371,628	-	180,811	27,552,439
Restricted	-	-	120,000	120,000
Unrestricted	<u>-</u>	<u>772,935</u>	<u>601,843</u>	<u>1,374,778</u>
Total net position	<u>\$ 27,371,628</u>	<u>772,935</u>	<u>902,654</u>	<u>29,047,217</u>

See accompanying notes to financial statements.

CITY OF NIAGARA FALLS, NEW YORK
Statement of Revenue, Expenses and Changes in Net Position -
Component Units
Year ended December 31, 2021

	Bellevue Local Development Corporation	N.F.C. Development Corporation	Niagara Falls Public Library	Total
Operating revenue:				
Transfers from City of Niagara Falls	\$ -	-	1,788,723	1,788,723
Charges for services	-	325	8,738	9,063
Grants and aid	-	-	173,183	173,183
Other revenue	-	4,929	205,630	210,559
Total operating revenue	-	5,254	2,176,274	2,181,528
Operating expenses:				
Contractual expense	-	18,472	1,858,335	1,876,807
Grant expense	-	16,804	-	16,804
Depreciation	995,332	-	30,474	1,025,806
Total operating expenses	995,332	35,276	1,888,809	2,919,417
Operating income (loss)	(995,332)	(30,022)	287,465	(737,889)
Nonoperating revenue - interest income	-	170	-	170
Change in net position	(995,332)	(29,852)	287,465	(737,719)
Net position at beginning of year	28,366,960	802,787	615,189	29,784,936
Net position at end of year	<u>\$ 27,371,628</u>	<u>772,935</u>	<u>902,654</u>	<u>29,047,217</u>

See accompanying notes to financial statements.

CITY OF NIAGARA FALLS, NEW YORK
Statement of Fiduciary Net Position - Fiduciary Funds
December 31, 2021

	Private Purpose Trust <u>Fund</u>	Custodial <u>Funds</u>
Assets - cash and equivalents	\$ 56,599	<u>1,184,034</u>
Net position:		
Trusts	56,599	58,473
Forfeitures	-	263,640
Individuals, organizations and other governments	<u>-</u>	<u>861,921</u>
Total net position	<u>\$ 56,599</u>	<u>1,184,034</u>

See accompanying notes to financial statements.

CITY OF NIAGARA FALLS, NEW YORK
Statement of Changes in Fiduciary Net Position - Fiduciary Funds
Year ended December 31, 2021

	<u>Private Purpose Trust Fund</u>	<u>Custodial Funds</u>
Additions:		
Taxes collected on behalf of individuals	\$ -	226,402
Taxes collected on behalf of other governments	-	31,677,315
Forfeitures of crime proceeds	-	82,673
Donations	25	29,428
Proceeds of seized and unclaimed properties	-	2,600
Interest	<u>10</u>	<u>-</u>
Total additions	<u>35</u>	<u>32,018,418</u>
Deductions:		
Disbursements to primary government	-	355,950
Taxes disbursed to other governments	-	31,677,315
Disbursements to individuals, organizations or other governments	<u>257</u>	<u>22,247</u>
Total deductions	<u>257</u>	<u>32,055,512</u>
Change in net position	(222)	(37,094)
Net position at beginning of year	<u>56,821</u>	<u>1,221,128</u>
Net position at end of year	<u><u>\$ 56,599</u></u>	<u><u>1,184,034</u></u>

See accompanying notes to financial statements.

CITY OF NIAGARA FALLS, NEW YORK

Notes to Financial Statements

December 31, 2021

(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

Primary Government

The City is a unit of local government created by the State of New York (the State). The City operates under provisions of the 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.

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.

CITY OF NIAGARA FALLS, NEW YORK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(a) Reporting Entity, Continued

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.

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

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 NFC, Bellevue and Library, are considered to be a major component unit, therefore they are shown in one component unit column in the government-wide financial statements.

CITY OF NIAGARA FALLS, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(b) Basis of Presentation, Continued

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 revenue reported for the various functions concerned.

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 subrecipients 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.

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.

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

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.

CITY OF NIAGARA FALLS, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(b) Basis of Presentation, Continued

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. Revenue is 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 revenue 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.

CITY OF NIAGARA FALLS, NEW YORK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(c) Measurement Focus and Basis of Accounting, Continued

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as they are both measurable and available. Revenue is 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 revenue to be available if it is 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 revenue 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 Cash and Equivalents

The City's cash and 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.

Restricted Assets

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

Accounts Receivable

Receivables, with the exception of taxes receivable, are shown gross, with uncollectible amounts recognized under the direct write-off method. GAAP requires 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.

CITY OF NIAGARA FALLS, NEW YORK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(d) Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance, Continued

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, 2021, the allowance for uncollectible taxes was \$4,515,190, which is estimated based on historical collection experience.

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.

Inventory

All inventories are valued at cost using the first-in/first-out method for proprietary funds. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. The Central Garage Fund did not conduct an inventory for the year ended December 31, 2021 and is unable to determine the value of these assets.

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.

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.

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.

CITY OF NIAGARA FALLS, NEW YORK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(d) Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance, Continued

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 <u>Threshold</u>	Depreciation <u>Method</u>	Estimated <u>Useful Life</u>
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

Unearned Revenue

Unearned revenue arises when potential revenue does 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 revenue is removed and revenue is recognized.

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.

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period(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 and contributions subsequent to the measurement date.

CITY OF NIAGARA FALLS, NEW YORK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(d) Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance, Continued

Deferred inflows of resources represents 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 pensions and OPEB. In the Balance Sheet - Governmental Funds, the City reports unavailable revenue related to property taxes.

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, bond premiums, due to retirement system, workers' compensation, compensated absences, net pension liabilities and total OPEB 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.

Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted 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.

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.

CITY OF NIAGARA FALLS, NEW YORK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(d) Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance, Continued

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) Revenue and Expenditures/Expenses

Program Revenue

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

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, snow removal, weed cutting and demolition costs.

CITY OF NIAGARA FALLS, NEW YORK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(e) Revenue and Expenditures/Expenses, Continued

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.

Casino Revenue

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 the 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, revenue is recorded when earned. No allowance has been recorded, as the City is legally authorized to receive the allocation.

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 \$13,633,220. 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.

CITY OF NIAGARA FALLS, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(f) Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in accordance GAAP 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 assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

(g) Accounting Standards Issued But Not Yet Implemented

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

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

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

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

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

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

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

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

Statement No. 99 - Omnibus 2022. Effective for various periods through fiscal years beginning after June 15, 2023.

CITY OF NIAGARA FALLS, NEW YORK

Notes to Financial Statements, Continued

(2) Stewardship, Compliance and Accountability

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

- On November 1st, the Mayor submits a complete operating plan of proposed expenditures and estimated revenue for the City to the City Council for the fiscal year commencing the following January 1st.
- 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 five working days of City Council transmitting budget and all related amendments to the Mayor. The Council can override such vetoes and shall adopt the budget on or before December 15th.
- 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.

(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 Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. The City Controller 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 and its localities.

Collateral is required for demand deposits and certificates of deposits not covered by FDIC 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 the State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organizations

CITY OF NIAGARA FALLS, NEW YORK
Notes to Financial Statements, Continued

(3) Detail Notes on All Activities and Funds, Continued

(a) Deposits and Investments, Continued

The City's aggregate bank balances were fully collateralized at December 31, 2021.

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	\$ 898,992
Trolley	875,371
Community development	190,279
Casino	1,161,029
Debt service	<u>754,869</u>
	\$ <u>3,880,540</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.

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 the State and its localities.

CITY OF NIAGARA FALLS, NEW YORK

Notes to Financial Statements, Continued

(3) Detail Notes on All Activities and Funds, Continued

(a) Deposits and Investments, Continued

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 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 the State and its localities.
- Obligations issued by other than the State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organizations.

(b) Receivables

Receivables recorded by the City at December 31, 2021 include the following:

Accounts receivable:

General Fund:

Tourism - 4th quarter occupancy tax	\$ 742,733
Franchise fees	347,149
Gross utilities taxes	31,999
Miscellaneous receivables	<u>1,955,660</u>
Total General Fund	<u>3,077,541</u>

Community Development Fund:

Grant receivables	17,706
Rental payments	126,485
Housing choice vouchers	18,620
Vendor credit	37,668
Miscellaneous	<u>212</u>
Total Community Development Fund	<u>200,691</u>

Self Insurance Fund:

Health insurance - December	1,435,573
Dental insurance - December	68,217
Miscellaneous	<u>3,066</u>
Total Self Insurance Fund	<u>1,506,856</u>

CITY OF NIAGARA FALLS, NEW YORK

Notes to Financial Statements, Continued

(3) Detail Notes on All Activities and Funds, Continued

(b) Receivables, Continued

Nonmajor Governmental Funds:

Train Station - Amtrak - 4th quarter	\$ 80,577
Train Station - Underground Railroad	7,905
Parking charges	<u>28,155</u>
Total Nonmajor Governmental Funds	<u>116,637</u>
Total accounts receivable	\$ <u>4,901,725</u>

Intergovernmental receivables represent amounts due from other governmental entities at December 31, 2021:

Due from state and federal:

General Fund:

NYS - arterial maintenance	\$ 401,625
NYS - sales tax	421,503
NYS - urban renewal grant	91,812
NYS 8 th District	148,122
NYS Power Authority	25,290
U.S. Department of Justice - COPS grant	179,054
Miscellaneous	<u>177,051</u>
Total General Fund	<u>1,444,457</u>

Community Development Fund:

U.S. Department of Housing and Urban Development - grants	1,186,279
Miscellaneous	<u>18,902</u>
Total Community Development Fund	<u>1,205,181</u>

Capital Projects Fund:

New York State Department of Transportation	650,233
New York State Fiscal Restructuring Board	495,000
Miscellaneous	<u>40,280</u>
Total Capital Projects Fund	<u>1,185,513</u>

Total due from state and federal \$ 3,835,151

Due from other governments:

General Fund:

Niagara County - 4 th quarter sales tax	\$ 1,277,580
Niagara Falls Board of Education - school tax fees	75,097
Miscellaneous	<u>25,543</u>
Total due from other governments	\$ <u>1,378,220</u>

CITY OF NIAGARA FALLS, NEW YORK

Notes to Financial Statements, Continued

(3) Detail Notes on All Activities and Funds, Continued

(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, 2021 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. Loans outstanding as of December 31, 2021, were as follows:

U.S. Department of Housing and Urban Development:

Loans receivable - Community Development Block Grant	\$ 625,076
Loans receivable - Miscellaneous	62,528
Loans receivable - HOME	<u>319,892</u>

Total U.S. Department of Housing and Urban Development	1,007,496
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New York State - Cities RISE	<u>69,521</u>
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Total loans receivable	\$ <u>1,077,017</u>
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(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, 2021:

General Fund:

City taxes receivable current	\$ 3,409,841
City taxes receivable overdue	11,020,051
School taxes receivable	<u>8,223,791</u>

Total taxes receivable	22,653,683
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Less allowance for uncollectibles	<u>(4,515,190)</u>
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Total taxes receivable, net	\$ <u>18,138,493</u>
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(e) Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2021, is as follows:

	Balance at January 1, <u>2021*</u>	<u>Increases</u>	<u>Decreases</u>	Balance at December 31, <u>2021</u>
Capital assets, not being depreciated:				
Land	\$ 2,891,293	-	-	2,891,293
Land improvements - inexhaustible	1,334,807	132,744	-	1,467,551
Construction in progress	36,135,332	2,655,264	35,886,846	2,903,750
Land held for development and sale	1,290,950	-	-	1,290,950
Works of art/historical treasures	<u>17,378</u>	<u>-</u>	<u>-</u>	<u>17,378</u>
Total capital assets, not being depreciated	<u>41,669,760</u>	<u>2,788,008</u>	<u>35,886,846</u>	<u>8,570,922</u>

(Continued)

*Restated as discussed in note 8.

CITY OF NIAGARA FALLS, NEW YORK

Notes to Financial Statements, Continued

(3) Detail Notes on All Activities and Funds, Continued

(e) Capital Assets, Continued

	Balance at January 1, <u>2021*</u>	<u>Increases</u>	<u>Decreases</u>	Balance at December 31, <u>2021</u>
Capital assets, being depreciated:				
Infrastructure	\$ 171,519,073	-	-	171,519,073
Land improvements - exhaustible	7,013,666	-	-	7,013,666
Buildings and building improvements	48,095,320	35,754,102	-	83,849,422
Furniture, office and other equipment	9,597,812	232,183	427	9,829,568
Library/museum resources	9,072,896	-	-	9,072,896
Vehicles	19,945,055	168,255	-	20,113,310
Total capital assets, being depreciated	<u>265,243,822</u>	<u>36,154,540</u>	<u>427</u>	<u>301,397,935</u>
Less accumulated depreciation:				
Infrastructure	86,136,630	4,014,831	-	90,151,461
Land improvements - exhaustible	2,756,045	240,010	-	2,996,055
Buildings and building improvements	24,606,373	1,621,585	-	26,227,958
Furniture, office and other equipment	9,054,577	130,501	427	9,184,651
Library/museum resources	9,072,896	-	-	9,072,896
Vehicles	17,247,464	618,241	-	17,865,705
Total accumulated depreciation	<u>148,873,985</u>	<u>6,625,168</u>	<u>427</u>	<u>155,498,726</u>
Total capital assets being depreciated, net	<u>116,369,837</u>	<u>29,529,372</u>	<u>-</u>	<u>145,899,209</u>
Governmental activities capital assets, net	<u>\$ 158,039,597</u>	<u>32,317,380</u>	<u>35,886,846</u>	<u>154,470,131</u>

*Restated as discussed in note 8.

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

General government support	\$ 137,056
Public safety	437,116
Transportation	5,104,550
Culture and recreation	631,214
Home and community services	<u>315,232</u>
Total depreciation expense - governmental activities	\$ <u>6,625,168</u>

(f) Pension Obligations

New York State and Local 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

CITY OF NIAGARA FALLS, NEW YORK

Notes to Financial Statements, Continued

(3) Detail Notes on All Activities and Funds, Continued

(f) Pension Obligations, Continued

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.nv.us/retirelpublications/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 31st.

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

At December 31, 2021, the City reported the following liabilities for its proportionate share of the net pension liabilities to the System. The net pension liabilities were measured as of March 31, 2021, and the total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation as of April 1, 2020. The City's proportion of the net pension liabilities were based on a projection of the City's long-term share of contributions to the pension plans 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	03/31/2021	03/31/2021
Net pension liability	\$ 38,075	11,061,070
City's portion of the Plan's total net pension liability	0.0382379%	0.6370571%
Change in proportion since the prior measurement date	(0.0050437)	(0.0660328)
Pension expense at December 31, 2021	\$ 939,223	5,354,007

CITY OF NIAGARA FALLS, NEW YORK

Notes to Financial Statements, Continued

(3) Detail Notes on All Activities and Funds, Continued

(f) Pension Obligations, Continued

At December 31, 2021 the City's reported deferred outflows of resources and deferred inflows of resources related to pensions arose from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>PFRS</u>	<u>ERS</u>	<u>PFRS</u>
Differences between expected and actual experience	\$ 464,999	2,454,393	-	-
Change of assumptions	7,000,764	27,175,852	132,036	-
Net difference between projected and actual earnings on pension plan investments	-	-	10,937,382	32,524,428
Changes in proportion and differences between the City's contributions and proportionate share of contributions	466,397	260,691	553,494	2,489,308
City's contributions subsequent to the measurement date	<u>1,631,160</u>	<u>5,547,571</u>	<u>-</u>	<u>-</u>
Total	\$ <u>9,563,320</u>	<u>35,438,507</u>	<u>11,622,912</u>	<u>35,013,736</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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending March 31,</u>	ERS	PFRS
2022	\$ (616,112)	(1,904,260)
2023	(253,536)	(631,955)
2024	(651,211)	(1,613,291)
2025	(2,169,893)	(6,144,561)
2026	<u>-</u>	<u>5,171,267</u>
	\$ <u>(3,690,752)</u>	<u>(5,122,800)</u>

Actuarial Assumptions

The total pension liabilities as of the March 31, 2021 measurement date were determined by using an actuarial valuation as of April 1, 2020, with update procedures used to roll forward the total pension liabilities to March 31, 2021. The actuarial valuation used the following actuarial assumptions:

CITY OF NIAGARA FALLS, NEW YORK

Notes to Financial Statements, Continued

(3) Detail Notes on All Activities and Funds, Continued

(f) Pension Obligations, Continued

	<u>ERS</u>	<u>PFRS</u>
Inflation	2.7%	2.7%
Salary increases	4.4%	6.2%
Investment rate of return (net of investment expense, including inflation)	5.9%	5.9%
Cost of living adjustments	1.4%	1.4%

Annuitant mortality rates are based on April 1, 2015 - March 31, 2020 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2020. The previous actuarial valuation as of April 1, 2019 used April 1, 2010 - March 31, 2015 System experience, mortality improvements based on the Society of Actuaries' Scale MP-2018, inflation of 2.5%, cost of living adjustments of 1.3%, salary increases of 4.5% (ERS) and 5.7% (PFRS), and investment rate of return of 6.8%.

The actuarial assumptions used in the April 1, 2020 valuation are based on the results of an actuarial experience study for the period April 1, 2015 through March 31, 2020.

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.

The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized below.

<u>Asset Class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Domestic equity	32%	4.05%
International equity	15%	6.30%
Private equity	10%	6.75%
Real estate	9%	4.95%
Opportunistic/ARS portfolio	3%	4.50%
Credit	4%	3.63%
Real assets	3%	5.95%
Fixed income	23%	0.00%
Cash	<u>1%</u>	0.50%
	<u>100%</u>	

*Real rates of return are net of long-term inflation assumptions of 2.0%.

CITY OF NIAGARA FALLS, NEW YORK

Notes to Financial Statements, Continued

(3) Detail Notes on All Activities and Funds, Continued

(f) Pension Obligations, Continued

Discount Rate

The discount rate used to calculate the total pension liability was 5.9%. 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 liabilities.

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 5.9%, 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 (4.9%) or 1-percentage point higher (6.9%) than the current rate:

	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
<u>ERS</u>			
City's proportionate share of the net pension asset (liability)	\$ (10,568,147)	(38,075)	9,673,116
<u>PFRS</u>			
City's proportionate share of the net pension asset (liability)	\$ (47,037,901)	(11,061,070)	18,718,450

Pension Plan Fiduciary Net Position

The components of the current-year net pension liabilities of the employers as of March 31, 2021 were as follows:

	(Dollars in Thousands)		
	<u>ERS</u>	<u>PFRS</u>	<u>Total</u>
Employers' total pension liability	\$(220,680,157)	(41,236,775)	(261,916,932)
Fiduciary net position	<u>220,580,583</u>	<u>39,500,500</u>	<u>260,081,083</u>
Employers' net pension liability	\$ <u>99,574</u>	<u>1,736,275</u>	<u>1,835,849</u>
Ratio of fiduciary net position to the employers' total pension liability	99.9%	95.8%	99.3%

CITY OF NIAGARA FALLS, NEW YORK

Notes to Financial Statements, Continued

(3) Detail Notes on All Activities and Funds, Continued

(f) Pension Obligations, Continued

Contributions and 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 31st. Prepaid retirement contributions as of December 31, 2021 represent the employer contribution for the period of January 1, 2022 through March 31, 2022 of the retirement invoice for the Plan year April 1, 2021 through March 31, 2022. Prepaid retirement contributions as of December 31, 2021 amounted to \$543,720 and \$1,849,190 for ERS and PFRS, respectively. Total contributions for the year ended December 31, 2021 amounted to \$2,174,880 and \$7,396,761 for ERS and PFRS, respectively.

(g) Postemployment Benefits Other Than Pensions

Plan Description

The City administers the City of Niagara Falls Retiree Medical, Dental and Life Insurance Plan (the Plan) as a single-employer defined benefit OPEB plan. 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. There are no assets accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4.

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, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	548
Active employees	<u>525</u>
Total	<u>1,073</u>

The City's total OPEB liability of \$436,929,156 was measured as of December 31, 2021, and was determined by an interim actuarial valuation as of January 1, 2020.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

CITY OF NIAGARA FALLS, NEW YORK

Notes to Financial Statements, Continued

(3) Detail Notes on All Activities and Funds, Continued

(g) Postemployment Benefits Other Than Pensions (OPEB), Continued

Actuarial Assumptions and Other Inputs, Continued

Inflation	2.25%
Salary increases	2.00%
Discount rate	1.84%
Healthcare cost trend rates	7.00% decreasing to 3.78%
Retirees' share of benefit-related costs	0.00% - 15.00%

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

Mortality rates for retirees and surviving spouses were based on Scale MP-2021 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

Total OPEB liability as of January 1, 2021	\$ <u>404,672,980</u>
Changes for the year:	
Service cost	17,335,791
Interest on total OPEB liability	8,332,493
Changes in assumptions or other inputs	17,356,131
Benefit payments	<u>(10,768,239)</u>
Total changes	<u>32,256,176</u>
Total OPEB liability as of December 31, 2021	\$ <u>436,929,156</u>

Changes of assumptions and other inputs reflect a change in the discount rate from to 2.00% in 2020 to 1.84% in 2021, updated premium information and changes in the Mortality Improvement Scale from MP-2020 to MP-2021.

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 (0.84%) or 1 percentage point higher (2.84%) than the current discount rate.

CITY OF NIAGARA FALLS, NEW YORK

Notes to Financial Statements, Continued

(3) Detail Notes on All Activities and Funds, Continued

(g) Postemployment Benefits Other Than Pensions (OPEB), Continued

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

	1% Decrease (0.84%)	Current Assumption (1.84%)	1% Increase (2.84%)
Total OPEB liability	\$ 516,352,318	436,929,156	373,739,601

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 or 1 percentage point higher than the current healthcare cost trend rate:

	1% Decrease (6.00% decreasing to 2.78%)	Healthcare Cost Trend Rates (7.00% decreasing to 3.78%)	1% Increase (8.00% decreasing 4.78%)
Total OPEB liability	\$ 358,275,094	436,929,156	540,052,721

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

Related to OPEB

For the year ended December 31, 2021, the City recognized OPEB expense of \$21,479,872.

At December 31, 2021, 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	\$ -	64,257,591
Changes of assumptions or other inputs	80,149,913	18,559,605
Total	\$ 80,149,913	82,817,196

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

Year ending December 31,

2022	\$ (4,188,412)
2023	(4,188,412)
2024	(114,355)
2025	3,003,857
2026	2,820,039
	\$ (2,667,283)

CITY OF NIAGARA FALLS, NEW YORK
Notes to Financial Statements, Continued

(3) Detail Notes on All Activities and Funds, Continued

(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.

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

A summary of changes in the City's long-term liabilities for the year ended December 31, 2021 are presented as follows:

	Balance at January 1, <u>2021</u>	<u>Additions</u>	<u>Reductions</u>	Balance at December 31, <u>2021</u>	Due Within <u>One Year</u>
Serial bonds	\$ 47,040,000	-	3,650,000	43,390,000	3,785,000
Bond premium	<u>1,729,370</u>	<u>-</u>	<u>115,292</u>	<u>1,614,078</u>	<u>115,292</u>
Total bonds payable	48,769,370	-	3,765,292	45,004,078	3,900,292
Installment purchase debt	24,766	-	24,766	-	-
Due to retirement system	2,022,097	-	708,502	1,313,595	590,347
Compensated absences	14,753,034	-	1,119,814	13,633,220	-
Workers' compensation	11,102,125	3,290,202	3,027,102	11,365,225	-
Total OPEB liability	404,672,980	32,256,176	-	436,929,156	-
Net pension liabilities	<u>49,040,925</u>	<u>-</u>	<u>37,941,780</u>	<u>11,099,145</u>	<u>-</u>
Total	<u>\$ 530,385,297</u>	<u>35,546,378</u>	<u>46,587,256</u>	<u>519,344,419</u>	<u>4,490,639</u>

Long-term debt maturity schedule:

<u>Item Description</u>	<u>Original issue date</u>	<u>Original amount of issue</u>	<u>Interest rate</u>	<u>Maturity date</u>	Amount outstanding at December 31, <u>2021</u>
General obligation bonds:					
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	1,825,000
Various - general fund	2011	7,437,000	3.0% - 4.0%	2026	2,830,000
2014 Refunding - general fund	2014	7,355,000	0.5% - 3.0%	2024	1,575,000
2016 Refunding bonds	2016	39,490,000	1.75% - 5.00%	2037	31,130,000
Various - general fund	2017	8,093,305	3.000% - 3.625%	2042	<u>6,025,000</u>
Total general obligation bonds					<u>\$ 43,390,000</u>

CITY OF NIAGARA FALLS, NEW YORK
Notes to Financial Statements, Continued

(3) Detail Notes on All Activities and Funds, Continued

(h) Long-Term Liabilities, Continued

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	<u>Serial Bonds</u>			
<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Premium</u>	<u>Total</u>
2022	\$ 3,785,000	1,520,820	115,292	5,421,112
2023	3,800,000	1,388,733	115,292	5,304,025
2024	3,835,000	1,254,091	115,292	5,204,383
2025	2,825,000	1,125,854	115,292	4,066,146
2026	2,935,000	1,022,250	115,292	4,072,542
2027 - 2031	11,300,000	3,461,013	576,460	15,337,473
2032 - 2036	11,435,000	1,549,125	461,158	13,445,283
2037 - 2041	3,300,000	216,213	-	3,516,213
2042	175,000	8,063	-	183,063
Total	<u>\$ 43,390,000</u>	<u>11,546,162</u>	<u>1,614,078</u>	<u>56,550,240</u>

Constitutional Debt Limit

As of December 31, 2021, the City has exhausted 37.45% of its constitutional debt limit with \$43,390,000 of outstanding debt principal of a total \$115,858,402 debt limit.

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, 2021, a total amount of \$776,685 of bonds outstanding are considered defeased.

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.

(i) Net Position and Fund Balance

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:

CITY OF NIAGARA FALLS, NEW YORK
Notes to Financial Statements, Continued

(3) Detail Notes on All Activities and Funds, Continued

(i) Net Position and Fund Balance, Continued

Capital assets, net of accumulated depreciation	\$ 154,470,131
Deferred outflows - bond refundings	1,518,900
Bonds payable used for capital assets	(43,390,000)
Bond premium	(1,614,078)
Retainage payable	<u>(168,257)</u>
Net investment in capital assets	\$ <u>110,816,696</u>

Restricted net position - This category presents external restrictions imposed by creditors, granters, 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, 2021 include prepaid items which 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 Tourism and Trolley Services - represents funds set aside to be used for the specific programs.
- Restricted for community development - represents funds to be used for any future community development projects.
- Restricted for casino - represents casino revenues allocated from the State. These funds are restricted for various purposes as determined by law.
- Restricted for debt service - represents unspent debt proceed funds to be used towards future debt service requirements.

CITY OF NIAGARA FALLS, NEW YORK

Notes to Financial Statements, Continued

(3) Detail Notes on All Activities and Funds, Continued

(i) Net Position and Fund Balance, Continued

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, 2021, 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 2022 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 self insurance - represents funds to be used for the City's health, dental and worker's compensation self insurance plans as well as judgements and claims.

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, 2021, the governmental fund's fund balances were classified as follows:

	General	Community Development	Capital Projects	Miscellaneous Special Revenue	Self Insurance	Debt Service	Nonmajor	Total
<u>Nonspendable</u>								
Prepaid items	\$ 2,392,910	-	-	-	-	-	-	2,392,910
<u>Restricted</u>								
Tourism	898,992	-	-	-	-	-	-	898,992
Trolley	875,371	-	-	-	-	-	-	875,371
Community development	-	190,279	-	-	-	-	-	190,279
Casino	-	-	-	1,161,029	-	-	-	1,161,029
Debt service	-	-	-	-	-	754,869	-	754,869
<u>Assigned</u>								
Capital projects	-	-	4,847,648	-	-	-	-	4,847,648
Judgments and claims	-	-	-	-	714,708	-	-	714,708
Health insurance	-	-	-	-	211,722	-	-	211,722
Dental insurance	-	-	-	-	1,243,098	-	-	1,243,098
Workers' compensation	-	-	-	-	1,280,036	-	-	1,280,036
Library	-	-	-	-	-	-	39,799	39,799
<u>Unassigned</u>								
General Fund	114,572	-	-	-	-	-	-	114,572
Total	<u>\$ 4,281,845</u>	<u>190,279</u>	<u>4,847,648</u>	<u>1,161,029</u>	<u>3,449,564</u>	<u>754,869</u>	<u>39,799</u>	<u>14,725,033</u>

CITY OF NIAGARA FALLS, NEW YORK

Notes to Financial Statements, Continued

(3) Detail Notes on All Activities and Funds, Continued

(j) Interfund Activities

Interfund receivables, payables and transfers as of and for the year ended December 31, 2021, are as follows:

<u>Due From</u>	<u>Due to</u>				<u>Total</u>
	<u>Community Development</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Internal Service</u>	
General	\$ 1,258,142	292	65,838	709,056	2,033,328
Capital projects	<u>1,135,405</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,135,405</u>
Total	<u>\$ 2,393,547</u>	<u>292</u>	<u>65,838</u>	<u>709,056</u>	<u>3,168,733</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, City accounts are pooled into consolidated bank accounts. 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>Transfers Out</u>	<u>Transfers In</u>						<u>Total</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Miscellaneous Revenue</u>	<u>Self Insurance</u>	<u>Debt Service</u>	<u>Nonmajor</u>	
General	\$ -	-	-	900,000	5,322,944	1,936,797	8,159,741
Capital projects	8,280	-	762,347	-	-	-	770,627
Miscellaneous special revenue	8,843,067	698,140	-	-	-	-	9,541,207
Debt service	1,250,000	-	-	-	-	-	1,250,000
Nonmajor	<u>1,907,563</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,907,563</u>
Total	<u>\$ 12,008,910</u>	<u>698,140</u>	<u>762,347</u>	<u>900,000</u>	<u>5,322,944</u>	<u>1,936,797</u>	<u>21,629,138</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.

CITY OF NIAGARA FALLS, NEW YORK

Notes to Financial Statements, Continued

(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 in Due to Other Governments at December 31, 2021 was \$510,899.

(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 \$5,000,000 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 \$5,000,000 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.

CITY OF NIAGARA FALLS, NEW YORK

Notes to Financial Statements, Continued

(4) Commitments and Contingencies, Continued

(e) 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. Both the 2021 and 2022 budget have been impacted due to the coronavirus, primarily from a revenue collections perspective. Sales tax, occupancy tax, and downtown parking fees may still be impacted due to the coronavirus in 2022, due in part to the continued restrictions at the U.S./Canadian border crossing.

(f) Litigation

The City is 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.

(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.

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, 2021 was \$1,532,750.

The workers’ compensation plan maintains excess insurance, which insures against catastrophic claim losses for amounts over \$800,000, 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.

CITY OF NIAGARA FALLS, NEW YORK
Notes to Financial Statements, Continued

(5) Risk Financing, Continued

The City's estimated claims since December 31, 2019 for the workers' compensation plan are noted below.

	<u>Workers' Compensation</u>
Estimated claims at December 31, 2019	\$ 11,953,320
Claims incurred and adjustments during 2020	1,234,184
Payments made during 2020	<u>(2,085,379)</u>
Estimated claims at December 31, 2020	11,102,125
Claims incurred and adjustments during 2021	3,290,202
Payments made during 2021	<u>(3,027,102)</u>
Estimated claims at December 31, 2021	\$ <u>11,365,225</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. 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, 2019 for the medical and dental insurance program are noted below.

	<u>Health Insurance</u>
Estimated claims at December 31, 2019	\$ 731,882
Claims incurred and adjustments during 2020	15,604,933
Payments made during 2020	<u>(15,647,367)</u>
Estimated claims at December 31, 2020	689,448
Claims incurred and adjustments during 2021	15,947,125
Payments made during 2021	<u>(15,540,815)</u>
Estimated claims at December 31, 2021	\$ <u>1,095,758</u>

(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:

CITY OF NIAGARA FALLS, NEW YORK
Notes to Financial Statements, Continued

(6) Tax Abatements, Continued

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 were \$3,131,696 for the year ended December 31, 2021.

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, 2021.

(7) Subsequent Events

Management has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

On March 28, 2022, the Seneca Nation of Indians approved a resolution directing the transfer of funds to the State to resolve the Nation's gaming compact dispute. The transferred funds cover the period from January 1, 2017 to December 31, 2021. On April 20, 2022, the City received its distribution for the aforementioned timeframe in the amount of \$38,940,440, which was net of advances received from the State in the amount of \$28,444,487.

(8) Restatement

During the year ended December 31, 2021, the City determined that certain items previously capitalized in the statement of net position during the year ended December 31, 2020 for land improvements were not removed from construction in progress. The effect of this restatement was as follows:

	<u>Governmental Activities</u>
Net position (deficit), as originally stated	\$ (339,696,756)
Restatement	<u>(1,389,893)</u>
Net position (deficit), as restated	\$ <u>(341,086,649)</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NIAGARA FALLS, NEW YORK
Required Supplementary Information
Schedule of Revenue, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund
Year ended December 31, 2021

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenue:				
Real property taxes	\$ 31,356,780	31,356,780	30,794,934	(561,846)
Real property tax items	5,199,610	5,199,610	4,180,495	(1,019,115)
Nonproperty tax items	18,200,000	18,200,000	21,419,806	3,219,806
Departmental income	4,668,745	4,668,745	4,523,913	(144,832)
Intergovernmental charges	1,291,901	1,291,901	1,265,630	(26,271)
Use of money and property	657,451	657,451	515,752	(141,699)
Licenses and permits	820,745	820,745	961,591	140,846
Fines and forfeitures	651,000	651,000	627,841	(23,159)
Sale of property and compensation for loss	37,750	37,750	19,522	(18,228)
Miscellaneous local sources	308,400	308,400	433,835	125,435
Interfund revenues	384,735	384,735	16,432	(368,303)
State aid	18,737,375	18,737,375	19,996,854	1,259,479
Federal aid	-	-	379,712	379,712
Total revenue	<u>82,314,492</u>	<u>82,314,492</u>	<u>85,136,317</u>	<u>2,821,825</u>
Expenditures:				
General government support	10,366,342	9,757,572	8,979,997	777,575
Public safety	41,240,301	41,716,758	42,714,244	(997,486)
Transportation	4,199,814	4,077,493	3,805,872	271,621
Economic assistance and opportunity	485,000	530,102	15,276	514,826
Culture and recreation	2,893,290	2,913,974	2,685,864	228,110
Home and community services	6,406,084	6,407,579	6,686,208	(278,629)
Employee benefits	<u>20,648,241</u>	<u>20,857,233</u>	<u>20,761,906</u>	<u>95,327</u>
Total expenditures	<u>86,239,072</u>	<u>86,260,711</u>	<u>85,649,367</u>	<u>611,344</u>
Excess (deficiency) of revenue over expenditures	<u>(3,924,580)</u>	<u>(3,946,219)</u>	<u>(513,050)</u>	<u>3,433,169</u>
Other financing sources (uses):				
Interfund transfers in	12,068,171	12,145,812	12,008,910	(136,902)
Interfund transfers out	<u>(8,143,591)</u>	<u>(8,147,225)</u>	<u>(8,159,741)</u>	<u>(12,516)</u>
Total other financing sources (uses)	<u>3,924,580</u>	<u>3,998,587</u>	<u>3,849,169</u>	<u>(149,418)</u>
Net change in fund balance	-	52,368	3,336,119	3,283,751
Fund balance at beginning of year	<u>405,376</u>	<u>405,376</u>	<u>405,376</u>	-
Fund balance at end of year	<u>\$ 405,376</u>	<u>457,744</u>	<u>3,741,495</u>	<u>3,283,751</u>

CITY OF NIAGARA FALLS, NEW YORK
Required Supplementary Information
Schedule of City's Proportionate Share of the Net Pension Liabilities
December 31, 2021

<u>ERS System</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
The City's proportion of the net pension liability	0.0382379%	0.0432816%	0.0454574%	0.0462646%	0.0439208%	0.0443032%	0.0453898%
The City's proportionate share of the net pension liability	\$ 38,075	11,461,209	3,220,796	1,493,165	4,126,895	7,110,780	1,533,380
The City's covered payroll	\$ 11,823,732	12,856,461	13,443,735	13,934,155	13,443,401	12,172,000	11,848,000
The City's proportionate share of the net pension liability as a percentage of covered payroll	0.3%	89.1%	24.0%	10.7%	30.7%	58.4%	12.9%
Plan fiduciary net position as a percentage of the total pension liability	99.9%	86.4%	96.3%	98.2%	94.7%	90.7%	97.9%
<u>PFRS System</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
The City's proportion of the net pension liability	0.6370571%	0.7030899%	0.7005245%	0.8017391%	0.7073095%	0.7162741%	0.7631545%
The City's proportionate share of the net pension liability	\$ 11,061,070	37,579,716	12,618,999	8,103,633	14,660,064	21,207,352	2,100,656
The City's covered payroll	\$ 24,389,618	25,204,900	25,804,158	26,615,984	26,915,367	28,390,000	22,813,000
The City's proportionate share of the net pension liability as a percentage of covered payroll	45.4%	149.1%	48.9%	30.4%	54.5%	74.7%	9.2%
Plan fiduciary net position as a percentage of the total pension liability	95.8%	84.9%	95.1%	96.9%	93.5%	90.2%	98.5%

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

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

CITY OF NIAGARA FALLS, NEW YORK
Required Supplementary Information
Schedule of City's Pension Contributions
December 31, 2021

<u>ERS System</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,174,880	2,144,667	2,209,402	2,285,069	2,268,227	1,882,000	2,202,000
Contribution in relation to the contractually required contribution	<u>2,174,880</u>	<u>2,144,667</u>	<u>2,209,402</u>	<u>2,285,069</u>	<u>2,268,227</u>	<u>1,882,000</u>	<u>2,202,000</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 11,823,732	12,374,342	13,727,683	13,486,712	14,420,796	12,319,663	11,776,043
Contribution as a percentage of covered payroll	18.4%	17.3%	16.1%	16.9%	15.7%	15.3%	18.7%
 <u>PFRS System</u>	 <u>2021</u>	 <u>2020</u>	 <u>2019</u>	 <u>2018</u>	 <u>2017</u>	 <u>2016</u>	 <u>2015</u>
Contractually required contribution	\$ 7,396,761	6,540,152	6,438,361	6,617,724	6,818,083	5,960,000	5,909,000
Contribution in relation to the contractually required contribution	<u>7,396,761</u>	<u>6,540,152</u>	<u>6,438,361</u>	<u>6,617,724</u>	<u>6,818,083</u>	<u>5,960,000</u>	<u>5,909,000</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 24,389,618	26,687,688	27,272,856	27,244,427	28,072,144	26,328,810	22,836,686
Contribution as a percentage of covered payroll	30.3%	24.5%	23.6%	24.3%	24.3%	22.6%	25.9%

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

CITY OF NIAGARA FALLS, NEW YORK
Required Supplementary Information
Schedule of Changes in the City's Total OPEB Liability and Related Ratios
December 31, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 17,335,791	12,912,502	13,507,520	16,064,796
Interest on total OPEB liability	8,332,493	9,336,429	13,685,909	13,279,140
Changes in benefit terms	-	12,230,642	-	-
Differences between expected and actual experience	-	(49,742,241)	(57,478,786)	-
Changes of assumptions or other inputs	17,356,131	48,597,512	61,610,148	(48,737,821)
Benefit payments	<u>(10,768,239)</u>	<u>(9,996,184)</u>	<u>(10,750,741)</u>	<u>(9,927,056)</u>
Net change in total OPEB liability	32,256,176	23,338,660	20,574,050	(29,320,941)
Total OPEB liability - beginning	<u>404,672,980</u>	<u>381,334,320</u>	<u>360,760,270</u>	<u>390,081,211</u>
Total OPEB liability - ending	<u>\$ 436,929,156</u>	<u>404,672,980</u>	<u>381,334,320</u>	<u>360,760,270</u>
Covered payroll	\$ 40,374,649	39,965,184	41,991,359	42,163,658
Total OPEB liability as a percentage of covered payroll	1082.19%	1012.56%	908.13%	855.62%

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

There are no assets accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4.

CITY OF NIAGARA FALLS, NEW YORK
Notes to Required Supplementary Information
December 31, 2021

(1) Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with GAAP for the General Fund. The budgetary schedule for the General Fund does not include the tourism or grant sub-funds 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.

(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:

<u>Year ended March 31,</u>	<u>ERS</u>	<u>PFRS</u>
2021	5.9%	5.9%
2020	6.8%	6.8%
2019	7.0%	7.0%
2018	7.0%	7.0%
2017	7.0%	7.0%
2016	7.0%	7.0%
2015	7.5%	7.5%

CITY OF NIAGARA FALLS, NEW YORK
Notes to Required Supplementary Information

(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:

<u>Year ended December 31,</u>	<u>Salary Scale</u>	<u>Discount Rate</u>	<u>Ultimate Healthcare Cost Trend Rate</u>
2021	2.00%	1.84%	3.78%
2020	2.00%	2.00%	3.78%
2019	2.00%	2.75%	3.78%
2018	2.00%	3.71%	3.78%

OTHER SUPPLEMENTARY INFORMATION

CITY OF NIAGARA FALLS, NEW YORK
Other Supplementary Information
Combining Balance Sheet - Nonmajor Governmental Funds
December 31, 2021

	<u>Train Station</u>	<u>Public Library</u>	<u>Parking Ramp</u>	<u>Total Nonmajor Governmental Funds</u>
Assets:				
Cash and equivalents - unrestricted	\$ -	100,583	1,540	102,123
Accounts receivable	<u>88,482</u>	<u>-</u>	<u>28,155</u>	<u>116,637</u>
Total assets	<u>\$ 88,482</u>	<u>100,583</u>	<u>29,695</u>	<u>218,760</u>
Liabilities:				
Accounts payable	51,414	46,241	15,078	112,733
Accrued liabilities	-	-	390	390
Due to other funds	<u>37,068</u>	<u>14,543</u>	<u>14,227</u>	<u>65,838</u>
Total current liabilities	<u>88,482</u>	<u>60,784</u>	<u>29,695</u>	<u>178,961</u>
Fund balances - assigned	<u>-</u>	<u>39,799</u>	<u>-</u>	<u>39,799</u>
Total liabilities and fund balances	<u>\$ 88,482</u>	<u>100,583</u>	<u>29,695</u>	<u>218,760</u>

CITY OF NIAGARA FALLS, NEW YORK
Other Supplementary Information
Combining Statement of Revenue, Expenditures and Changes in
Fund Balances - Nonmajor Governmental Funds
Year ended December 31, 2021

	<u>Train Station</u>	<u>Public Library</u>	<u>Parking Ramp</u>	<u>Total Nonmajor Governmental Funds</u>
Revenue - departmental income	\$ 257,065	-	2,327,902	2,584,967
Expenditures:				
General government	337,436	-	370,185	707,621
Culture and recreation	-	1,182,397	-	1,182,397
Employee benefits	65,845	656,928	52,012	774,785
Total expenditures	403,281	1,839,325	422,197	2,664,803
Excess (deficit) of revenue over expenditures	(146,216)	(1,839,325)	1,905,705	(79,836)
Other financing sources (uses):				
Interfund transfers in	146,216	1,788,723	1,858	1,936,797
Interfund transfers out	-	-	(1,907,563)	(1,907,563)
Total other financing sources (uses)	146,216	1,788,723	(1,905,705)	29,234
Change in fund balances	-	(50,602)	-	(50,602)
Fund balances at beginning of year	-	90,401	-	90,401
Fund balances at end of year	\$ -	39,799	-	39,799

CITY OF NIAGARA FALLS, NEW YORK
Other Supplementary Information
Combining Balance Sheet - Proprietary Funds - Internal Service Funds
December 31, 2021

	<u>Postage</u>	<u>Stationary</u>	<u>Telephone</u>	<u>Central Garage</u>	<u>Copier Lease</u>	<u>Total Internal Service Funds</u>
Assets:						
Cash and equivalents - unrestricted \$	1,296	-	3,010	-	-	4,306
Prepaid items	-	-	-	220	-	220
Inventory	<u>5,100</u>	<u>2,345</u>	<u>-</u>	<u>730,398</u>	<u>-</u>	<u>737,843</u>
Total assets	<u>6,396</u>	<u>2,345</u>	<u>3,010</u>	<u>730,618</u>	<u>-</u>	<u>742,369</u>
Liabilities:						
Accounts payable	5,000	-	-	13,259	-	18,259
Due to other funds	<u>-</u>	<u>2,203</u>	<u>-</u>	<u>706,853</u>	<u>-</u>	<u>709,056</u>
Total current liabilities	<u>5,000</u>	<u>2,203</u>	<u>-</u>	<u>720,112</u>	<u>-</u>	<u>727,315</u>
Net Position - unrestricted	<u>\$ 1,396</u>	<u>142</u>	<u>3,010</u>	<u>10,506</u>	<u>-</u>	<u>15,054</u>

CITY OF NIAGARA FALLS, NEW YORK
Other Supplementary Information
Combining Statement of Revenue, Expenses and Changes in
Fund Balances - Proprietary Funds - Internal Service Funds
Year ended December 31, 2021

	<u>Postage</u>	<u>Stationary</u>	<u>Telephone</u>	<u>Central Garage</u>	<u>Copier Lease</u>	<u>Total Internal Service Funds</u>
Revenue - charges for services	\$ 43,636	1,472	54,830	788,100	33,362	921,400
Expenses - contractual expenses	43,636	1,398	54,830	860,011	33,362	993,237
Change in net position	-	74	-	(71,911)	-	(71,837)
Net position at beginning of year	1,396	68	3,010	82,417	-	86,891
Net position at end of year	<u>\$ 1,396</u>	<u>142</u>	<u>3,010</u>	<u>10,506</u>	<u>-</u>	<u>15,054</u>

CITY OF NIAGARA FALLS, NEW YORK
Other Supplementary Information
Combining Statement of Cash Flows - Proprietary Funds - Internal Service Funds
Year ended December 31, 2021

	<u>Postage</u>	<u>Stationary</u>	<u>Telephone</u>	<u>Central Garage</u>	<u>Copier Lease</u>	<u>Total Nonmajor Governmental Funds</u>
Cash flows from operating activities:						
Cash received from providing services	\$ 43,636	1,472	54,830	788,100	33,362	921,400
Cash paid for contractual expenses	<u>(45,000)</u>	<u>(1,472)</u>	<u>(54,830)</u>	<u>(788,100)</u>	<u>(33,362)</u>	<u>(922,764)</u>
Net cash used in operating activities	(1,364)	-	-	-	-	(1,364)
Cash and equivalents at beginning of year	<u>2,660</u>	<u>-</u>	<u>3,010</u>	<u>-</u>	<u>-</u>	<u>5,670</u>
Cash and equivalents at end of year	<u><u>\$ 1,296</u></u>	<u><u>-</u></u>	<u><u>3,010</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>4,306</u></u>
Reconciliation of change in net position to net cash used in operating activities:						
Change in net position	\$ -	74	-	(71,911)	-	(71,837)
Adjustments to reconcile change in net position to net cash used in operating activities - change in:						
Prepaid items	-	-	-	(120)	-	(120)
Inventory	(1,364)	692	-	-	-	(672)
Accounts payable	-	-	-	(9,926)	-	(9,926)
Due to other funds	<u>-</u>	<u>(766)</u>	<u>-</u>	<u>81,957</u>	<u>-</u>	<u>81,191</u>
Net cash used in operating activities	<u><u>\$ (1,364)</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>(1,364)</u></u>

CITY OF NIAGARA FALLS, NEW YORK
Federal Grant Compliance Audit
December 31, 2021

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

Honorable Mayor and Members of 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, the proprietary funds, 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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 30, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs as item 2021-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

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

The City of Niagara Falls, New York's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures of the City's response to the finding 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 the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

EFPR Group, CPAs, PLLC

Williamsville, New York
June 30, 2022

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

Honorable Mayor and Members of City Council
City of Niagara Falls, New York:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Niagara Falls, New York's (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2021. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Program

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 Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities for Management for Compliance

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

Auditors' Responsibility for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards and the Uniform Guidance, we:

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

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

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 2021-002 and 2021-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies 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 2021-002 and 2021-003 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other 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.

EFPR Group, CPAs, PLLC

Williamsville, New York
June 30, 2022

CITY OF NIAGARA FALLS, NEW YORK
Schedule of Expenditures of Federal Awards
Year ended December 31, 2021

<u>Federal Grantor/Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Pass-through Grantor and Number</u>	<u>Expenditures</u>	<u>Expenditures to Subrecipients</u>
U.S. Department of Housing and Urban Development:				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grants	14.218	N/A	\$ 2,021,255	80,859
COVID-19 - Community Development Block Grants/Entitlement Grants	14.218	N/A	677,664	572,473
Total CDBG - Entitlement Grants Cluster			2,698,919	653,332
Emergency Solutions Grant Program	14.231	N/A	214,170	198,805
COVID-19 - Emergency Solutions Grant Program	14.231	N/A	246,264	245,764
Total Emergency Solutions Grant			460,434	444,569
Home Investment Partnerships Program	14.239	N/A	264,925	46,087
Section B Project-Based Cluster - Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	N/A	48,171	-
Housing Voucher Cluster - Section 8 Housing Choice Vouchers	14.871	N/A	3,969,430	-
Total U.S. Department of Housing and Urban Development			7,441,879	1,143,988
U.S. Department of Justice - Public Safety Partnership and Community Policing Grants	16.710	2020UMWX0451	379,712	-
U.S. Department of Transportation - passed through New York State Department of Transportation - Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	D036278	89,233	-
Highway Planning and Construction	20.205	D040045	160,539	-
Total U.S. Department of Transportation			249,772	-
U.S. Department of Homeland Security - Assistance to Firefighters Grant	97.044	EMW-2020-FG-17265	275,875	-
Total Expenditures of Federal Awards			\$ 8,347,238	1,143,988

See accompanying notes to schedule of expenditures of federal awards.

CITY OF NIAGARA FALLS, NEW YORK
Notes to Schedule of Expenditures of Federal Awards
December 31, 2021

(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, 2021. 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.

(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.

(3) Indirect Cost

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

CITY OF NIAGARA FALLS, NEW YORK
Schedule of Findings and Questioned Costs
Year ended December 31, 2021

Part I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

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

Unmodified, Qualified
and Adverse

Internal control over financial reporting:

1. Material weakness(es) identified?

☒ Yes ☐ No

2. Significant deficiency(ies) identified?

☐ Yes ☒ None
reported

3. Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards:

Internal control over major programs:

4. Material weakness(es) identified?

☒ Yes ☐ No

5. Significant deficiency(ies) identified?

☐ Yes ☒ None
reported

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

Unmodified

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

☒ Yes ☐ No

7. The District's major programs audited were:

Assistance Listing
Number

Name of Federal Programs

Community Development Block Grants/Entitlement Grants

14.218

COVID-19 - Community Development Block Grants/Entitlement Grants

14.218

Section 8 Housing Choice Vouchers

14.871

8. Dollar threshold used to distinguish between Type A and Type B programs.

\$750,000

9. Auditee qualified as low-risk auditee?

☐ Yes ☒ No

Part II - FINANCIAL STATEMENT FINDINGS SECTION

See page 85.

Part III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

See pages 86 and 87.

CITY OF NIAGARA FALLS, NEW YORK
Schedule of Findings and Questioned Costs, Continued

Part II - FINANCIAL STATEMENT FINDING SECTION

2021-001: Inventory

Criteria - Accounting principles generally accepted in the United States of America require the safeguarding of assets through policies and procedures that provide a reasonable assurance regarding prevention or timely detection of the unauthorized acquisition, use or disposition of the City's assets that could have a material effect on the financial statements.

Cause - The City does not maintain adequate detailed records to support its inventory.

Condition - The City does not perform regular inventory counts related to the Central Garage inventory nor is an annual physical inventory performed and is the City unable to reasonably determine the amount by which this departure affects government-wide and proprietary financial statements of the City.

Effect - The City's financial statements do not comply with accounting principles generally accepted in the United States of America.

Recommendation - We recommend that the City complete an inventory of the Central Garage. We also recommend that additions and deletions be recorded on a monthly basis and that the City develop a plan to inventory its Central Garage inventory on an annual basis to ensure that inventory records are accurately maintained.

Management Response - See accompanying corrective action plan.

CITY OF NIAGARA FALLS, NEW YORK
Schedule of Findings and Questioned Costs, Continued

Part III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

2021-002: Period of Performance - Timeliness

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 Community Development Block Grant (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, U.S. Department of Housing and Urban Development (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 - The City is not in compliance with the federal program's period of performance requirement. Noncompliance could have funding implications in the future.

Repeat Finding - This is a repeat finding of 2020-002.

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.

Management Response - See accompanying corrective action plan.

CITY OF NIAGARA FALLS, NEW YORK
Schedule of Findings and Questioned Costs, Continued

Part III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION, CONTINUED

2021-003: Reporting - Financial and Performance Reporting

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). This report is 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. The City did not submit the CAPER 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 - The City is not in compliance with the federal program's financial and performance reporting requirements. Noncompliance could have funding implications in the future.

Repeat Finding - This is a repeat finding of 2020-003.

Recommendation - We recommend the City's Department of Community Development establish a control environment over the preparation of their reporting requirements, and a monitoring process to ensure reporting deadlines are met.

Management Response - See accompanying corrective action plan.

CITY OF NIAGARA FALLS, NEW YORK
Schedule of Prior Year Findings and Questioned Costs
December 31, 2021

2020-001: Allowable Costs - Time and Effort

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.

Status - Resolved

2020-002: Period of Performance - Timeliness

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.

Status - Repeated in 2021 as finding 2021-002.

2020-003: Reporting - Financial and Performance Reporting

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.

Status - Repeated in 2021 as finding 2021-003.

2020-004: Eligibility Determination

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.

Status - Does not warrant further action 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 F; Section 200.511(b)(3) as two years have passed since the audit report in which the finding occurred was submitted to the Federal Audit Clearing House; the Federal agency or pass-through entity is not currently following up with the auditee on the audit finding; and a management decision was not issued.

CITY OF NIAGARA FALLS, NEW YORK
Schedule of Prior Year Findings and Questioned Costs, Continued

2020-005: Reporting - Financial and Special Reporting

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.

Status - Does not warrant further action 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 F; Section 200.511(b)(3) as two years have passed since the audit report in which the finding occurred was submitted to the Federal Audit Clearing House; the Federal agency or pass-through entity is not currently following up with the auditee on the audit finding; and a management decision was not issued.

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

Criteria - 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. Th 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.

Status - Does not warrant further action 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 F; Section 200.511(b)(3) as two years have passed since the audit report in which the finding occurred was submitted to the Federal Audit Clearing House; the Federal agency or pass-through entity is not currently following up with the auditee on the audit finding; and a management decision was not issued.



City of Niagara Falls, New York

P.O. Box 69, Niagara Falls, NY 14302-0069

CITY OF NIAGARA FALLS, NY CORRECTIVE ACTION PLAN

Name of Auditee: City of Niagara Falls, New York
Name of Audit Firm: EFPR Group, CPAs, PLLC
Period Covered by the Audit: December 31, 2021
CAP Prepared by: Daniel Morello, City Controller
Phone: (716) 286-4346

(A) Current Finding on the Schedule of Findings and Questioned Costs and Recommendations

Finding 2021-001

Management Response – The City agrees with this finding and is currently in the process of reviewing staffing levels related to management of the Central Garage inventory. Additionally, the City is creating internal procedures related to the utilization of the new parts inventory software system in order to better manage inventory levels. A review of the inventory will also be performed to determine the proper disposal method (i.e. auction, scrap, or dispose) of older inventory that is no longer in use in order to better manage current parts inventory levels.

Estimated Completion Date – December 31, 2022

Finding 2021-002

Management Response - The City has made an effort under this Administration to direct CDBG funds to projects that have the ability to be completed in a timely manner in order to be consistent with the CDBG regulation related to timeliness. Due in part to challenges related to the coronavirus pandemic, there were delays in finalizing the 2020-2021 annual action plan until May 2021, and finalizing the 2021-2022 annual action plan until October 2021. As a result, the City was unable to utilize those funds until formal approval was provided by HUD. The City is aware of the timeliness requirements and are actively selecting projects that better allow the City to operate in accordance with these regulations.

Estimated Completion Date – Next HUD verification date of May 1, 2023

Finding 2021-003

Management Response – The City is in agreement with this finding, however the late filing of the annual CAPER report was directly related to the delay in obtaining approval of the 2020-2021 annual action plan, and subsequent amendments to that plan. Once formal approval of the annual action plan and related amendments was provided, the annual CAPER report was completed and filed. The City has procedures in place to complete the report within the guidelines of the program and anticipates completing this report within the required time frame going forward.

Estimated Completion Date - Completed

