

**CITY OF SALAMANCA,
NEW YORK**

*Basic Financial Statements and Required Supplementary
Information for the Year Ended
March 31, 2020 and Independent Auditors' Reports*

CITY OF SALAMANCA, NEW YORK

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the Common Council
City of Salamanca, New York:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Salamanca, New York (the "City"), as of and for the year ended March 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Salamanca Industrial Development Agency ("SIDA") or the Salamanca Housing Authority ("SHA"), which are shown as discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the SIDA and SHA, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of March 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

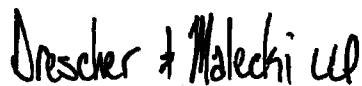
Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2020 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.



October 28, 2020 (except as to the Salamanca Housing Authority, which is as of December 8, 2020)

CITY OF SALAMANCA, NEW YORK
Management's Discussion and Analysis
Year Ended March 31, 2020

As management of the City of Salamanca, New York (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended March 31, 2020. This document should be read in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative. For comparative purposes, certain items from the prior year have been reclassified to conform with current year presentation.

Financial Highlights

- The assets and deferred outflows of resources of the City's primary government exceeded its liabilities and deferred inflows of resources at the close of the fiscal year ended March 31, 2020 by \$44,116,171 (*net position*). This consists of \$29,267,693 net investment in capital assets, \$120,967 restricted for specific purposes, and unrestricted net position of \$14,727,511.
- The City's total primary government net position increased by \$845,240 during the year ended March 31, 2020. Net position increased by \$349,987 and \$495,253 for governmental activities and business-type activities, respectively, during the year ended March 31, 2020.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$16,346,418, an increase of \$400,268 in comparison with the prior year's fund balance of \$15,946,150.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$5,642,567. This total amount is *available for spending* at the City's discretion and constitutes approximately 51.8 percent of the General Fund's total fund balance of \$10,897,387.
- The City's governmental activities' bonds payable decreased \$186,644 during the current year due to scheduled principal payments. The City's business-type activities' bonds payable decreased \$294,499 during the current year due to scheduled principal payments of \$600,399 partially offset by the issuance of \$305,900 in statutory installment bonds.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements—The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government support, public safety, health, transportation, economic assistance and opportunity, culture and recreation, home and community services, and interest and other fiscal charges. The business-type activities of the City include water, sewer and electric funds.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the Salamanca Industrial Development Agency and the Salamanca Housing Authority for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 13-14 of this report.

Fund financial statements—A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Economic Development Fund, and Library Fund, which are considered major funds.

The basic governmental fund financial statements can be found on pages 15-18 of this report.

Proprietary funds—The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and electric operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Fund, Sewer Fund and Electric Fund.

The proprietary fund financial statements can be found on pages 19-22 of this report.

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City’s own programs. The City maintains two fiduciary funds, the Private Purpose Trust Fund and the Agency Fund. The fiduciary fund financial statements can be found on pages 23-24 of this report.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-61 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City’s net pension liability, the changes in the City’s total other postemployment benefits (“OPEB”) obligation, and the City’s budgetary comparison for the General Fund and the Library Fund. Required Supplementary Information and related notes to the required supplementary information can be found on pages 62-71 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of the City’s financial position. In the case of the City’s primary government, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$44,116,171 at the close of the most recent fiscal year, as compared to \$43,270,931, at the close of the fiscal year ended March 31, 2019.

Table 1, shown below, presents a condensed statement of net position compared to the prior year.

Table 1—Condensed Statements of Net Position—Primary Government

	Governmental Activities		Business-Type Activities		Total Primary Government	
	March 31,		March 31,		March 31,	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 17,279,080	\$ 16,408,203	\$ 2,002,953	\$ 1,797,428	\$ 19,282,033	\$ 18,205,631
Noncurrent assets	18,372,103	18,424,961	13,123,998	12,989,423	31,496,101	31,414,384
Total assets	<u>35,651,183</u>	<u>34,833,164</u>	<u>15,126,951</u>	<u>14,786,851</u>	<u>50,778,134</u>	<u>49,620,015</u>
Deferred outflows of resources	1,547,716	2,590,611	389,043	692,666	1,936,759	3,283,277
Current and other liabilities	788,982	323,333	1,072,200	966,137	1,861,182	1,289,470
Noncurrent liabilities	3,143,900	2,803,100	2,548,848	2,674,250	5,692,748	5,477,350
Total liabilities	<u>3,932,882</u>	<u>3,126,433</u>	<u>3,621,048</u>	<u>3,640,387</u>	<u>7,553,930</u>	<u>6,766,820</u>
Deferred inflows of resources	909,176	2,290,488	135,616	575,053	1,044,792	2,865,541
Net position:						
Net investment in capital assets	17,962,383	17,778,387	11,305,310	10,846,672	29,267,693	28,625,059
Restricted	-	-	120,967	88,945	120,967	88,945
Unrestricted	<u>14,394,458</u>	<u>14,228,467</u>	<u>333,053</u>	<u>328,460</u>	<u>14,727,511</u>	<u>14,556,927</u>
Total net position	<u>\$ 32,356,841</u>	<u>\$ 32,006,854</u>	<u>\$ 11,759,330</u>	<u>\$ 11,264,077</u>	<u>\$ 44,116,171</u>	<u>\$ 43,270,931</u>

The largest portion of the City's primary government net position, \$29,267,693, reflects its investment in capital assets (e.g. land, buildings and building improvements, infrastructure and machinery and equipment), less any related debt used to acquire these assets. The City uses these capital assets to provide services to citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's primary government net position, \$120,967, represents resources that are subject to external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

The remaining component of primary government net position, \$14,727,511, is considered to be unrestricted.

Table 2, as presented below shows the changes in net position for the years ended March 31, 2020 and March 31, 2019.

Table 2—Condensed Statements of Changes in Net Position—Primary Government

	Governmental Activities		Business-Type Activities		Total Primary Government	
	Year Ended March 31,		Year Ended March 31,		Year Ended March 31,	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 813,590	\$ 738,751	\$ 8,619,550	\$ 9,200,365	\$ 9,433,140	\$ 9,939,116
Operating grants and contributions	84,749	88,965	-	-	84,749	88,965
General revenues	<u>7,926,132</u>	<u>3,034,268</u>	<u>122,462</u>	<u>63,512</u>	<u>8,048,594</u>	<u>3,097,780</u>
Total revenues	<u>8,824,471</u>	<u>3,861,984</u>	<u>8,742,012</u>	<u>9,263,877</u>	<u>17,566,483</u>	<u>13,125,861</u>
Program expenses	<u>8,660,489</u>	<u>8,664,167</u>	<u>8,060,754</u>	<u>8,356,264</u>	<u>16,721,243</u>	<u>17,020,431</u>
Excess (deficiency) of revenues over expenses	163,982	(4,802,183)	681,258	907,613	845,240	(3,894,570)
Transfers	<u>186,005</u>	<u>301,801</u>	<u>(186,005)</u>	<u>(301,801)</u>	<u>-</u>	<u>-</u>
Change in net position	349,987	(4,500,382)	495,253	605,812	845,240	(3,894,570)
Net position—beginning	<u>32,006,854</u>	<u>36,507,236</u>	<u>11,264,077</u>	<u>10,658,265</u>	<u>43,270,931</u>	<u>47,165,501</u>
Net position—ending	<u>\$ 32,356,841</u>	<u>\$ 32,006,854</u>	<u>\$ 11,759,330</u>	<u>\$ 11,264,077</u>	<u>\$ 44,116,171</u>	<u>\$ 43,270,931</u>

Governmental activities—Governmental activities increased the City’s net position by \$349,987. Overall revenues increased 128.5 percent from the prior year largely due to an advance of Seneca Nations gaming revenue received from New York State in the amount of \$4,700,000. Total expenses had a zero percent change from the prior year.

A summary of sources of revenues for the years ended March 31, 2020 and March 31, 2019 is presented below in Table 3.

Table 3—Summary of Sources of Revenues—Governmental Activities

	Year Ended March 31,		Increase/(decrease)	
	2020	2019	Dollars	Percent
Charges for services	\$ 813,590	\$ 738,751	\$ 74,839	10.1
Operating grants and contributions	84,749	88,965	(4,216)	(4.7)
Real property taxes and tax items	1,984,395	1,898,875	85,520	4.5
State aid—unrestricted	5,685,014	997,260	4,687,754	470.1
Other general revenues	<u>256,723</u>	<u>138,133</u>	<u>118,590</u>	<u>85.9</u>
Total revenues	<u>\$ 8,824,471</u>	<u>\$ 3,861,984</u>	<u>\$ 4,962,487</u>	<u>128.5</u>

The most significant sources of revenues for the year ended March 31, 2020 were state aid—unrestricted of \$5,685,014, or 64.4 percent of total governmental activities revenues, real property taxes and tax items of \$1,984,395, or 22.5 percent of total governmental activities revenues, and charges for services of \$813,590, or 9.2 percent of total governmental activities revenues. The most significant sources of revenues for the year ended March 31, 2019 were real property taxes and tax items of \$1,898,875, or 49.2 percent of total governmental activities revenues, state aid—unrestricted of \$997,260, or 25.8 percent of total governmental activities revenues, and charges for services of \$738,751, or 19.1 percent of total governmental activities revenues.

A summary of program expenses for the years ended March 31, 2020 and March 31, 2019 is presented below in Table 4.

Table 4—Summary of Program Expenses—Governmental Activities

	Year Ended March 31,		Increase/(decrease)	
	2020	2019	Dollars	Percent
General government support	\$ 1,941,052	\$ 1,245,497	\$ 695,555	55.8
Public safety	3,447,382	3,708,214	(260,832)	(7.0)
Health	301,862	148,962	152,900	102.6
Transportation	1,738,852	2,198,949	(460,097)	(20.9)
Economic assistance and opportunity	34,878	11,511	23,367	203.0
Culture and recreation	961,427	959,359	2,068	0.2
Home and community services	218,174	366,988	(148,814)	(40.6)
Interest and fiscal charges	16,862	24,687	(7,825)	(31.7)
Total program expenses	<u>\$ 8,660,489</u>	<u>\$ 8,664,167</u>	<u>\$ (3,678)</u>	(0.0)

The most significant expense items for the year ended March 31, 2020 were public safety of \$3,447,382, or 39.8 percent of total governmental activities expenses, general government support of \$1,941,052, or 22.4 percent of total governmental activities expenses, and transportation of \$1,738,852, or 20.1 percent of total governmental activities expenses. The most significant expense items for the year ended March 31, 2019 were public safety of \$3,708,214, or 42.8 percent of total governmental activities expenses, transportation of \$2,198,949, or 25.4 percent of total governmental activities expenses, and general government support of \$1,245,497, or 14.4 percent of total governmental activities expenses.

Business-type activities—Business-type activities increased the City’s net position by \$495,253 due to operating revenues exceeding operating expenses.

Operating revenues relating to the City’s business-type activities decreased by 6.3 percent and operating expenses decreased by 3.6 percent for the year ended March 31, 2020 from the year ended March 31, 2019. The decrease in operating revenues is primarily the result of a decrease in charges for services due to less usage and the decrease in operating expense is primarily the result of a decrease in electric and power expenses.

A summary of sources of operating revenues and expenses for the City’s business-type activities for the years ended March 31, 2020 and March 31, 2019 is presented in Table 5 on the following page.

Table 5—Summary of Operating of Revenues and Expenses—Business-type Activities

	Year Ended March 31,		Increase/(decrease)	
	2020	2019	Dollars	Percent
Operating revenues:				
Charges for services	\$ 8,594,944	\$ 9,182,630	\$ (587,686)	(6.4)
Rent	24,606	17,735	6,871	38.7
Total operating revenues	<u>8,619,550</u>	<u>9,200,365</u>	<u>(580,815)</u>	(6.3)
Operating expenses:				
Personnel services	\$ 1,377,057	\$ 1,374,837	\$ 2,220	0.2
Taxes and assessments on municipal property	8,902	8,689	213	2.5
Depreciation	540,226	601,805	(61,579)	(10.2)
Sanitary sewers	88,392	65,553	22,839	34.8
Sewage	130,747	135,334	(4,587)	(3.4)
Administration	70,117	64,009	6,108	9.5
Source of supply, power and pumping	56,647	52,661	3,986	7.6
Purification	13,486	19,378	(5,892)	(30.4)
Transportation and distribution	17,073	18,505	(1,432)	(7.7)
Electric and power	4,800,946	5,082,352	(281,406)	(5.5)
Employee benefits	709,190	677,797	31,393	4.6
Total operating expenses	<u>7,812,783</u>	<u>8,100,920</u>	<u>(288,137)</u>	(3.6)
Nonoperating revenues (expenses)	(125,509)	(191,832)	66,323	(34.6)
Transfers in (out)	<u>(186,005)</u>	<u>(301,801)</u>	<u>115,796</u>	(38.4)
Change in net position	495,253	605,812	(110,559)	(18.2)
Net position—beginning	<u>11,264,077</u>	<u>10,658,265</u>		
Net position—ending	<u>\$ 11,759,330</u>	<u>\$ 11,264,077</u>		

The City's business-type activities' most significant expense items for the year ended March 31, 2020 were electric and power, which accounted for \$4,800,946, or 61.4 percent of total operating expenses, personnel services which account for \$1,377,057, or 17.6 percent of total operating expenses, and employee benefits which account for \$709,190, or 9.1 percent of total operating expenses. Similarly, for the year ended March 31, 2019, the City's business-type activities' most significant expense items were electric and power, which accounted for \$5,082,352 or 62.7 percent of total operating expenses, personnel services which account for \$1,374,837 or 17.0 percent of total operating expenses, and employee benefits which account for \$677,797 or 8.4 percent of total operating expenses.

Financial Analysis of the Government's Funds

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

Governmental funds—The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for particular purposes by the City Common Council.

As of the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$16,346,418, an increase of \$400,268 in comparison with the prior year’s fund balance of \$15,946,150. Approximately 34.5 percent of this amount, \$5,642,567, constitutes *unassigned fund balance*, which is available for spending at the City’s discretion. The remainder of fund balance is either *nonspendable, committed, or assigned* to indicate that it is 1) not in spendable form, \$379,311, 2) committed to a particular purpose, \$103,888, or 3) assigned for a particular purpose, \$10,220,652.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,642,567, while total fund balance was \$10,897,387. The General Fund fund balance increased \$325,490 from the prior year due to revenues and transfers in exceeding expenditures and transfers out. As a measure of the General Fund’s liquidity, it may be useful to compare both *unassigned fund balance* and total fund balance to total expenditures. *Unassigned fund balance* represents 65.8 percent of General Fund expenditures and transfers out, while total fund balance represents 127.0 percent of that same amount.

During the year ended March 31, 2020, the City’s Economic Development Fund fund balance increased by \$75,453 from the prior year, resulting in an ending fund balance of \$5,422,402, all of which is reported as fund balance assigned for specific use.

At March 31, 2020, the City’s Library Fund ending fund balance was \$26,629. The fund balance of the Library Fund decreased \$675, primarily due to expenditures exceeding revenues and transfers in.

Proprietary funds—The City’s proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The net position of the proprietary funds at the end of the current fiscal year totaled \$11,759,330. The Water Fund net position increased by \$167,831, the Sewer Fund net position increased by \$305,625 and the Electric Fund net position increased by \$21,797. The Water Fund, Sewer Fund, and Electric Fund net position increased primarily as a result of operating revenues exceeding operating expenses.

General Fund Budgetary Highlights

The City’s General Fund budget generally contains budget transfers during the year. Furthermore, the budget is allowed to be amended upward (increased) for additional current year appropriations supported by an increase in budgeted revenues or appropriation of fund balance. A budgetary comparison schedule for the General Fund has been provided in the Required Supplementary Information section of this report to demonstrate compliance with the budget.

A summary of the General Fund results of operations for the year ended March 31, 2020 is presented in Table 6 below:

Table 6—Summary of General Fund Results of Operations

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues and other financing sources	\$ 5,481,653	\$ 5,565,271	\$ 8,903,154	\$ 3,337,883
Expenditures and other financing uses	9,935,586	10,254,414	8,577,664	1,676,750
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (4,453,933)	\$ (4,689,143)	\$ 325,490	\$ 5,014,633

Original budget compared to final budget—During the year, the budget is modified, primarily to reflect the acceptance of new state grants and unanticipated expenditures.

Final budget compared to actual results—The General Fund had a favorable variance from final budgetary appropriations of \$1,676,750, the most significant variances were realized in transportation and economic assistance and opportunity due to construction projects budgeted for but not started during the fiscal year. Revenues had a favorable balance of \$3,337,883 due to actual revenues exceeding final budget by \$3,326,904 resulting from an advance of Seneca Nation gaming revenue received from New York State.

Capital Assets and Debt Administration

Capital assets—The City’s investment in capital assets for its governmental and business-type activities as of March 31, 2020 amounted to \$31,496,101 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and building improvements, infrastructure and machinery and equipment. All depreciable capital assets were depreciated from acquisition date to the end of the current year as outlined in the City’s capital asset policy.

Capital assets net of depreciation for the governmental activities and business-type activities at March 31, 2020 and March 31, 2019 are presented in Table 7 below:

Table 7—Summary of Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	March 31,		March 31,		March 31,	
	2020	2019	2020	2019	2020	2019
Land	\$ 3,149,369	\$ 3,131,000	\$ 83,980	\$ 83,980	\$ 3,233,349	\$ 3,214,980
Construction in progress	-	339,860	219,752	131,550	219,752	471,410
Buildings and building improvements	2,553,079	1,977,057	10,594,237	10,785,497	13,147,316	12,762,554
Infrastructure	10,924,263	11,206,921	-	-	10,924,263	11,206,921
Machinery and equipment	1,745,392	1,770,123	2,226,029	1,988,396	3,971,421	3,758,519
Total	<u>\$ 18,372,103</u>	<u>\$ 18,424,961</u>	<u>\$ 13,123,998</u>	<u>\$ 12,989,423</u>	<u>\$ 31,496,101</u>	<u>\$ 31,414,384</u>

Additional information on the City’s capital assets can be found in Note 5 to the financial statements.

Long-term liabilities—At March 31, 2020, the City’s bonds payable totaled \$358,189 for governmental activities as compared to the prior year’s total of \$544,833. During the year ended March 31, 2020, the City’s governmental activities made scheduled principal payments of \$186,644.

The bonds payable for business-type activities at March 31, 2020 totaled \$1,798,447 as compared to the prior year’s total of \$2,092,946. During the year ended March 31, 2020, the City’s business-type activities issued three statutory installment bonds totaling \$305,900 for the purchase of two vehicles and for construction costs related to the Salamanca Water Plant Wellfield project, and made scheduled principal payments of \$600,399.

A summary of the City’s long-term liabilities at March 31, 2020 and March 31, 2019 is presented in Table 8 below:

Table 8—Summary of Long-Term Liabilities

	Governmental Activities		Business-Type Activities		Total Primary Government	
	March 31,		March 31,		March 31,	
	2020	2019	2020	2019	2020	2019
Bonds payable	\$ 358,189	\$ 544,833	\$ 1,798,447	\$ 2,092,946	\$ 2,156,636	\$ 2,637,779
Capital lease	51,531	101,741	20,241	49,805	71,772	151,546
OPEB obligation	550,673	589,244	-	-	550,673	589,244
Compensated absences	733,484	669,887	375,418	354,046	1,108,902	1,023,933
Net pension liability	1,450,023	897,395	354,742	177,453	1,804,765	1,074,848
Total	<u>\$ 3,143,900</u>	<u>\$ 2,803,100</u>	<u>\$ 2,548,848</u>	<u>\$ 2,674,250</u>	<u>\$ 5,692,748</u>	<u>\$ 5,477,350</u>

Additional information on the City’s long-term debt can be found in Note 11 to the financial statements.

Economic Factors and Next Year’s Budget

On January 31, 2020, the United States Secretary of Health and Human Services (“HHS”) declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. The extent of the impact of COVID-19 on the City’s operational and financial performance will depend on further developments, including the duration and spread of the outbreak, impact on patients, employees and vendors all of which cannot be predicted. Largely as a result of the public health emergency, the unemployment rate, not seasonally adjusted, for the County of Cattaraugus, which encompasses the City, was 6.3 percent at March 31, 2020. This compares to New York State’s average unemployment rate of 4.2 percent. These factors are considered in preparing the District’s budget. In addition, the City appropriated General Fund fund balance for the 2021 budget totaling \$4,771,621. There are many other important factors outside the City’s control that exert significant influence on the budget including the uncertainty regarding the availability of Casino revenues.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the City’s finances and to show the City’s accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Comptroller’s Office, City of Salamanca, 225 Wildwood Avenue, Salamanca, New York 14779.

BASIC FINANCIAL STATEMENTS

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CITY OF SALAMANCA, NEW YORK
Statement of Net Position
March 31, 2020

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Salamanca Industrial Development Agency	Salamanca Housing Authority
ASSETS					
Cash and cash equivalents	\$ 15,883,631	\$ 709,309	\$ 16,592,940	\$ 397,290	\$ 132,091
Restricted cash and cash equivalents	103,888	353,784	457,672	682,065	35,138
Restricted investments	-	-	-	-	285,024
Receivables (net of allowance):					
Taxes	610,545	-	610,545	-	-
Other	88,631	1,048,052	1,136,683	4,084	9,403
Intergovernmental receivables	286,233	-	286,233	-	-
Internal balances	306,075	(306,075)	-	-	-
Due from Fiduciary Fund	77	-	77	-	-
Prepaid items	-	-	-	-	12,773
Inventories	-	197,883	197,883	-	5,973
Notes receivable	-	-	-	107,617	-
Noncurrent assets	-	-	-	18,205	-
Capital assets not being depreciated	3,149,369	303,732	3,453,101	10,500	349,972
Capital assets, net of accumulated depreciation	15,222,734	12,820,266	28,043,000	662,106	5,031,684
Total assets	<u>35,651,183</u>	<u>15,126,951</u>	<u>50,778,134</u>	<u>1,881,867</u>	<u>5,862,058</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows—relating to pensions	1,547,716	389,043	1,936,759	24,485	62,554
Total deferred outflows of resources	<u>1,547,716</u>	<u>389,043</u>	<u>1,936,759</u>	<u>24,485</u>	<u>62,554</u>
LIABILITIES					
Accounts payable	528,725	742,876	1,271,601	732	6,761
Accrued liabilities	2,594	78,644	81,238	5,401	37,494
Intergovernmental payables	257,663	-	257,663	2,003	-
Due to primary government	-	-	-	-	13,061
Customer deposits	-	250,680	250,680	-	-
Unearned revenue	-	-	-	47,890	10,010
Noncurrent liabilities:					
Due within one year	256,474	723,661	980,135	41,458	33,617
Due in more than one year	2,887,426	1,825,187	4,712,613	10,484	224,081
Total liabilities	<u>3,932,882</u>	<u>3,621,048</u>	<u>7,553,930</u>	<u>107,968</u>	<u>325,024</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows—relating to pensions	909,176	135,616	1,044,792	4,493	29,094
Total deferred inflows of resources	<u>909,176</u>	<u>135,616</u>	<u>1,044,792</u>	<u>4,493</u>	<u>29,094</u>
NET POSITION					
Net investment in capital assets	17,962,383	11,305,310	29,267,693	672,606	5,247,456
Restricted for:					
Other purposes	-	120,967	120,967	749,587	451,695
Unrestricted	14,394,458	333,053	14,727,511	371,698	(128,657)
Total net position	<u>\$ 32,356,841</u>	<u>\$ 11,759,330</u>	<u>\$ 44,116,171</u>	<u>\$ 1,793,891</u>	<u>\$ 5,570,494</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SALAMANCA, NEW YORK

Statement of Activities

Year Ended March 31, 2020

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Salamanca Industrial Development Agency	Salamanca Housing Authority
					Governmental Activities	Business-type Activities	Total		
Primary government:									
Governmental activities:									
General government support	\$ 1,941,052	\$ 44,527	\$ -	\$ -	\$ (1,896,525)	\$ -	\$ (1,896,525)	\$ -	\$ -
Public safety	3,447,382	67,185	12,100	-	(3,368,097)	-	(3,368,097)	-	-
Health	301,862	459,307	-	-	157,445	-	157,445	-	-
Transportation	1,738,852	157,901	-	-	(1,580,951)	-	(1,580,951)	-	-
Economic assistance and opportunity	34,878	-	-	-	(34,878)	-	(34,878)	-	-
Culture and recreation	961,427	57,169	47,729	-	(856,529)	-	(856,529)	-	-
Home and community services	218,174	27,501	24,920	-	(165,753)	-	(165,753)	-	-
Interest and fiscal charges	16,862	-	-	-	(16,862)	-	(16,862)	-	-
Total governmental activities	<u>8,660,489</u>	<u>813,590</u>	<u>84,749</u>	<u>-</u>	<u>(7,762,150)</u>	<u>-</u>	<u>(7,762,150)</u>	<u>-</u>	<u>-</u>
Business-type activities:									
Water	810,061	957,533	-	-	-	147,472	147,472	-	-
Sewer	1,298,841	1,765,263	-	-	-	466,422	466,422	-	-
Electric	5,951,852	5,896,754	-	-	-	(55,098)	(55,098)	-	-
Total business-type activities	<u>8,060,754</u>	<u>8,619,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>558,796</u>	<u>558,796</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 16,721,243</u>	<u>\$ 9,433,140</u>	<u>\$ 84,749</u>	<u>\$ -</u>	<u>(7,762,150)</u>	<u>558,796</u>	<u>(7,203,354)</u>	<u>-</u>	<u>-</u>
Component units:									
Salamanca Industrial Development Agency	\$ 745,369	\$ 246,271	\$ 504,408	\$ -				5,310	-
Salamanca Housing Authority	905,859	710,113	4,012	888,881				-	697,147
Total component units	<u>\$ 1,651,228</u>	<u>\$ 956,384</u>	<u>\$ 508,420</u>	<u>\$ 888,881</u>				<u>5,310</u>	<u>697,147</u>
General revenues:									
Real property taxes and tax items					1,984,395	-	1,984,395	-	-
Use of money and property					232,838	2,865	235,703	792	1,187
Sale of property and compensation for loss					15,676	-	15,676	10,850	-
State aid—unrestricted					5,685,014	-	5,685,014	-	-
Miscellaneous					8,209	119,597	127,806	-	26,584
Transfers					186,005	(186,005)	-	-	-
Total general revenues and transfers					<u>8,112,137</u>	<u>(63,543)</u>	<u>8,048,594</u>	<u>11,642</u>	<u>27,771</u>
Change in net position					349,987	495,253	845,240	16,952	724,918
Net position—beginning, as restated					32,006,854	11,264,077	43,270,931	1,776,939	4,845,576
Net position—ending					<u>\$ 32,356,841</u>	<u>\$ 11,759,330</u>	<u>\$ 44,116,171</u>	<u>\$ 1,793,891</u>	<u>\$ 5,570,494</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SALAMANCA, NEW YORK
Balance Sheet—Governmental Funds
March 31, 2020

	<u>General</u>	<u>Special Revenue</u>		<u>Total Governmental Funds</u>
		<u>Economic Development</u>	<u>Library</u>	
ASSETS				
Cash and cash equivalents	\$ 10,423,923	\$ 5,422,402	\$ 37,306	\$ 15,883,631
Restricted cash and cash equivalents	103,888	-	-	103,888
Receivables (net of allowance):				
Taxes	610,545	-	-	610,545
Other	88,631	-	-	88,631
Intergovernmental receivables	286,233	-	-	286,233
Due from other funds	306,152	-	-	306,152
Total assets	<u>\$ 11,819,372</u>	<u>\$ 5,422,402</u>	<u>\$ 37,306</u>	<u>\$ 17,279,080</u>
LIABILITIES				
Accounts payable	\$ 518,048	\$ -	\$ 10,677	\$ 528,725
Intergovernmental payables	<u>257,663</u>	<u>-</u>	<u>-</u>	<u>257,663</u>
Total liabilities	<u>775,711</u>	<u>-</u>	<u>10,677</u>	<u>786,388</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues—property taxes	<u>146,274</u>	<u>-</u>	<u>-</u>	<u>146,274</u>
Total deferred inflows of resources	<u>146,274</u>	<u>-</u>	<u>-</u>	<u>146,274</u>
FUND BALANCES				
Nonspendable	379,311	-	-	379,311
Committed	103,888	-	-	103,888
Assigned	4,771,621	5,422,402	26,629	10,220,652
Unassigned	<u>5,642,567</u>	<u>-</u>	<u>-</u>	<u>5,642,567</u>
Total fund balances	<u>10,897,387</u>	<u>5,422,402</u>	<u>26,629</u>	<u>16,346,418</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,819,372</u>	<u>\$ 5,422,402</u>	<u>\$ 37,306</u>	<u>\$ 17,279,080</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SALAMANCA, NEW YORK
Reconciliation of the Balance Sheet—Governmental Funds
to the Government-wide Statement of Net Position
March 31, 2020

Amounts reported for governmental activities in the statement of net position (page 13) are different because:

Total fund balances—governmental funds (page 15)	\$	16,346,418
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements. The cost of these assets is \$51,211,075 and the accumulated depreciation is \$32,838,972.		18,372,103
Uncollected property taxes are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the fund statements.		146,274
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the fund statements.		
Deferred outflows related to employer contributions	\$ 634,496	
Deferred outflows related to experience, changes of assumptions, and investment earnings and changes in proportion	913,220	
Deferred inflows of resources related to pensions	<u>(909,176)</u>	638,540
Net accrued interest expense for serial bonds is not reported in the fund statements.		(2,594)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements. The effect of these items are:		
Bonds payable	\$ (358,189)	
Capital lease	(51,531)	
Other postemployment benefits obligation	(550,673)	
Compensated absences	(733,484)	
Net pension liability	<u>(1,450,023)</u>	<u>(3,143,900)</u>
Net position of governmental activities	\$	<u><u>32,356,841</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF SALAMANCA, NEW YORK
Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds
Year Ended March 31, 2020

	General	Special Revenue		Total Governmental Funds
		Economic Development	Library	
REVENUES				
Real property taxes	\$ 990,163	\$ -	\$ -	\$ 990,163
Real property tax items	209,410	-	-	209,410
Nonproperty tax items	782,010	-	-	782,010
Departmental income	578,242	-	14,406	592,648
Intergovernmental charges	159,581	-	-	159,581
Use of money and property	154,552	78,219	67	232,838
Licenses and permits	24,080	-	-	24,080
Fines and forfeitures	43,461	-	-	43,461
Sale of property and compensation for loss	15,676	-	-	15,676
Miscellaneous	1,311	-	6,898	8,209
State aid	5,758,663	-	4,920	5,763,583
Total revenues	<u>8,717,149</u>	<u>78,219</u>	<u>26,291</u>	<u>8,821,659</u>
EXPENDITURES				
Current:				
General government support	1,541,274	-	8,158	1,549,432
Public safety	2,493,085	-	-	2,493,085
Health	255,188	-	-	255,188
Transportation	1,931,449	-	-	1,931,449
Economic assistance and opportunity	16,410	2,766	-	19,176
Culture and recreation	457,133	-	243,426	700,559
Home and community services	171,092	-	-	171,092
Employee benefits	1,174,964	-	56,587	1,231,551
Debt service:				
Principal	236,854	-	-	236,854
Interest and fiscal charges	19,010	-	-	19,010
Total expenditures	<u>8,296,459</u>	<u>2,766</u>	<u>308,171</u>	<u>8,607,396</u>
Excess (deficiency) of revenues over expenditures	<u>420,690</u>	<u>75,453</u>	<u>(281,880)</u>	<u>214,263</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	186,005	-	281,205	467,210
Transfers out	(281,205)	-	-	(281,205)
Total other financing sources (uses)	<u>(95,200)</u>	<u>-</u>	<u>281,205</u>	<u>186,005</u>
Net change in fund balances	325,490	75,453	(675)	400,268
Fund balances—beginning	<u>10,571,897</u>	<u>5,346,949</u>	<u>27,304</u>	<u>15,946,150</u>
Fund balances—ending	<u>\$ 10,897,387</u>	<u>\$ 5,422,402</u>	<u>\$ 26,629</u>	<u>\$ 16,346,418</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SALAMANCA, NEW YORK
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances—Governmental Funds to the Government-wide Statement of Activities
Year Ended March 31, 2020

Amounts reported for governmental activities in the statement of activities (page 14) are different because:

Net change in fund balances—total governmental funds (page 17)	\$	400,268
<p>City governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.</p>		
Capital asset additions	\$	1,205,955
Loss on disposition of assets		(25,591)
Depreciation expense		<u>(1,233,222)</u>
		(52,858)
<p>Certain tax revenues are not recognized in the governmental funds because they are not available soon enough after year end to pay for current period expenditures. On the accrual basis, however, they are recognized regardless of when it is collected.</p>		
		2,812
<p>Net differences between pension contributions recognized on the fund financial statements and the government-wide financial statements are as follows:</p>		
Direct pension contributions	\$	633,556
Cost of benefits earned net of employee contributions		<u>(847,767)</u>
		(214,211)
<p>In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid.</p>		
		2,148
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effects of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:</p>		
Repayment of bonds payable	\$	186,644
Repayment of capital lease		50,210
Change in other postemployment benefits obligation		38,571
Change in compensated absences		<u>(63,597)</u>
		211,828
Change in net position of governmental activities	\$	<u><u>349,987</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF SALAMANCA, NEW YORK
Statement of Net Position—Proprietary Funds
March 31, 2020

	Business-type Activities—Enterprise Funds			
	Water	Sewer	Electric	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 91,852	\$ 617,457	\$ -	\$ 709,309
Restricted cash and cash equivalents	25,550	43,190	285,044	353,784
Receivables (net of allowance)	97,550	186,152	764,350	1,048,052
Due from other funds	-	100,000	-	100,000
Inventories	46,279	5,511	146,093	197,883
Total current assets	<u>261,231</u>	<u>952,310</u>	<u>1,195,487</u>	<u>2,409,028</u>
Noncurrent assets:				
Capital assets not being depreciated:				
Land	-	12,700	71,280	83,980
Construction in progress	88,727	109,908	21,117	219,752
Total capital assets not being depreciated	<u>88,727</u>	<u>122,608</u>	<u>92,397</u>	<u>303,732</u>
Capital assets being depreciated:				
Buildings and building improvements	5,182,231	6,395,442	9,796,381	21,374,054
Machinery and equipment	411,421	2,941,665	1,589,864	4,942,950
Accumulated depreciation	(2,702,173)	(5,917,918)	(4,876,647)	(13,496,738)
Total capital assets being depreciated	<u>2,891,479</u>	<u>3,419,189</u>	<u>6,509,598</u>	<u>12,820,266</u>
Total noncurrent assets	<u>2,980,206</u>	<u>3,541,797</u>	<u>6,601,995</u>	<u>13,123,998</u>
Total assets	<u>3,241,437</u>	<u>4,494,107</u>	<u>7,797,482</u>	<u>15,533,026</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows—relating to pensions	72,191	153,681	163,171	389,043
Total deferred outflows of resources	<u>72,191</u>	<u>153,681</u>	<u>163,171</u>	<u>389,043</u>
LIABILITIES				
Current liabilities:				
Accounts payable	28,287	58,731	655,858	742,876
Accrued liabilities	17,408	16,869	44,367	78,644
Customer deposits	25,550	43,190	181,940	250,680
Due to other funds	-	186,005	220,070	406,075
Total current liabilities	<u>71,245</u>	<u>304,795</u>	<u>1,102,235</u>	<u>1,478,275</u>
Noncurrent liabilities:				
Due within one year:				
Bonds payable	314,008	300,156	51,714	665,878
Capital lease	-	20,241	-	20,241
Compensated absences	6,117	18,239	13,186	37,542
Due in more than one year:				
Bonds payable	735,071	291,905	105,593	1,132,569
Compensated absences	55,052	164,148	118,676	337,876
Net pension liability	65,826	140,132	148,784	354,742
Total noncurrent liabilities	<u>1,176,074</u>	<u>934,821</u>	<u>437,953</u>	<u>2,548,848</u>
Total liabilities	<u>1,247,319</u>	<u>1,239,616</u>	<u>1,540,188</u>	<u>4,027,123</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows—relating to pensions	25,165	53,572	56,879	135,616
Total deferred inflows of resources	<u>25,165</u>	<u>53,572</u>	<u>56,879</u>	<u>135,616</u>
NET POSITION				
Net investment in capital assets	1,931,127	2,929,495	6,444,688	11,305,310
Restricted	-	-	120,967	120,967
Unrestricted	110,017	425,105	(202,069)	333,053
Total net position	<u>\$ 2,041,144</u>	<u>\$ 3,354,600</u>	<u>\$ 6,363,586</u>	<u>\$ 11,759,330</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SALAMANCA, NEW YORK
Statement of Revenues, Expenses, and Changes in Net Position—
Proprietary Funds
Year Ended March 31, 2020

	Business-type Activities—Enterprise Funds			
	Water	Sewer	Electric	Total
Operating revenues:				
Charges for services	\$ 957,533	\$ 1,765,263	\$ 5,872,148	\$ 8,594,944
Rent	-	-	24,606	24,606
Total operating revenues	<u>957,533</u>	<u>1,765,263</u>	<u>5,896,754</u>	<u>8,619,550</u>
Operating expenses:				
Personnel services	331,417	526,124	519,516	1,377,057
Taxes and assessments on municipal property	1,071	5,037	2,794	8,902
Depreciation	109,903	192,592	237,731	540,226
Sanitary sewers	-	88,392	-	88,392
Sewage	-	130,747	-	130,747
Administration	70,117	-	-	70,117
Source of supply, power and pumping	56,647	-	-	56,647
Purification	13,486	-	-	13,486
Transportation and distribution	17,073	-	-	17,073
Electric and power	-	-	4,800,946	4,800,946
Employee benefits	155,330	237,447	316,413	709,190
Total operating expenses	<u>755,044</u>	<u>1,180,339</u>	<u>5,877,400</u>	<u>7,812,783</u>
Operating income	<u>202,489</u>	<u>584,924</u>	<u>19,354</u>	<u>806,767</u>
Nonoperating revenues (expenses):				
Use of money and property	495	2,224	146	2,865
Payment-in-lieu of taxes	(10,844)	(83,195)	(70,202)	(164,241)
Interest expense	(44,173)	(35,307)	(4,250)	(83,730)
Miscellaneous	19,864	22,984	76,749	119,597
Total nonoperating revenues (expenses)	<u>(34,658)</u>	<u>(93,294)</u>	<u>2,443</u>	<u>(125,509)</u>
Income before transfers	167,831	491,630	21,797	681,258
Transfers out	-	(186,005)	-	(186,005)
Change in net position	167,831	305,625	21,797	495,253
Total net position—beginning	<u>1,873,313</u>	<u>3,048,975</u>	<u>6,341,789</u>	<u>11,264,077</u>
Total net position—ending	<u>\$ 2,041,144</u>	<u>\$ 3,354,600</u>	<u>\$ 6,363,586</u>	<u>\$ 11,759,330</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SALAMANCA, NEW YORK
Statement of Cash Flows—Proprietary Funds
Year Ended March 31, 2020

	Business-type Activities—Enterprise Funds			
	Water	Sewer	Electric	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 957,293	\$ 1,787,559	\$ 5,894,968	\$ 8,639,820
Rental income	-	-	24,606	24,606
Payments to suppliers for goods and services	(75,684)	(179,431)	(4,726,024)	(4,981,139)
Payments to employees for services	(548,810)	(740,636)	(789,103)	(2,078,549)
Net cash provided by operating activities	<u>332,799</u>	<u>867,492</u>	<u>404,447</u>	<u>1,604,738</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Payments to primary government	-	(305,901)	(150,900)	(456,801)
Miscellaneous income	19,864	22,984	76,749	119,597
Payments-in-lieu of taxes	(10,844)	(83,195)	(70,202)	(164,241)
Net cash provided by (used for) noncapital financing activities	<u>9,020</u>	<u>(366,112)</u>	<u>(144,353)</u>	<u>(501,445)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Issuance of bonds	216,000	-	89,900	305,900
Principal payments on bonds	(266,540)	(300,156)	(33,703)	(600,399)
Principal payments on capital lease	-	(29,564)	-	(29,564)
Acquisition of capital assets	(256,989)	(94,866)	(333,983)	(685,838)
Receipts/(loss) from disposal of capital assets	15,890	-	(4,853)	11,037
Interest payments	(44,173)	(35,307)	(4,250)	(83,730)
Net cash used for capital and related financing activities	<u>(335,812)</u>	<u>(459,893)</u>	<u>(286,889)</u>	<u>(1,082,594)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income received	495	2,224	146	2,865
Net cash provided by investing activities	<u>495</u>	<u>2,224</u>	<u>146</u>	<u>2,865</u>
Net increase (decrease) in cash and cash equivalents	6,502	43,711	(26,649)	23,564
Cash and cash equivalents—beginning*	<u>110,900</u>	<u>616,936</u>	<u>311,693</u>	<u>1,039,529</u>
Cash and cash equivalents—ending*	<u>\$ 117,402</u>	<u>\$ 660,647</u>	<u>\$ 285,044</u>	<u>\$ 1,063,093</u>

*Cash and cash equivalents includes restricted cash and cash equivalents.

(continued)

CITY OF SALAMANCA, NEW YORK
Statement of Cash Flows—Proprietary Funds
Year Ended March 31, 2020

(concluded)

Business-type Activities—Enterprise Funds

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 202,489	\$ 584,924	\$ 19,354	\$ 806,767
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	109,903	192,592	237,731	540,226
Decrease in receivables	5,900	23,184	21,026	50,110
Decrease in prepaid items	-	-	52,775	52,775
(Increase) decrease in inventories	(4,026)	686	(10,710)	(14,050)
Decrease in deferred outflow—relating to pensions	68,553	98,435	136,635	303,623
Increase in payables	16,619	44,059	35,651	96,329
(Decrease) increase in accrued liabilities	(825)	(2,612)	18,405	14,968
(Decrease) increase in customer deposits	(6,140)	(888)	1,794	(5,234)
Increase in accrued compensated absences	2,237	7,305	11,830	21,372
Increase in net pension liability	29,769	75,543	71,977	177,289
(Decrease) in deferred inflow—relating to pensions	(91,680)	(155,736)	(192,021)	(439,437)
Total adjustments	<u>130,310</u>	<u>282,568</u>	<u>385,093</u>	<u>797,971</u>
Net cash provided by operating activities	<u>\$ 332,799</u>	<u>\$ 867,492</u>	<u>\$ 404,447</u>	<u>\$ 1,604,738</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SALAMANCA, NEW YORK
Statement of Net Position—Fiduciary Funds
March 31, 2020

	Private Purpose Trust	Agency
ASSETS		
Restricted cash and cash equivalents	\$ 192,115	\$ 13,661
Total assets	<u>192,115</u>	<u>\$ 13,661</u>
LIABILITIES		
Accounts payable	903	\$ -
Other agency liabilities	-	13,661
Due to other funds	<u>77</u>	<u>-</u>
Total liabilities	<u>980</u>	<u>\$ 13,661</u>
NET POSITION		
Restricted for investments	<u>\$ 191,135</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF SALAMANCA, NEW YORK
Statement of Changes in Net Position—Fiduciary Funds
Year Ended March 31, 2020

	Private Purpose Trust
ADDITIONS	
Interest earnings	\$ 2,142
Contributions	<u>59,825</u>
Total additions	<u>61,967</u>
DEDUCTIONS	
Culture and recreation	<u>61,098</u>
Total deductions	<u>61,098</u>
Change in net position	869
Net position—beginning	<u>190,266</u>
Net position—ending	<u><u>\$ 191,135</u></u>

The notes to the financial statements are an integral part of this statement.

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CITY OF SALAMANCA, NEW YORK
Notes to the Financial Statements
Year Ended March 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Salamanca, New York (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (the "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.

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Reporting Entity

The City was incorporated in 1913. It is governed by the Charter of the City, other general laws of New York, and various local laws and ordinances. The Common Council is the legislative body responsible for the overall operations, and consists of five members elected by Ward to two-year terms. The Mayor serves a two-year term and is the Chief Executive Officer of the City.

The City provides police and fire protection, street maintenance, and snow removal services. It also maintains parks for use by its residents.

The accompanying financial statements present the City (the "primary government") and its component units. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Discretely Presented Component Units—Financial data of the City's component units that are not part of the primary government are reported in the component unit columns within the government-wide financial statements. These component units are reported in a separate column to emphasize that they are legally separate from the City and that they are not simply an extension of the primary government.

- **Salamanca Industrial Development Agency ("SIDA")**—The Salamanca Industrial Development Agency was established by Chapter 25 of the Laws of 1971 to promote the economic welfare and prosperity of the City's inhabitants and to develop economically sound commerce and industry. The SIDA Board can be made up of three to seven members approved by the governing body of the City. Board members may be removed at will by the City's governing body.

The SIDA has the power to acquire, hold, and dispose of property as it sees fit, and property under its control is exempt from real property taxes. The SIDA may also issue bonds for legitimate corporate purposes on virtually any terms without limitations as to amount. Unless expressly provided otherwise, such bonds constitute special obligation bonds of the SIDA payable from project revenues.

The entity's principal source of revenues at present are rental income, grant proceeds, and revenues derived from SIDA's lending related activities.

- **Salamanca Housing Authority (“SHA”)**—The Salamanca Housing Authority was established by Public Housing Law Article 13 in 1957. Its purpose is to provide housing to low-to-moderate income persons and elderly people. It shall constitute a corporate body and consist of seven members. Five members are appointed by the Mayor and two members are elected by the housing tenants.

The housing operations are financed primarily by rental income and New York state subsidy. The City is required to pay an annual subsidy to the Authority in an amount at least equal to the subsidy paid by the State; however, the City's subsidy can be offset in full or in part in the form of exemption of the project from taxes.

Complete financial statements of the individual component units can be obtained from their respective administrative offices as listed below.

Salamanca Industrial Development Agency
225 Wildwood Avenue
Salamanca, New York 14779

Salamanca Housing Authority
69 Iroquois Drive
Salamanca, New York 14779

Related Organizations—The Joint Leasing Commission and Joint Development Corporation are activities undertaken jointly with other governmental units and are excluded from the financial statements.

The City entered into a contract with the Seneca Nation of Indians. The contract contained a technical document, the Joint Leasing Commission Agreement, which required the City to appoint two commissioners to the Joint Leasing Commission. The Commission was formed to verify the City's computation of annual rental payments due for the Indian leases, and to conduct dispute resolution arising under the agreement and under the leases issued by the Seneca Nation of Indians to City residents. An annual budget is subject to approval by the City and Seneca Nation of Indians. The City paid \$5,000 to Joint Leasing Commission as their share of the October 1, 2019 - September 30, 2020 budget.

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, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements.

As discussed earlier, the City has two discretely presented component units. While neither the Salamanca Industrial Development Agency nor the Salamanca Housing Authority are considered to be a major component unit, they are shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. It is the City's policy to record transactions between funds as operating transfers. Interfund services provided and used are not eliminated in the process of consolidation.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

The City reports the following major governmental funds:

- *General Fund*—The General Fund is the primary operating fund of the City and accounts for all financial resources of the general government, except those required to be accounted for in another fund. The majority of current operations are financed by this fund. Transfers to other funds and agencies are made from this fund. Monies from other funds may be received, unless prohibited by the purpose and object of such funds.
- *Economic Development Fund*—The Economic Development Fund is used to account for funds received that are designed for economic development are approved by New York State Empire State Development.
- *Library Fund*—The Library Fund is used to account for the operations of a public library established and supported by taxes pursuant to Education Law, Section 259. The City has elected to report the Library Fund as a major fund.

Enterprise Funds—These funds are used to account for operations which provide goods and services to the general public. These ongoing activities are similar to those found in the private sector; therefore, the determination of operating income is necessary to sound financial administration. The City maintains the following enterprise funds:

- *Water Fund*—The Water Fund accounts for the City's water treatment and distribution system and is responsible for water delivery to the residents of the City.
- *Sewer Fund*—The Sewer Fund is used to record all activity related to the operation and maintenance of the sewer districts.

- *Electric Fund*—The Electric Fund is used to record the revenues and expenditures relating to electric services of the City.

Additionally, the City reports the following fund type:

Fiduciary Funds—These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Trust funds account for resources received and disbursements made in accordance with trust agreements or applicable legislative enactments for each particular fund. Fiduciary funds include the *Private Purpose Trust Fund* and *Agency Fund*. Activities reported in the fiduciary funds include deposits that are to be returned, and payroll withholdings due to other entities.

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 and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. 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. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

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 financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a 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.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and pensions, are recorded only when payment is due. General capital asset

acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, charges for services provided, and state and federal aid associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met and the amount is received during the period of availability (within 60 days of year-end). Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements are met and the amount is received during the period of availability (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary funds and Private Purpose Trust Fund are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The Agency Fund has no measurement focus, but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

The SIDA's and the SHA's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities and are maintained on the accrual basis of accounting.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash, Cash Equivalents and Investments—The City's cash and cash equivalents include cash on hand, demand deposits, time deposits and short-term, highly liquid investments with original maturities of three months or less from the date of acquisition. Permissible investments include obligations of the United States Treasury, United State Agencies, repurchase agreements, obligations of New York State or its localities, certificates of deposit and revenue anticipation notes. The City reports no investments at March 31, 2020; however, when the City does have investments they are recorded at fair value in accordance with GASB.

Restricted Cash and Cash Equivalents—Funds to support committed fund balances are reported as restricted cash and cash equivalents within the City's General Fund. The City also reports restricted cash within its proprietary funds which represents customer deposits and restricted net position. The Private Purpose Trust Fund restricted cash represents principal endowments, while the Agency Fund restricted cash represents cash held on behalf of others.

Inventories—Inventories of proprietary funds are valued at the lower of cost or market based upon the moving weighted-average method and are comprised of general supplies.

Capital Assets—Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements, as well as within each individual proprietary fund. Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,000 for general governmental activities and \$1,000 for business-type activities, and an estimated useful life in excess of five years with the exception of the Electric Fund. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed. 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. Donated capital assets are recorded at estimated fair value at the date of donation. Electric Fund assets are stated at cost, which includes transportation costs and overhead. When Electric Fund assets are retired, the cost and all costs of removal, less salvage if any, is charged to accumulated depreciation.

Land and construction in progress are not depreciated. The other capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Life (Years)</u>
Buildings and building improvements	20-50
Infrastructure	10-50
Machinery and equipment	5-20

Capital assets of the Water Fund and the Sewer Fund are depreciated over the following estimated useful lives:

	<u>Estimated Useful Life (Years)</u>
Buildings and building improvements	50
Machinery and equipment	20

Depreciation of the Electric Fund assets is computed using group composite straight-line rates in accordance with the New York State Public Service Commission. Straight-line composite rates used to compute depreciation for the year ended March 31, 2020 were as follows:

	<u>Percentage</u>
Structures	1.7-10.0
Poles, towers and fixtures	3.0
Distribution substation	3.0
Transformers	3.0-3.33
Office equipment	4.55-12.5
Equipment	16.0-25.0
Transportation equipment	12.5-17.0

The *capital outlays* character classification is employed only for expenditures reported in the Capital Projects Fund. Routine capital expenditures in the General Fund and other governmental funds are included in the appropriate functional category (for example, the purchase of a new police vehicle included as part of *expenditures—public safety*). At times, amounts reported as *capital outlays* in the Capital Projects Fund will also include non-capitalized, project-related costs (for example, furnishings).

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *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. At March 31, 2020, the City has one item that qualifies for reporting in this category. This item represents the effect of the net change in the City’s proportion of the collective net position asset or liability, the difference during the measurement period between the City’s contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense, and any contributions to the pension systems made subsequent to the measurement date.

In addition to liabilities, the statement of financial position and the balance sheet of governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *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. At March 31, 2020, the City has two items that qualify for reporting in this category. The first item arises only under the modified accrual basis of accounting. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds' balance sheet. The governmental funds report unavailable revenue from property taxes that remain uncollected 60 days after year-end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item represents the effect of the net change in the City's proportion of the collective net pension liability and the difference during the measurement periods between the City's contribution and its proportionate share of total contributions to the pension systems not included in pension expense and is reported on the government-wide statements.

Net Position Flow Assumption—Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted–net position and unrestricted–net position in the government-wide and proprietary fund 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. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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 Common 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 Common Council has by resolution authorized the Comptroller to assign fund balance. The Common Council may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenues 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 the assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenses/Expenditures

Program Revenues—Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Proprietary Funds Operating and Nonoperating Revenues and Expenses—Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a propriety fund’s principal ongoing operations. The principal operating revenues for the proprietary funds include charges for services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Property Taxes—Real property taxes are levied as of April 9 of each year. Taxes must be paid by May 31 to avoid penalties. As of June 1, penalties are assessed at 10% of the total tax bill and increase a half of a percent on the first of each month thereafter.

The City is permitted by the Constitution of the State of New York to levy taxes up to 2% of the five-year average full assessed valuation for general governmental services other than the payment of debt service and capital expenditures. The City utilizes a percent of value system, assessing all properties at 17% of full market value. For the year ended March 31, 2020, the City had a tax levy of \$990,163.

Compensated Absences—The City’s policy is to pay employees for unused vacation, compensatory time, and sick time based on union agreements when there is separation from service. For governmental activities, the amount is accrued in the government-wide statement of net position as a long-term liability. For business-type activities, the full liability is recognized in both the government-wide statement of net position and the proprietary fund financial statements.

Pension Plans—The City is mandated by New York State law to participate in the New York State Local Employees’ Retirement System (“ERS”) and the New York State Police and Fire Retirement System (“PFRS”). For purposes of measuring the net pension liability, deferred outflows of resources related to pensions, deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 7.

Other Postemployment Benefits—In addition to providing pension benefits, the City provides health insurance benefits for retired police and fire employees as required by the union contracts. The police and fire employees become eligible for these benefits if they reach normal retirement age while working for the City. The department heads hired prior to April 1, 2009 are eligible for these benefits. More information regarding OPEB is included in Note 8.

Other

Estimates—The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses/expenditures, assets, liabilities, deferred outflows/inflows of resources, and disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements—During the year ended March 31, 2020, the City early implemented GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. Additionally, the District implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB Statement No. 90 improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing effective dates of certain provisions in Statements No. 84, 87, 89, 91, 92, 93, 94, 96, and 97. The implementation of GASB Statements No. 90 and 95 did not have a material impact on the City’s financial position or results from operations.

Future Impacts of Accounting Pronouncements—The City has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 83, *Certain Asset Retirement Obligations*; No. 84, *Fiduciary Activities* and No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, effective for the year ending March 31, 2021, No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* and No. 93, *Replacement of Interbank Offered Rates*, effective for the year ending March 31, 2022, No. 87, *Leases*; No. 91, *Conduit Debt Obligations*; and No. 92, *Omnibus 2020*, effective for the year ending March 31, 2023, No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* and No. 96, *Subscription-Based Information Technology Arrangements*, effective for the year ending March 31, 2024. The City is, therefore, unable to disclose the impact that adopting GASB Statements No. 83, 84, 87, 89, 91, 92, 93, 94, 96, and 97 will have on its financial position and results of operations when such statements are adopted.

Stewardship, Compliance and Accountability

Legal Compliance—Budgets—Through the budget, the Council sets the direction of the City, allocates its resources and established its priorities. The annual budget assures the efficient and effective uses of the City’s economic resources, as well as establishing that the highest priority objectives are accomplished.

The annual budget serves from April 1 to March 31, and is a vehicle that accurately and openly communicates these priorities to the community, businesses, vendors, employees and other public agencies. Additionally, it established the foundation of effective financial planning by providing resource planning, performance measures and controls that permit the evaluation and adjustment of the City’s performance.

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

- No later than January 15, the department heads submit budget estimates to the Common Council. By February 15, the Common Council must adopt a tentative budget for the fiscal year commencing the following April 1. The tentative budget includes proposed expenditures and means of financing for the General Fund and the Library Fund.
- After public hearings are conducted to obtain taxpayer comments, but no later than March 15, the Council adopts the final budget. Toward the end of the fiscal year, the Council customarily makes budgetary transfers.
- Budgets are prepared for the Special Revenue – Economic Development Fund and the proprietary funds (Water, Sewer and Electric Funds) for general management purposes as the budgets are not legally required.

2. RESTATEMENT OF NET POSITION

During the year ended March 31, 2020, the City’s discretely presented component unit, the Salamanca Industrial Development Agency (“SIDA”), restated beginning net position by \$37,840 to adjust for the compensated absences liability not previously reported.

The effect of this restatement to the City’s discretely presented component unit is summarized as follows:

	Salamanca Industrial Development Agency <hr style="width: 100%;"/>
Net position—March 31, 2019, as previously stated	\$ 1,814,779
Compensated absences liability adjustment	<u>(37,840)</u>
Net position—March 31, 2019, as restated	<u>\$ 1,776,939</u>

3. CASH AND CASH EQUIVALENTS

The City’s investment policies are governed by New York State statutes. In addition, the City has its own written investment policy. The City monies must be deposited in FDIC-insured commercial banks or trust companies located within New York State. The City Comptroller is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities. Investments with maturities of less than three months are considered to be cash equivalents.

Collateral is required for demand deposit accounts, time deposit accounts and certificates at 100% of all deposits not covered by federal deposit insurance. The City has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York.

Cash and cash equivalents at March 31, 2020 are as follows:

	Governmental Funds	Proprietary Funds	Fiduciary Funds	Total
Petty cash (uncollateralized)	\$ 310	\$ 350	\$ -	\$ 660
Deposits	<u>15,987,209</u>	<u>1,062,743</u>	<u>205,776</u>	<u>17,255,728</u>
Total	<u>\$ 15,987,519</u>	<u>\$ 1,063,093</u>	<u>\$ 205,776</u>	<u>\$ 17,256,388</u>

Deposits—All deposits are carried at fair value, and are classified by custodial risk at March 31, 2020 as follows:

	Bank Balance	Carrying Amount
FDIC insured	\$ 1,028,646	\$ 1,028,646
Uninsured:		
Collateral held by pledging bank's agent in the City's name	<u>16,234,747</u>	<u>16,227,082</u>
Total	<u>\$ 17,263,393</u>	<u>\$ 17,255,728</u>

Custodial Credit Risk—Deposits—Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. At March 31, 2020, the City’s deposits were either FDIC insured or collateralized with securities held by the pledging bank’s agent in the City’s name.

Restricted Cash and Cash Equivalents—The City reports monies to support committed fund balances as restricted cash and cash equivalents within the City’s General Fund of \$103,888. Additionally, the City reports restricted cash within its proprietary funds of \$353,784 which represents customer deposits and restricted net position. The Private Purpose Trust Fund restricted cash and cash equivalents of \$192,115 represents principal endowments and the Agency Fund restricted cash of \$13,661 represents funds held on behalf of others.

Investments—The City had no investments at March 31, 2020.

Interest Rate Risk—In accordance with its investment policy, the City manages exposure by limiting the investments to low risk type investments governed by New York State statute.

City of Salamanca Industrial Development Agency

The SIDA has its own written investment policy. The SIDA is authorized to use demand accounts and certificates of deposit, as well as other permissible investments, which include obligations of the federal government, the State of New York, and revenue and tax anticipation notes authorized by the State Comptroller. Certificates of deposit with maturities of less than 90 days are considered cash equivalents.

Cash, cash equivalents and investments at March 31, 2020 are shown below.

Petty cash (uncollateralized)	\$	50
Deposits		<u>1,079,305</u>
Total	\$	<u><u>1,079,355</u></u>

At March 31, 2020, all of the SIDA deposits were either insured by FIDC or collateralized with securities held by the SIDA or by its agent in the SIDA's name or were uninsured but collateralized with securities held by the pledging financial institutions trust department or agent in the SIDA's name.

Restricted cash and cash equivalents comprise funds that are subject to limitations imposed by grantors. As of March 31, 2020, the SIDA reported \$682,065 of restricted cash and cash equivalents.

Salamanca Housing Authority

The SHA considers all highly liquid cash accounts and other temporary investments with an original maturity date of three months or less to be cash equivalents. The SHA is authorized to invest in bank certificates of deposit. Deposits held at financial institutions that are in excess of FDIC limits are required to be collateralized with securities held by the pledging financial institution's trust department or agent. Investments are carried at fair value.

Cash, cash equivalents and investments at March 31, 2020 are as follows:

Petty cash (uncollateralized)	\$	550
Deposits		<u>451,703</u>
Total	\$	<u><u>452,253</u></u>

At March 31, 2020, all of the SHA deposits were either insured by FIDC or collateralized with securities held by the SHA or by its agent in the SHA's name or were uninsured but collateralized with securities held by the pledging financial institutions trust department or agent in the SHA's name.

Restricted cash and cash equivalents are comprised of security deposits and funds that are subject to limitations imposed by grantors. As of March 31, 2020, the SHA reported \$35,138 of restricted cash and cash equivalents.

At March 31, 2020, restricted investments totaled \$285,024 and were held as bank certificates of deposit with an original maturity of more than three months. The fair market values of the bank certificates of deposit are not materially different from their reported amounts.

4. RECEIVABLES

Major revenues accrued by the City at March 31, 2020 consisted of the following:

Taxes Receivable—Taxes receivable of the City at March 31, 2020 reported in the General Fund consisted of \$626,840, net of allowance for uncollectible taxes in the amount of \$16,295, due from property owners.

Other Receivables—Receivables at March 31, 2020, net of related allowances for estimated uncollectible amounts, are as follows:

	Enterprise Funds			
	General Fund	Water Fund	Sewer Fund	Electric Fund
Ambulance receivable	\$ 200,300	\$ -	\$ -	\$ -
Assessment receivable	498	-	-	-
Customer accounts receivable	-	103,163	190,205	791,483
Other	1,883	34	8,331	13,744
Allowance for doubtful accounts	(114,050)	(5,647)	(12,384)	(40,877)
Total	<u>\$ 88,631</u>	<u>\$ 97,550</u>	<u>\$ 186,152</u>	<u>\$ 764,350</u>

Intergovernmental Receivables—Represents amounts due from other units of government, such as New York State or other local governments. Intergovernmental receivables at March 31, 2020 are as follows:

	General Fund
Seneca Nation of Indian lease	\$ 77,566
Grants and contributions	500
Licenses, fees and permits	3,893
Sales tax and mortgage tax	91,806
Various reimbursements	112,468
Total	<u>\$ 286,233</u>

City of Salamanca Industrial Development Agency

SIDA receivables at March 31, 2020, included the following:

	General Fund	Housing Choice Vouchers	Third Generation UDAG	Total
Tenants	\$ 3,861	\$ 51,701	\$ 23	\$ 55,585
Allowance	-	(51,701)	-	(51,701)
Other	200	-	-	200
Total	<u>\$ 4,061</u>	<u>\$ -</u>	<u>\$ 23</u>	<u>\$ 4,084</u>

As of March 31, 2020, the SIDA had notes receivable with varying interest rates and terms. Notes receivable at March 31, 2020 are shown below:

	Program Income	Salamanca Area Development Corporation	Total
Notes receivable	\$ 78,016	\$ 51,874	\$ 129,890
Less: allowance for doubtful accounts	<u>(22,273)</u>	-	<u>(22,273)</u>
Total notes receivable, net	<u>\$ 55,743</u>	<u>\$ 51,874</u>	<u>\$ 107,617</u>

As of March 31, 2020, the SIDA was the lessor for one lease. The lease agreement has an implicit interest rate of 3.52 percent on a building requiring monthly installments of \$450. At any time during the term of the lease, the lessee has the option of acquiring the building by paying the SIDA the present value of the lease. The future value of minimum lease payments is \$15,268. The future minimum lease payments to be received for the next three years is as follows:

<u>Year ending March 31,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 4,950	\$ 449
2022	5,128	272
2023	<u>5,190</u>	<u>218</u>
Total	<u>\$ 15,268</u>	<u>\$ 939</u>

Salamanca Housing Authority

Major revenues accrued by the SHA at March 31, 2020 consisted of the following:

	State Public Housing
Tenants	\$ 79,517
Allowance for bad debts	(70,532)
Interest receivable	<u>418</u>
Totals	<u>\$ 9,403</u>

5. CAPITAL ASSETS

Governmental Activities—Capital asset activity for the primary government’s governmental activities for the fiscal year ended March 31, 2020 was as follows:

	Balance 4/1/2019	Increases	Decreases	Balance 3/31/2020
Capital assets, not being depreciated:				
Land	\$ 3,131,000	\$ 52,040	\$ (33,671)	\$ 3,149,369
Construction in progress	339,860	829,602	(1,169,462)	-
Total capital assets, not being depreciated	<u>3,470,860</u>	<u>881,642</u>	<u>(1,203,133)</u>	<u>3,149,369</u>
Capital assets, being depreciated:				
Buildings and building improvements	4,548,328	684,100	(106,500)	5,125,928
Infrastructure	36,818,309	485,362	-	37,303,671
Machinery and equipment	5,594,827	357,984	(320,704)	5,632,107
Total capital assets, being depreciated	<u>46,961,464</u>	<u>1,527,446</u>	<u>(427,204)</u>	<u>48,061,706</u>
Less accumulated depreciation for:				
Buildings and building improvements	(2,571,271)	(95,478)	93,900	(2,572,849)
Infrastructure	(25,611,388)	(768,020)	-	(26,379,408)
Machinery and equipment	(3,824,704)	(369,724)	307,713	(3,886,715)
Total accumulated depreciation	<u>(32,007,363)</u>	<u>(1,233,222)</u>	<u>401,613</u>	<u>(32,838,972)</u>
Total capital assets, being depreciated, net	<u>14,954,101</u>	<u>294,224</u>	<u>(25,591)</u>	<u>15,222,734</u>
Governmental activities capital assets, net	<u>\$ 18,424,961</u>	<u>\$ 1,175,866</u>	<u>\$ (1,228,724)</u>	<u>\$ 18,372,103</u>

Business-type Activities—Capital asset activity for the primary government’s business-type activities for the fiscal year ended March 31, 2020 was as follows:

	Balance 4/1/2019	Increases	Decreases	Balance 3/31/2020
Capital assets, not being depreciated:				
Land	\$ 83,980	\$ -	\$ -	\$ 83,980
Construction in progress	131,550	88,202	-	219,752
Total capital assets, not being depreciated	<u>215,530</u>	<u>88,202</u>	<u>-</u>	<u>303,732</u>
Capital assets, being depreciated:				
Buildings and building improvements	21,223,496	150,558	-	21,374,054
Machinery and equipment	4,749,642	447,078	(253,770)	4,942,950
Total capital assets, being depreciated	<u>25,973,138</u>	<u>597,636</u>	<u>(253,770)</u>	<u>26,317,004</u>
Less accumulated depreciation for:				
Buildings and building improvements	(10,437,999)	(341,818)	-	(10,779,817)
Machinery and equipment	(2,761,246)	(198,408)	242,733	(2,716,921)
Total accumulated depreciation	<u>(13,199,245)</u>	<u>(540,226)</u>	<u>242,733</u>	<u>(13,496,738)</u>
Total capital assets, being depreciated, net	<u>12,773,893</u>	<u>57,410</u>	<u>(11,037)</u>	<u>12,820,266</u>
Business-type activities capital assets, net	<u>\$ 12,989,423</u>	<u>\$ 145,612</u>	<u>\$ (11,037)</u>	<u>\$ 13,123,998</u>

Depreciation expense was charged to the functions and programs of the primary government as follows:

Governmental activities:	
General government support	\$ 277,511
Public safety	448,887
Transportation	347,763
Health	45,947
Culture and recreation	82,308
Home and community services	<u>30,806</u>
Total governmental activities depreciation expense	<u>\$ 1,233,222</u>
Business-type activities:	
Water	\$ 109,903
Sewer	192,592
Electric	<u>237,731</u>
Total business-type activities depreciation expense	<u>\$ 540,226</u>

Salamanca Industrial Development Agency

Capital asset activity for the SIDA for the year ended March 31, 2020 was as follows:

	Balance 4/1/2019	Increases	Decreases	Balance 3/31/2020
Capital assets, not being depreciated:				
Land	\$ 10,500	\$ -	\$ -	\$ 10,500
Total capital assets, not being depreciated	<u>10,500</u>	<u>-</u>	<u>-</u>	<u>10,500</u>
Capital assets, being depreciated:				
Buildings and leasehold improvements	2,503,575	37,130	(2,840)	2,537,865
Machinery and equipment	27,133	-	-	27,133
Total capital assets, being depreciated	<u>2,530,708</u>	<u>37,130</u>	<u>(2,840)</u>	<u>2,564,998</u>
Less accumulated depreciation	<u>(1,861,528)</u>	<u>(42,354)</u>	<u>990</u>	<u>(1,902,892)</u>
Total capital assets, being depreciated, net	<u>669,180</u>	<u>(5,224)</u>	<u>(1,850)</u>	<u>662,106</u>
Capital assets, net	<u>\$ 679,680</u>	<u>\$ (5,224)</u>	<u>\$ (1,850)</u>	<u>\$ 672,606</u>

Salamanca Housing Authority

Capital asset activity for the SHA for the year ended March 31, 2020 was as follows:

	Balance 4/1/2019	Increases	Decreases	Balance 3/31/2020
Capital assets, not being depreciated:				
Land	\$ 28,000	\$ -	\$ -	\$ 28,000
Construction in progress	3,465,912	888,881	4,032,821	321,972
Total capital assets, not being depreciated	<u>3,493,912</u>	<u>888,881</u>	<u>4,032,821</u>	<u>349,972</u>
Capital assets, being depreciated:				
Buildings and improvements	6,190,913	4,032,821	-	10,223,734
Equipment and furniture	251,700	9,863	1,083	260,480
Total capital assets, being depreciated	<u>6,442,613</u>	<u>4,042,684</u>	<u>1,083</u>	<u>10,484,214</u>
Less accumulated depreciation	<u>(5,244,087)</u>	<u>(209,526)</u>	<u>(1,083)</u>	<u>(5,452,530)</u>
Total capital assets, being depreciated, net	<u>1,198,526</u>	<u>3,833,158</u>	<u>-</u>	<u>5,031,684</u>
Capital assets, net	<u>\$ 4,692,438</u>	<u>\$ 4,722,039</u>	<u>\$ 4,032,821</u>	<u>\$ 5,381,656</u>

6. ACCRUED LIABILITIES

Accrued liabilities reported within the proprietary funds at March 31, 2020 were as follows:

	Water	Sewer	Electric	Total Proprietary Funds
Accrued interest	\$ 4,251	\$ 2,039	\$ 13,213	\$ 19,503
Other accrued liabilities	13,157	14,830	31,154	59,141
Total accrued liabilities	<u>\$ 17,408</u>	<u>\$ 16,869</u>	<u>\$ 44,367</u>	<u>\$ 78,644</u>

7. PENSION OBLIGATIONS

Plan Descriptions and Benefits Provided

Police and Fire Retirement System (“PFRS”) and Employees’ Retirement System (“ERS”)—The City participates in the PFRS and ERS (the “Systems”). The Systems provide retirement benefits as well as, death and disability benefits. The net position of the Systems are held in the New York State Common Retirement Fund (the “Fund”), which was established to hold all assets and record changes in fiduciary net position allocated to the Systems. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the Systems. 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 Systems are included in the State’s financial report as a pension trust fund. That report, including information with regards to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The Systems are noncontributory, except for employees who joined the ERS after July 27, 1976 who contribute three percent (3.0%) of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS), who generally contribute three percent (3.0%) to three and one half percent (3.5%) of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At March 31, 2020, the City reported the following liabilities for its proportionate share of the net pension liabilities for PFRS and ERS. The net pension liabilities were measured as of March 31, 2019. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of April 1, 2018, with update procedures used to roll forward the total net pension liabilities to the measurement date. The City's proportion of the net pension liabilities were based on projections of the City's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the System in reports provided to the City.

	Governmental Activities		Business-type
	PFRS	ERS	Activities
Measurement date	March 31, 2019		
Net pension liability	\$ 1,116,205	\$ 333,818	\$ 354,742
City's portion of the Plan's total net pension liability	0.0665571%	0.0047110%	0.0050060%

For the year ended March 31, 2020, the City recognized pension expenses of \$612,525, \$234,006, and \$243,288, respectively, for PFRS, ERS – Governmental activities, and ERS – Business-type activities. At March 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources shown on the following page.

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	Governmental Activities		Business-type Activities	Governmental Activities		Business-type Activities
	PFRS	ERS	ERS	PFRS	ERS	ERS
Differences between expected and actual experiences	\$ 271,157	\$ 65,736	\$ 69,857	\$ 119,173	\$ 22,408	\$ 23,814
Changes of assumptions	405,547	83,908	89,167	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	-	223,549	85,676	91,047
Changes in proportion and differences between the City's contributions and proportionate share of contributions	52,640	34,232	30,380	436,545	21,825	20,755
City contributions subsequent to the measurement date	<u>446,742</u>	<u>187,754</u>	<u>199,639</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,176,086</u>	<u>\$ 371,630</u>	<u>\$ 389,043</u>	<u>\$ 779,267</u>	<u>\$ 129,909</u>	<u>\$ 135,616</u>

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

Year Ending March 31,	Governmental Activities		Business-type Activities
	PFRS	ERS	ERS
2021	\$ 104,505	\$ 71,466	\$ 75,403
2022	(143,873)	(58,762)	(63,860)
2023	(75,395)	(3,074)	(4,554)
2024	72,437	44,337	46,799
2025	(7,597)	-	-

Actuarial Assumptions—The total pension liabilities as of the measurement date were determined by using actuarial valuations as noted in the table below, with update procedures used to roll forward the total pension liabilities to the measurement date. The actuarial valuations used the actuarial assumptions below:

	PFRS	ERS
Measurement date	March 31, 2019	March 31, 2019
Actuarial valuation date	April 1, 2018	April 1, 2018
Interest rate	7.00%	7.00%
Salary scale	5.00%	4.20%
Decrement tables	April 1, 2010- March 31, 2015	April 1, 2010- March 31, 2015
Inflation rate	2.50%	2.50%
Cost-of-living adjustment	1.30%	1.30%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System’s experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014. The actuarial assumptions used in the April 1, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

Measurement date	PFRS and ERS	
	Target Allocation	Long-Term Expected Real Rate of Return
	March 31, 2019	
Asset class:		
Domestic equities	36.0 %	4.6 %
International equities	14.0	6.4
Private equity	10.0	7.5
Real estate	10.0	5.6
Absolute return strategies	2.0	3.8
Opportunistic portfolio	3.0	5.7
Real assets	3.0	5.3
Bonds and mortgages	17.0	1.3
Cash	1.0	(0.3)
Inflation-indexed bonds	4.0	1.3
Total	<u>100.0 %</u>	

Discount Rate—The discount rate used to calculate the total pension liabilities was 7.0%. 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. Based upon the assumptions, the Systems’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability/(Asset) to the Discount Rate Assumption—The chart on the following page presents the City’s proportionate share of the net pension liabilities/(assets) calculated using the discount rate of 7.0%, as well as what the City’s proportionate share of the net pension liabilities would be if they were calculated using a discount rate that is one percentage-point lower (6.0%) or one percentage-point higher (8.0%) than the current assumption.

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Governmental activities:			
Employer's proportionate share of the net pension liability/(asset)—PFRS	\$ 4,033,798	\$ 1,116,205	\$ (1,320,324)
Employer's proportionate share of the net pension liability/(asset)—ERS	\$ 1,459,505	\$ 333,818	\$ (611,839)
Business-type activities:			
Employer's proportionate share of the net pension liability/(asset)—ERS	\$ 1,550,991	\$ 354,742	\$ (650,191)

Pension Plan Fiduciary Net Position—The components of the current-year net pension liabilities of the employers as of the valuation dates, were as follows:

	(Dollars in Thousands)		
	PFRS	ERS	Total
Valuation date	April 1, 2018	April 1, 2018	
Employers' total pension liability	\$ 34,128,100	\$ 189,803,429	\$ 223,931,529
Plan fiduciary net position	32,451,037	182,718,124	215,169,161
Employers' net pension liability	<u>\$ 1,677,063</u>	<u>\$ 7,085,305</u>	<u>\$ 8,762,368</u>
System fiduciary net position as a percentage of total pension liability	95.1%	96.3%	96.1%

Salamanca Industrial Development Agency

The SIDA participates in the ERS.

Plan Description and Benefits Provided

Employees' Retirement System—The plan description is the same as disclosed previously within this footnote.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At March 31, 2020 the SIDA reported the liability presented below for its proportionate share of the net pension liability for ERS. The net pension liability was measured as of March 31, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The SIDA's proportion of the net pension liability was based on a projection of the SIDA's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by ERS in reports provided to the SIDA.

	ERS
Measurement date	March 31, 2019
Net pension liability	\$ 10,484
SIDA's portion of the Plan's total net pension liability	0.0001480%

For the year ended March 31, 2020, the SIDA recognized pension expense of \$8,746 for ERS. At March 31, 2020, the SIDA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experiences	\$ 2,064	\$ 704
Changes of assumptions	2,635	-
Net difference between projected and actual earnings on pension investments	-	2,691
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,917	1,098
SIDA contributions subsequent to the measurement date	<u>10,869</u>	<u>-</u>
Total	<u>\$ 24,485</u>	<u>\$ 4,493</u>

SIDA contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending March 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as shown below:

<u>Year Ending March 31,</u>	<u>ERS</u>
2021	\$ 5,468
2022	1,272
2023	2,383

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The chart below presents the SIDA’s proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the SIDA’s proportionate share of the net pension liability would be if they were calculated using a discount rate that is one percentage-point lower (6.0 percent) or one percentage-point higher (8.0%) than the current assumption.

<u>ERS</u>	<u>1% Decrease (6.0%)</u>	<u>Current Assumption (7.0%)</u>	<u>1% Increase (8.0%)</u>
Employer's proportionate share of the net pension liability/(asset)	\$ 45,837	\$ 10,484	\$ (19,215)

Salamanca Housing Authority

The SHA participates in the ERS.

Plan Description and Benefits Provided

Employees' Retirement System—The plan description is the same as disclosed previously within this footnote.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At March 31, 2020 the SHA reported the liability presented below for its proportionate share of the net pension liability for ERS. The net pension liability was measured as of March 31, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The SHA's proportion of the net pension liability was based on a projection of the SHA's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by ERS in reports provided to the SHA.

	<u>ERS</u>
Measurement date	March 31, 2019
Net pension liability	\$ 63,402
SHA's portion of the Plan's total net pension liability	0.0008948%

For the year ended March 31, 2020, the SHA recognized pension expense of \$38,690 for ERS. At March 31, 2020, the SHA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experiences	\$ 12,485	\$ 4,256
Changes of assumptions	15,938	-
Net difference between projected and actual earnings on pension investments	-	16,272
Changes in proportion and differences between employer contributions and proportionate share of contribuionts	830	8,566
SHA's contributions made subsequent to the measurement date	<u>33,301</u>	<u>-</u>
Total	<u>\$ 62,554</u>	<u>\$ 29,094</u>

SHA contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending March 31, 2021. Other amounts reported as deferred inflows of resources and deferred outflows of resources related to pensions will be recognized in pension expense as shown on the following page.

Year Ending March 31,	ERS
2021	\$ 10,264
2022	(14,965)
2023	(2,917)
2024	7,777

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The chart below presents the SHA’s proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the SHA’s proportionate share of the net pension liability would be if they were calculated using a discount rate that is one percentage-point lower (6.0 percent) or one percentage-point higher (8.0 percent).

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension liability/(asset)	\$ 277,204	\$ 63,402	\$ (116,207)

8. OTHER POSTEMPLOYMENT BENEFITS (“OPEB”) OBLIGATION

Plan Description—The City administers the City of Salamanca Retiree Medical Plan (the “Plan”) as a single-employer defined benefit other postemployment benefit plan. The plan provides for continuation of medical insurance benefits for certain retirees at the cost of the retirees. The plan can be amended by action of the City subject to an 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 the benefits under the plan.

Employees Covered by Benefit Terms—As of March 31, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	5
Active employees	<u>50</u>
Total	<u>55</u>

Under GASB Statement No. 75, the total OPEB liability represents the sum of expected future benefit payments which may be attributed to past service (or “earned”), discounted to the end of the fiscal year using the current discount rate. The total OPEB liability is analogous to the Unfunded Actuarial Accrued Liability (“UAAL”) under GASB Statement No. 45.

Total OPEB Liability

The City’s total OPEB liability of \$550,673 was measured as of March 31, 2020, and was determined by an actuarial valuation as of that date.

Actuarial Methods and Assumptions—Calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the employer and the plan members) at the time of the valuation and on the pattern of cost sharing between the employee and plan members. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the March 31, 2020 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a valuation date of March 31, 2020. The discount rate remained at 2.59% as of March 31, 2019 and March 31, 2020 year-ends. Mortality rates are based on the RP2000 Mortality Table. Turnover assumptions were derived from data maintained by the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees' Retirement System. In order to estimate the change in the cost of healthcare, the actuaries initial healthcare cost trend rate used is 4.60% for medical, while the ultimate healthcare cost trend rate is 4.70%.

Changes in the Total OPEB Liability—The following table presents the changes to the total OPEB liability during the fiscal year, by source:

	Total OPEB Liability
Balance at March 31, 2019	<u>\$ 589,244</u>
Changes for the year:	
Service cost	10,367
Interest	15,223
Effect of economic/demographic gains or losses	(40,275)
Benefit payments	<u>(23,886)</u>
Net changes	<u>(38,571)</u>
Balance at March 31, 2020	<u>\$ 550,673</u>

Sensitivity of the Total OPEB Liability to the Change in the Discount Rate and Healthcare Cost Trend Rate—The discount rate assumption can have an impact on the net OPEB liability. The following table presents the effect a 1% change in the discount rate assumption would have on the net OPEB liability:

	1% Decrease (1.59%)	Current Discount Rate (2.59%)	1% Increase (3.59%)
Net OPEB liability	\$ 638,389	\$ 550,673	\$ 479,929

Additionally, healthcare costs can be subject to considerable volatility over time. The following table presents the effect on the net OPEB liability of a 1% change in the initial (4.60%) and ultimate (4.70%) healthcare cost trend rates.

	1% Decrease (3.60% / 3.70%)	Healthcare Cost Trend Rates (4.60% / 4.70%)	1% Increase (5.60% / 5.70%)
Net OPEB liability	\$ 476,419	\$ 550,673	\$ 641,995

Funding Policy—Authorization for the City to pay a portion of retiree health insurance premiums was enacted through various union contracts as specified above, which were ratified by the City’s Board. The City’s contributions to the OPEB plan are based on the negotiated contracts with four bargaining units, as discussed in Note 15. Any amendments to the employer’s contributions are subject to the collective bargaining agreements. The City recognizes the cost of providing these benefits by expensing the annual insurance premiums when invoiced by the health insurance provider. The City contributed \$23,886 for the fiscal year ended March 31, 2020.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—The City may report deferred outflows of resources and deferred inflows of resources due to differences during the measurement period between certain of the employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability are required to be determined. As of March 31, 2020, the City reported no deferred outflows of resources or deferred inflows of resources related to OPEB.

9. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The City purchases commercial insurance to cover such potential risks. The liability insurance limits are as follows: commercial property coverage with a blanket limit of \$32,295,845, general liability coverage with a per occurrence limit of \$1,000,000 and general aggregate limit of \$3,000,000, commercial automobile coverage with a liability limit of \$1,000,000 per occurrence, public officials and police professional liability limits of \$1,000,000 per occurrence and an annual aggregate limit of \$2,000,000, commercial excess liability with an occurrence limit of \$6,000,000 and general annual aggregate limit of \$12,000,000 (aggregate annual limit for personal and advertising liability, products and completed operations liability, law enforcement liability and public officials liability of \$6,000,000). There have not been any significant changes in any type of insurance coverage from the prior year, nor have there been any settlements which have exceeded insurance coverage in the past five fiscal years.

10. LEASE OBLIGATIONS

Capital Leases—The City has entered into lease agreements as a lessee for financing the acquisition of a street sweeper within its governmental activities and a tractor within its business-type activities. Lease principal payments are recorded as expenditures in the appropriate fund within governmental activities and as reduction in capital lease liability within business-type activities. In the government-wide financial statements, no principal payments are reflected as expenditures.

The City’s future minimum lease payments under capital leases as of March 31, 2020, are as follows:

<u>Fiscal Year Ending March 31,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2021	\$ 52,544	\$ 20,485
Total minimum lease payments	52,544	20,485
Less: amount representing imputed interest costs	(1,013)	(244)
Present value of minimum lease payment	<u>\$ 51,531</u>	<u>\$ 20,241</u>

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
Assets:		
Street sweeper	\$ 240,873	\$ -
Tractor	-	147,178
Total assets	240,873	147,178
Less: accumulated depreciation	(105,382)	(42,479)
Total assets, net	<u>\$ 135,491</u>	<u>\$ 104,699</u>

Operating Leases—Operating lease obligations are primarily for rental equipment through the year ending March 31, 2020. Lease expenditures/expenses for the year were approximately \$339.

11. LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt and other long-term obligations are reported as noncurrent liabilities in the statement of net position.

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

The City’s outstanding long-term liabilities include bonds payable, capital leases, other postemployment benefits (“OPEB”) obligation, state revolving fund loans, compensated absences and net pension liability.

A summary of changes in the City’s long-term liabilities at March 31, 2020 follows:

	Balance 4/1/2019	Additions	Reductions	Balance 3/31/2020	Due Within One Year
Governmental activities:					
Bonds payable	\$ 544,833	\$ -	\$ 186,644	\$ 358,189	\$ 131,595
Capital lease	101,741	-	50,210	51,531	51,531
OPEB obligation	589,244	25,590	64,161	550,673	-
Compensated absences	669,887	89,376	25,779	733,484	73,348
Net pension liability*	897,395	552,628	-	1,450,023	-
Total governmental activities	<u>\$ 2,803,100</u>	<u>\$ 667,594</u>	<u>\$ 326,794</u>	<u>\$ 3,143,900</u>	<u>\$ 256,474</u>
Business-type activities:					
Bonds payable	\$ 2,092,946	\$ 305,900	\$ 600,399	\$ 1,798,447	\$ 665,878
Capital lease	49,805	-	29,564	20,241	20,241
Compensated absences	354,046	21,372	-	375,418	37,542
Net pension liability*	177,453	177,289	-	354,742	-
Total business-type activities	<u>\$ 2,674,250</u>	<u>\$ 504,561</u>	<u>\$ 629,963</u>	<u>\$ 2,548,848</u>	<u>\$ 723,661</u>

(*Additions to the net pension liability are shown net of reductions.)

Bond Payable—The City issues general obligation bonds and statutory installment bonds to provide funds for the acquisition, construction and renovation of major capital facilities. General obligation bonds have been issued for governmental activities and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

On December 17, 2019, the City’s business-type activities issued a statutory installment bond in the amount of \$130,000 for construction of the Salamanca Water Plant Wellfield project. The bond was issued at an interest rate of 2.50 percent and is scheduled to mature on December 17, 2024.

On March 4, 2020, the City’s business-type activities issued two statutory installment bonds in the amounts of \$86,000 and \$89,900 for the purchase of two vehicles. The bonds were issued at an interest rate of 2.50 percent and are scheduled to mature on March 4, 2024 and March 4, 2025, respectively.

A summary of additions and payments of serial bonds and statutory installment bonds for the year ended March 31, 2020 is shown below:

Year of Issuance	Original Issue	Interest Rate (%)	Year of Maturity	Balance 4/1/2019	Additions	Payments	Balance 3/31/2020	Due Within One Year
Governmental activities:								
Serial bonds:								
2010	\$ 897,700	2.0-3.5	2022	\$ 345,000	\$ -	\$ 80,000	\$ 265,000	\$ 85,000
Statutory installment bonds:								
2012	337,901	3.4	2019	48,270	-	48,270	-	-
2012	82,448	2.5	2019	11,779	-	11,779	-	-
2017	75,744	3.5	2021	45,446	-	15,149	30,297	15,149
2017	157,231	3.3	2021	94,338	-	31,446	62,892	31,446
Total governmental activities				<u>\$ 544,833</u>	<u>\$ -</u>	<u>\$ 186,644</u>	<u>\$ 358,189</u>	<u>\$ 131,595</u>
Business-type activities:								
Serial bonds:								
2007	\$ 2,900,000	4.3	2022	\$ 675,000	\$ -	\$ 225,000	\$ 450,000	\$ 225,000
2013	3,461,500	3.8-4.1	2023	1,050,000	-	250,000	800,000	250,000
Statutory installment bonds:								
2014	468,335	3.2	2021	200,714	-	66,906	133,808	66,906
2014	288,900	3.3	2021	123,818	-	41,271	82,547	41,272
2017	33,004	2.1	2021	16,500	-	8,251	8,249	8,249
2019	26,914	2.8	2022	26,914	-	8,971	17,943	8,971
2020	130,000	2.5	2024	-	130,000	-	130,000	26,000
2020	86,000	2.5	2024	-	86,000	-	86,000	21,500
2020	89,900	2.5	2025	-	89,900	-	89,900	17,980
Total business-type activities				<u>\$ 2,092,946</u>	<u>\$ 305,900</u>	<u>\$ 600,399</u>	<u>\$ 1,798,447</u>	<u>\$ 665,878</u>

Capital Leases—As described in Note 10, the outstanding balance of capital leases at March 31, 2020 was \$51,531 and \$20,241 for governmental activities and business-type activities, respectively.

OPEB Obligation—As explained in Note 8, the City provides health insurance coverage for certain retirees. The City’s annual other postemployment benefit (“OPEB”) cost is calculated based on the annual required contributions of the employer, an amount actuarially determined in accordance with the parameters of GASB. The long-term OPEB obligation is \$550,673 at March 31, 2020.

Compensated Absences—As described in Note 1, the liability for compensated absences, which totals \$733,484 for governmental activities and \$375,418 for business-type activities, represents amounts relating to sick and personal leave for employees. Payments of these liabilities are dependent upon many factors (including retirement, termination, or employees leaving service) and, therefore, timing of future payments of such are not readily determinable. The City has estimated that \$73,348 and \$37,542 for governmental activities and business-type activities, respectively, will be paid in the next fiscal year.

Net Pension Liability—The City reports a liability for its proportionate share of the net pension liability for the Employees’ Retirement System and Police and Fire Retirement System. The net pension liability is \$1,450,023 and \$354,742 for governmental activities and business-type activities, respectively. Refer to Note 7 for additional information related to the City’s net pension liability.

The City’s debt service requirements for its long-term liabilities are as follows:

Governmental Activities

Fiscal Year Ending March 31,	Bonds Payable	Capital Lease	OPEB Obligation	Compensated Absences	Net Pension Liability	Total
2021	\$ 131,595	\$ 51,531	\$ -	\$ 73,348	\$ -	\$ 256,474
2022	136,595	-	-	-	-	136,595
2023	89,999	-	-	-	-	89,999
Thereafter	-	-	550,673	660,136	1,450,023	2,660,832
Total	<u>\$ 358,189</u>	<u>\$ 51,531</u>	<u>\$ 550,673</u>	<u>\$ 733,484</u>	<u>\$ 1,450,023</u>	<u>\$ 3,143,900</u>

Business-type Activities

Fiscal Year Ending March 31,	Bonds Payable	Capital Lease	Compensated Absences	Net Pension Liability	Total
2021	\$ 665,878	\$ 20,241	\$ 37,542	\$ -	\$ 723,661
2022	682,629	-	-	-	682,629
2023	340,480	-	-	-	340,480
2024	65,480	-	-	-	65,480
2025	43,980	-	-	-	43,980
Thereafter	-	-	337,876	354,742	692,618
Total	<u>\$ 1,798,447</u>	<u>\$ 20,241</u>	<u>\$ 375,418</u>	<u>\$ 354,742</u>	<u>\$ 2,548,848</u>

Interest requirements relating to bonds payable are as follows:

Fiscal Year Ending March 31,	Governmental Activities	Business-type Activities	Total
2021	\$ 10,722	\$ 66,856	\$ 77,578
2022	6,277	42,330	48,607
2023	1,575	16,975	18,550
2024	-	4,665	4,665
2025	-	3,700	3,700
Total	<u>\$ 18,574</u>	<u>\$ 134,526</u>	<u>\$ 153,100</u>

Salamanca Industrial Development Agency

The changes in the SIDA's long-term indebtedness during the year ended March 31, 2020, are summarized below:

	Balance 4/1/2019 (as restated)	Additions	Reductions	Balance 3/31/2020	Within One Year
Mortgage payable	\$ 78	\$ -	\$ 78	\$ -	\$ -
Compensated absences*	37,840	3,618	-	41,458	41,458
Net pension liability*	4,698	5,786	-	10,484	-
Total	<u>\$ 42,616</u>	<u>\$ 9,404</u>	<u>\$ 78</u>	<u>\$ 51,942</u>	<u>\$ 41,458</u>

(*Additions/reductions to compensated absences and the net pension liability are shown net of additions/reductions.)

Mortgage Payable—The SIDA mortgage payable represents a loan secured by real estate. The loan was paid in full during the year ended March 31, 2020.

Compensated Absences—The SIDA's eligible employees are granted vacation, sick leave, and earn compensatory absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and sick leave and compensatory time subject to certain maximum limitations. The compensated absences liability is estimated to be \$41,458 at March 31, 2020.

Net Pension Liability—The SIDA reports a liability for its proportionate share of the net pension liability for the Employees' Retirement System. The net pension liability is estimated to be \$10,484 at March 31, 2020. Refer to Note 7 for additional information related to the SIDA's net pension liability.

Salamanca Housing Authority

The changes in the SHA's long-term indebtedness during the year ended March 31, 2020, are summarized below:

	Balance 4/1/2019	Additions	Reductions	Balance 3/31/2020	Due Within One Year
Bonds payable	\$ 161,040	\$ -	\$ 26,840	\$ 134,200	\$ 26,840
Compensated absences*	62,914	-	2,818	60,096	6,777
Net pension liability*	29,534	33,868	-	63,402	-
Total	<u>\$ 253,488</u>	<u>\$ 33,868</u>	<u>\$ 29,658</u>	<u>\$ 257,698</u>	<u>\$ 33,617</u>

(*Additions/reductions to compensated absences and the net pension liability are shown net of additions/reductions.)

Serial bonds—A summary of the estimated serial bonds payable requirements is presented below:

For the year ending March 31,	Principal	Interest
2021	\$ 26,840	\$ 3,073
2022	26,840	2,390
2023	26,840	1,707
2024	26,840	1,024
2025	26,840	341
Total	<u>\$ 134,200</u>	<u>\$ 8,535</u>

Compensated Absences—As of March 31, 2020, the Salamanca Housing Authority had a liability for employee compensated absences totaling \$60,096. Of this amount, \$6,777 is considered to be due and payable within one year.

Net Pension Liability—The SHA reports a liability for its proportionate share of the net pension liability for the Employee Retirement System. The net pension liability is estimated to be \$63,402 as of March 31, 2020. Refer to Note 7 for additional information related to the SHA’s net pension liability.

12. NET POSITION AND FUND BALANCE

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- **Net Investment in Capital Assets**—This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category. A reconciliation of the City’s governmental and business-type activities net investment in capital assets are shown below:

Governmental activities:

Capital assets, net of accumulated depreciation	\$ 18,372,103
Related debt:	
Bonds issued for capital assets	\$ (358,189)
Capital lease	<u>(51,531)</u>
Debt issued for capital assets	(409,720)
Net investment in capital assets—governmental activities	<u>\$ 17,962,383</u>

Business-type activities:

Capital assets, net of accumulated depreciation	\$ 13,123,998
Related debt:	
Bonds issued for capital assets	\$ (1,798,447)
Capital lease	<u>(20,241)</u>
Net investment in capital assets—business-type activities	<u>\$ 11,305,310</u>

- ***Restricted Net Position***—This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation. Restricted net position of the City at March 31, 2020 includes \$120,967 of utility electric funds being held for high density load customers.
- ***Unrestricted Net Position***—This category represents net position of the City not restricted for any project or other purpose.

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balances maintained by the City at March 31, 2020 includes \$379,311 of delinquent taxes receivable and taxes receivable related to other property held by the City for resale in the General Fund.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the City’s highest level of decision-making authority. The City’s policy requires commitments to be adopted through formal action (adoption of an ordinance) of the Common Council. As of March 31, 2020, the City reported the commitment described below:

- ***Committed for Ambulance***—This reserve was created by the Common Council to restrict a portion of the City’s ambulance revenues for the future purchase of ambulances and necessary equipment. At March 31, 2020, the City reported \$103,888 within the General Fund.

In the fund financial statements, assignments are not legally required segregations but are segregated for a specific purpose by the City. For example, the amount appropriated to reduce the tax levy as determined through the budget process and finalized when the tax rates are established would be considered assigned fund balance. Also, the Common Council has authorized the Comptroller to make a determination of the assigned amounts of fund balance. As of March 31, 2020, the City reported the assignments described below:

- ***Assigned to Subsequent Year’s Expenditures***—Represents funds to be used to assist in supporting the subsequent year authorized appropriations. At March 31, 2020, the City reports \$4,771,621 of assigned to subsequent year’s expenditures in the General Fund.
- ***Assigned to Specific Use***—Represents remaining fund balance of \$5,422,402 and \$26,629 in the Economic Development Fund and Library fund, respectively, that are designated to be used for that fund’s specific purposes.

If the City must use funds for emergency expenditures, the Common Council shall authorize the Comptroller to expend funds first from funds classified under GASB as nonspendable (if funds become available) then restricted funds. The use of committed and assigned funds, as classified by GASB, will occur after the exhaustion of available restricted funds. Finally, if no other fund balances are available the City will use unassigned fund balance.

13. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are generally short-term in nature and exist because of temporary advances or payments made on behalf of other funds. The composition of interfund balances as of March 31, 2020 is as follows:

Fund	Interfund	
	Receivable	Payable
Governmental funds:		
General Fund	\$ 306,152	\$ -
Total governmental funds	<u>306,152</u>	<u>-</u>
Proprietary funds:		
Sewer Fund	100,000	186,005
Electric Fund	-	220,070
Total proprietary funds	<u>100,000</u>	<u>406,075</u>
Fiduciary funds:		
Private Purpose Trust	-	77
Total fiduciary funds	<u>-</u>	<u>77</u>
Total	<u>\$ 406,152</u>	<u>\$ 406,152</u>

Interfund balances are the result of transfers made to the proprietary funds to cover operating costs. Other balances result from payments made on behalf of other funds or temporary advances. All of these balances are expected to be collected/paid within the subsequent year.

The City made the following transfers during the year ended March 31, 2020:

Transfers out:	Transfers in:		
	General Fund	Library Fund	Total
General Fund	\$ -	\$ 281,205	\$ 281,205
Sewer Fund	186,005	-	186,005
Total	<u>\$ 186,005</u>	<u>\$ 281,205</u>	<u>\$ 467,210</u>

Transfers are used primary to support the functions of various funds. These include transfers out of the General Fund to the Library Fund to support operations, as well as transfers made from the Sewer Fund to the General Fund as the result of a local law enabling the transfer of excess sewer revenues, if available, each year to offset General Fund taxes.

14. AGENCY FUND

An agency fund exists for employee withholding and temporary deposit funds. The following is a summary of changes in assets and liabilities for the year ended March 31, 2020 is presented below:

	Balance 4/1/2019	Additions	Deletions	Balance 3/31/2020
ASSETS				
Restricted cash and cash equivalents	\$ 45,023	\$ 5,846,388	\$ 5,877,750	\$ 13,661
Total assets	<u>\$ 45,023</u>	<u>\$ 5,846,388</u>	<u>\$ 5,877,750</u>	<u>\$ 13,661</u>
LIABILITIES				
Other agency liabilities	\$ 45,023	\$ 5,846,388	\$ 5,877,750	\$ 13,661
Total liabilities	<u>\$ 45,023</u>	<u>\$ 5,846,388</u>	<u>\$ 5,877,750</u>	<u>\$ 13,661</u>

15. LABOR RELATIONS

City employees are represented by four bargaining units with the balance governed by City Council rules and regulations. The CSEA Local 1000 has a contract settled through March 31, 2019, the Professional Fire Fighters and Board of Public Utilities have contracts settled through March 31, 2021, and the the DPW Employees' Union has a contract settled through March 31, 2023.

16. RELATED PARY TRANSACTIONS

Salamanca Industrial Development Corporation

Expenses of \$5,775 were incurred by the SIDA during the year ended March 31, 2020 in connection with the City's services to the SIDA relating to comptroller services, use of a copy machine, and monthly rental of office space.

The SIDA made payments in the amount of \$111,831 to the SHA, a related organization. These payments were for rental housing assistance under the SIDA's Section 8 Housing Choice Voucher program.

Salamanca Housing Authority

The SHA has contracts whereby the City provides various support services. These transactions are consummated on terms equivalent to those that prevail in arm's-length transactions. During the year ended March 31, 2020, the SHA incurred the following:

Seneca Nation lease	\$ 6,499
Fuel usage	378
Utilities	<u>159,591</u>
Total	<u>\$ 166,468</u>

At March 31, 2020, accounts payable to the City totaled \$13,061.

During the year ended March 31, 2020, the SHA received a total of \$111,423 in rental receipts from the SIDA. These receipts were paid to the SHA by the Agency's Federal Housing Choice Voucher program, which provides eligible tenants with housing assistance payments.

17. NEW YORK STATE CASINO REVENUES

The City of Salamanca is located almost entirely upon the Seneca Nation of Indians Reservation in Cattaraugus County. In 2004, the Seneca Nation completed the construction of a casino which engages in Class III Gaming pursuant to authority contained in the Seneca Nation/ New York State Gaming Compact (the "Compact") which was made effective on April 12, 2002.

The Compact provides the Seneca Nation with the exclusive right to engage in Class III Gaming throughout all of Western New York in exchange for the Seneca Nation paying an exclusivity fee to New York State. Pursuant to the provisions of Section 99-h of the State Finance Law, a portion of that exclusivity fee is paid by New York State to those municipalities in which the Seneca gaming facilities are located in order to offset the impact of the casino on those hosting municipalities. This is referred to as the "local share".

In the case of the City of Salamanca, the local share is divided among the City, the County of Cattaraugus (the "County"), and the City of Salamanca School District (the "School").

The City and the County have entered into an agreement which sets forth how local share is to be apportioned which briefly provides as follows:

- The City, the County and the School are first reimbursed for tax loss as a result of Native American tax immunity (each time an enrolled member of the Seneca Nation of Indians or the Seneca Nation itself buys property located on the Reservation, that person and property are immune from taxation).
- The City and the County are reimbursed for direct impact costs (expenses incurred directly related to the casino being located within the municipality).
- Any remaining local share funds are divided 75 percent to the City and 25 percent to the County for economic development.

The agreement further provides that significant expenditures for equipment or capital improvements would be financed by bonding in order to increase the amount of local share funds available. The City and the County each develop a spending plan which must be submitted and approved by New York State Economic Development before Section 99-h local share funds are remitted to the municipalities.

Over the years the City has responded to the increase in services required and has expended the funds required to meet these demands, including bonding in order to finance required equipment and upgrades to the sewer and water facilities, with the understanding that the expenditures would be reimbursed via the local share of Section 99-h funds.

After the initial fourteen year period of the Compact passed without the State or Seneca Nation objecting, in 2016 the Compact was automatically extended for an additional seven years. However, there was no mention of the Seneca Nation continuing the State payment, which flows to the City. Further, during the year ended March 31, 2017, the Seneca Nation officials notified State officials that they would be making their final casino revenue sharing payment under the Compact.

During the year ended March 31, 2017, the City received Casino funds representing the last quarter of the 2016 fiscal year, which is regularly received on a lag of several months, and the first three quarters of the 2017 fiscal year. The City has not yet received the fourth quarter payment of the 2017 fiscal year, which was indicated by the Seneca Nation to be the final payment expected to be received. Further, the City received no payments during the years ended March 31, 2018 and 2019.

During the year ended March 31, 2020, an arbitrator determined that the Seneca Nation owed New York State for past payments. Although New York State has not yet received past payments, they advanced the City of Salamanca \$4,700,000 during the year ended March 31, 2020. The advanced amounts are expected to reduce future payments from the Seneca Nation and no amounts are payable to New York State until funds are provided by the Seneca Nation.

As a result of the uncertainty surrounding these revenues, the City's adopted 2021 budget includes appropriated fund balance in the General Fund of \$4,771,621.

18. TAX ABATEMENTS

The City is subject to tax abatements granted by the Cattaraugus County Industrial Development Agency ("CCIDA") and the City of Salamanca Industrial Development Agency ("SIDA"). These programs have the stated purpose of increasing business activity and employment in the region. Economic development agreements are entered into by the CCIDA and the SIDA and include the abatement of state, county, local and school district taxes, in addition to other assistance. In the case of the City, the abatements have resulted in the reductions of property taxes, which the City administers as a temporary reduction in the assessed value of the property involved. The abatement agreements stipulate a percentage reduction of property taxes, which can be as much as 100 percent. Under the agreements entered into by the CCIDA and the SIDA, the City collected \$911 during the year ended March 31, 2020 in payments in lieu of taxes ("PILOT"), these collections were made in lieu of \$3,540 in property taxes.

19. CONTINGENCIES

Litigation—The City is involved in litigation in the ordinary course of its operations. Various legal actions are pending against the City. The outcome of these matters is not presently determinable but, in the opinion of management, the ultimate liability will not have a material adverse effect on the City's financial condition or results of operation.

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

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

20. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 28, 2020, except as to the Salamanca Housing Authority, which is as of December 8, 2020, which is the date the financial statements are available for issuance, and have determined there are no subsequent events, except what is discussed below, that require disclosure under generally accepted accounting principles.

- In October 2020, the City received an advance from New York State of \$2,500,000 to assist the City maintain operations while the Gaming Compact payments remain unpaid.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF SALAMANCA, NEW YORK
Schedule of the City's Proportionate Share of the
Net Pension Liability—Police and Fire Retirement System
Last Six Fiscal Years*

	Year Ended March 31,					
	2020	2019	2018	2017	2016	2015
City of Salamanca (the "City"):						
Measurement date	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
City's proportion of the net pension liability	0.0665571%	0.0735337%	0.0661397%	0.0610033%	0.0602906%	0.0602906%
City's proportionate share of the net pension liability	<u>\$ 1,116,205</u>	<u>\$ 743,247</u>	<u>\$ 1,370,845</u>	<u>\$ 1,806,179</u>	<u>\$ 165,956</u>	<u>\$ 250,996</u>
City's covered payroll	\$ 2,013,320	\$ 2,005,683	\$ 2,030,333	\$ 1,488,575	\$ 1,327,214	\$ 1,465,064
City's proportionate share of the net pension liability as a percentage of its covered payroll	55.4%	37.1%	67.5%	121.3%	12.5%	17.1%
Plan fiduciary net position as a percentage of the total pension liability	95.1%	96.9%	94.7%	90.2%	99.0%	98.5%

*Information prior to the year ended March 31, 2015 is not available.

CITY OF SALAMANCA, NEW YORK
Schedule of the City's Contributions—
Police and Fire Retirement System
Last Six Fiscal Years*

	Year Ended March 31,					
	2020	2019	2018	2017	2016	2015
City of Salamanca ("City"):						
Contractually required contribution	\$ 437,857	\$ 457,057	\$ 391,764	\$ 337,270	\$ 421,995	\$ 382,596
Contributions in relation to the contractually required contribution	<u>(437,857)</u>	<u>(457,057)</u>	<u>(391,764)</u>	<u>(337,270)</u>	<u>(421,995)</u>	<u>(382,596)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,065,222	\$ 2,013,320	\$ 2,005,683	\$ 2,030,323	\$ 1,488,575	\$ 1,327,214
Contributions as a percentage of covered payroll	21.2%	22.7%	19.5%	16.6%	28.3%	28.8%

*Information prior to the year ended March 31, 2015 is not available.

CITY OF SALAMANCA, NEW YORK
Schedule of the Local Governments' Proportionate Share of the
Net Pension Liability—Employees' Retirement System
Last Six Fiscal Years*

	Year Ended March 31,					
	2020	2019	2018	2017	2016	2015
Measurement date	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Plan fiduciary net position as a percentage of the total pension liability	96.3%	98.2%	94.7%	90.7%	97.9%	97.2%
Governmental Activities:						
City of Salamanca (the "City"):						
City's proportion of the net pension liability	0.0047110%	0.0043727%	0.004593%	0.0045819%	0.0050241%	0.0050241%
City's proportionate share of the net pension liability	<u>\$ 333,818</u>	<u>\$ 154,148</u>	<u>\$ 453,214</u>	<u>\$ 735,399</u>	<u>\$ 169,729</u>	<u>\$ 227,035</u>
City's covered payroll	\$ 1,445,168	\$ 1,415,270	\$ 1,514,345	\$ 1,277,925	\$ 1,560,117	\$ 1,186,808
City's proportionate share of the net pension liability as a percentage of its covered payroll	23.1%	10.9%	29.9%	57.5%	10.9%	19.1%
Business-type Activities:						
City of Salamanca (the "City"):						
City's proportion of the net pension liability	0.0050060%	0.0054980%	0.0056296%	0.0051176%	0.0054115%	0.0054115%
City's proportionate share of the net pension liability	<u>\$ 354,742</u>	<u>\$ 177,453</u>	<u>\$ 529,045</u>	<u>\$ 821,396</u>	<u>\$ 182,824</u>	<u>\$ 244,549</u>
City's covered payroll	\$ 1,367,684	\$ 1,387,713	\$ 1,549,600	\$ 1,280,981	\$ 1,608,300	\$ 1,536,394
City's proportionate share of the net pension liability as a percentage of its covered payroll	25.9%	12.8%	34.1%	64.1%	11.4%	15.9%
Discretely Presented Component Units:						
Salamanca Industrial Development Agency ("SIDA"):						
SIDA's proportion of the net pension liability	0.0001480%	0.0001456%	0.0001758%	0.0018190%	0.0001449%	0.0001449%
SIDA's proportionate share of the net pension liability	<u>\$ 10,484</u>	<u>\$ 4,698</u>	<u>\$ 16,519</u>	<u>\$ 29,203</u>	<u>\$ 4,896</u>	<u>\$ 6,549</u>
SIDA's covered payroll	\$ 80,918	\$ 77,524	\$ 70,397	\$ 70,374	\$ 92,831	N/A
SIDA's proportionate share of the net pension liability as a percentage of its covered payroll	13.0%	6.1%	23.5%	41.5%	5.3%	N/A
Salamanca Housing Authority ("SHA")						
SHA's proportion of the net pension liability	0.0008948%	0.0009151%	0.0009216%	0.0008752%	0.0008613%	0.0008613%
SHA's proportionate share of the net pension liability	<u>\$ 63,402</u>	<u>\$ 29,534</u>	<u>\$ 86,595</u>	<u>\$ 140,471</u>	<u>\$ 29,095</u>	<u>\$ 38,919</u>
SHA's covered payroll	\$ 225,513	\$ 218,093	\$ 210,960	\$ 204,940	\$ 187,349	N/A
SHA's proportionate share of the net pension liability as a percentage of its covered payroll	28.1%	13.5%	41.0%	68.5%	15.5%	N/A

*Information prior to the year ended March 31, 2015 is not available.

CITY OF SALAMANCA, NEW YORK
Schedule of the Local Governments' Contributions—
Employees' Retirement System
Last Six Fiscal Years*

	Year Ended March 31,					
	2020	2019	2018	2017	2016	2015
Governmental Activities:						
City of Salamanca (the "City"):						
Contractually required contribution	\$ 195,699	\$ 209,581	\$ 198,851	\$ 194,715	\$ 219,214	\$ 244,627
Contributions in relation to the contractually required contribution	<u>(195,699)</u>	<u>(209,581)</u>	<u>(198,851)</u>	<u>(194,715)</u>	<u>(219,214)</u>	<u>(244,627)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,507,308	\$ 1,445,168	\$ 1,415,270	\$ 1,514,345	\$ 1,277,925	\$ 1,560,117
Contributions as a percentage of covered payroll	13.0%	14.5%	14.1%	12.9%	17.2%	15.7%
Business-type Activities:						
City of Salamanca (the "City"):						
Contractually required contribution	\$ 206,955	\$ 239,959	\$ 221,419	\$ 202,132	\$ 206,064	\$ 243,274
Contributions in relation to the contractually required contribution	<u>(206,955)</u>	<u>(239,959)</u>	<u>(221,419)</u>	<u>(202,132)</u>	<u>(206,064)</u>	<u>(243,274)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,380,413	\$ 1,367,684	\$ 1,387,713	\$ 1,549,600	\$ 1,280,981	\$ 1,608,300
Contributions as a percentage of covered payroll	15.0%	17.5%	16.0%	13.0%	16.1%	15.1%
Discretely Presented Component Units:						
Salamanca Industrial Development Agency ("SIDA"):						
Contractually required contribution	\$ 10,869	\$ 10,517	\$ 9,890	\$ 10,166	\$ 12,742	\$ -
Contributions in relation to the contractually required contribution	<u>(10,869)</u>	<u>(10,517)</u>	<u>(9,890)</u>	<u>(10,166)</u>	<u>(12,742)</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
SIDA's covered payroll	\$ 80,918	\$ 77,524	\$ 70,397	\$ 70,374	\$ 92,831	N/A
Contributions as a percentage of covered payroll	13.4%	13.6%	14.0%	14.4%	13.7%	N/A
Salamanca Housing Authority ("SHA"):						
Contractually required contribution	\$ 33,301	\$ 32,312	\$ 31,623	\$ 30,718	\$ 35,642	\$ 42,272
Contributions in relation to the contractually required contribution	<u>(33,301)</u>	<u>(32,312)</u>	<u>(31,623)</u>	<u>(30,718)</u>	<u>(35,642)</u>	<u>(42,272)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
SHA's covered payroll	\$ 225,513	\$ 218,093	\$ 210,960	\$ 204,940	\$ 187,349	N/A
Contributions as a percentage of covered payroll	14.8%	14.8%	15.0%	15.0%	19.0%	N/A

*Information prior to the year ended March 31, 2015 is not available.

CITY OF SALAMANCA, NEW YORK
Schedule of Changes in the City's Total OPEB Liability and Related Ratios
Last Two Fiscal Years*

Governmental Activities:

Total OPEB Liability	<u>2020</u>	<u>2019</u>
Service cost	\$ 10,367	\$ 7,399
Interest	15,223	19,284
Changes in assumptions	-	124,338
Effect of economic/demographic gains or losses	(40,275)	19,378
Benefit payments	<u>(23,886)</u>	<u>(29,743)</u>
Net change in total OPEB liability	<u>(38,571)</u>	<u>140,656</u>
Total OPEB liability—beginning	<u>589,244</u>	<u>448,588</u>
Total OPEB liability—ending	<u><u>\$ 550,673</u></u>	<u><u>\$ 589,244</u></u>
Plan Fiduciary Net Position		
Contributions—employer	\$ 23,886	\$ 29,743
Benefit payments	<u>(23,886)</u>	<u>(29,743)</u>
Net change in plan fiduciary net position	-	-
Plan fiduciary net position—beginning	<u>-</u>	<u>-</u>
Plan fiduciary net position—ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
City's net OPEB liability—ending	<u><u>\$ 550,673</u></u>	<u><u>\$ 589,244</u></u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%
Covered-employee payroll	\$ 3,111,042	\$ 3,425,320
Total OPEB liability as a percentage of covered-employee payroll	17.7%	17.2%

*Information prior to the year ended March 31, 2019 is not available.

The notes to the Required Supplementary information are an integral part of this schedule.

CITY OF SALAMANCA, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund
Balances—Budget and Actual—General Fund
Year Ended March 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES				
Real property taxes	\$ 1,078,963	\$ 1,078,963	\$ 990,163	\$ (88,800)
Real property tax items	195,009	195,009	209,410	14,401
Nonproperty tax items	676,600	676,600	782,010	105,410
Departmental income	647,635	647,635	578,242	(69,393)
Intergovernmental charges	107,781	107,781	159,581	51,800
Use of money and property	65,448	65,448	154,552	89,104
Licenses and permits	24,500	24,500	24,080	(420)
Fines and forfeitures	50,000	50,000	43,461	(6,539)
Sale of property and compensation for loss	21,000	21,000	15,676	(5,324)
Miscellaneous	3,100	3,100	1,311	(1,789)
State aid	2,395,759	2,431,759	5,758,663	3,326,904
Federal aid	3,000	50,618	-	(50,618)
Total revenues	<u>5,268,795</u>	<u>5,352,413</u>	<u>8,717,149</u>	<u>3,364,736</u>
EXPENDITURES				
Current:				
General government support	1,329,370	1,559,300	1,541,274	18,026
Public safety	2,638,952	2,640,970	2,493,085	147,885
Health	136,300	280,910	255,188	25,722
Transportation	2,361,800	2,361,800	1,931,449	430,351
Economic assistance and opportunity	550,000	550,000	16,410	533,590
Culture and recreation	509,418	519,968	457,133	62,835
Home and community services	317,100	306,550	171,092	135,458
Employee benefits	1,355,575	1,297,845	1,174,964	122,881
Debt service:				
Principal	236,855	236,855	236,854	1
Interest and fiscal charges	19,011	19,011	19,010	1
Total expenditures	<u>9,454,381</u>	<u>9,773,209</u>	<u>8,296,459</u>	<u>1,476,750</u>
Excess (deficiency) of revenues over expenditures	<u>(4,185,586)</u>	<u>(4,420,796)</u>	<u>420,690</u>	<u>4,841,486</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	212,858	212,858	186,005	(26,853)
Transfers out	<u>(481,205)</u>	<u>(481,205)</u>	<u>(281,205)</u>	<u>200,000</u>
Total other financing sources (uses)	<u>(268,347)</u>	<u>(268,347)</u>	<u>(95,200)</u>	<u>173,147</u>
Net change in fund balances *	(4,453,933)	(4,689,143)	325,490	5,014,633
Fund balances—beginning	<u>10,571,897</u>	<u>10,571,897</u>	<u>10,571,897</u>	<u>-</u>
Fund balances—ending	<u>\$ 6,117,964</u>	<u>\$ 5,882,754</u>	<u>\$ 10,897,387</u>	<u>\$ 5,014,633</u>

*The net change in fund balances was included in the budget as an appropriation (i.e. spenddown) of fund balance.

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

CITY OF SALAMANCA, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund
Balances—Budget and Actual—Library Fund
Year Ended March 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Departmental income	\$ 5,000	\$ 14,870	\$ 14,406	\$ (464)
Use of money and property	120	120	67	(53)
Miscellaneous	5,200	5,200	6,898	1,698
State aid	4,500	4,500	4,920	420
Total revenues	<u>14,820</u>	<u>24,690</u>	<u>26,291</u>	<u>1,601</u>
EXPENDITURES				
Current:				
General government support	8,400	8,400	8,158	242
Culture and recreation	232,075	246,754	243,426	3,328
Employee benefits	70,010	65,201	56,587	8,614
Total expenditures	<u>310,485</u>	<u>320,355</u>	<u>308,171</u>	<u>12,184</u>
Excess (deficiency) of revenues over expenditures	<u>(295,665)</u>	<u>(295,665)</u>	<u>(281,880)</u>	<u>13,785</u>
OTHER FINANCING SOURCES				
Transfers in	295,665	295,665	281,205	(14,460)
Total other financing sources	<u>295,665</u>	<u>295,665</u>	<u>281,205</u>	<u>(14,460)</u>
Net change in fund balances	-	-	(675)	(675)
Fund balances—beginning	27,304	27,304	27,304	-
Fund balances—ending	<u>\$ 27,304</u>	<u>\$ 27,304</u>	<u>\$ 26,629</u>	<u>\$ (675)</u>

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

CITY OF SALAMANCA, NEW YORK
Notes to the Required Supplementary Information
Year Ended March 31, 2020

1. OPEB LIABILITY

Changes of Assumptions—Changes of assumptions reflect the effects of changes in the long-term bond rate, the mortality rate, and the healthcare cost trend rate. The long-term bond rate is based on the Fidelity Municipal Go AA 20-Year Bond rate as of the measurement date, which remained at 2.59% at March 31, 2019 and March 31, 2020. Mortality rates were based on the RP2000 Mortality Table. Finally, the healthcare cost trend rate has an initial rate of 4.60% and an ultimate rate of 4.70%.

2. BUDGETARY INFORMATION

Budgetary Basis of Accounting—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and Library Fund. The Economic Development Fund does not have an appropriated budget since other means control the use of these resources (e.g., grant awards) and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared by fund, function, and department. Budget transfers and amendments must be approved by the Common Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

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 appropriation and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executor contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations. There were no outstanding encumbrances at March 31, 2020.

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Certified Public Accountants

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

Honorable Mayor and Members of the Common Council
City of Salamanca, 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 business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Salamanca, New York (the "City") as of and for the year ended March 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 28, 2020, except as to the Salamanca Housing Authority, which is as of December 8, 2020. Our report includes a reference to other auditors who audited the financial statements of the Salamanca Industrial Development Agency and the Salamanca Housing Authority, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

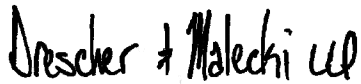
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



October 28, 2020