

November 17, 2021

To the Mayor and Members of the City Council of the
City of Cortland, New York:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Cortland, New York (the City) for the year ended December 31, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 5, 2021. Professional standards also require that we communicate to you the following information related to our audit.

SIGNIFICANT AUDIT FINDINGS

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 2 to the financial statements. The City changed accounting policies related to financial reporting guidance and reporting format by adopting the following Statement of the Government Accounting Standards Board (GASB) during the year ended December 31, 2020:

- GASB Statement No. 84, *Fiduciary Activities. Statement No. 84 addresses the identification criteria for identifying fiduciary activities for accounting and financial reports purposes.*

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City are as follows:

- Management's estimate of the Other Postemployment Benefits liability, and the related deferred inflows/outflows of resources is based on an actuarial valuation from a third-party actuary and is the most significant estimate affecting the City's financial statements.

SIGNIFICANT AUDIT FINDINGS (Continued)

Qualitative Aspects of Accounting Practices (Continued)

- Management's estimate of compensated absences is based on the earned accrued time at the end of the year per employee in accordance with the existing collective bargaining agreements in place at the time.
- Management's estimate of the net pension liability, and related deferred inflows/outflows of resources is based on actuarial assumptions utilized by an actuary applied to the pension plans' census information.
- Management's estimate of depreciation expense is based on the estimated useful lives of the related assets.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We experienced delays in obtaining information from City departments, which resulted in a delay in the completion of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. During the course of the audit we did not have any uncorrected adjustments. Material misstatements detected as a result of our auditing procedures and corrected by management are reported in Attachment A.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, Budgetary Comparison Schedules, Schedule of Changes in Total OPEB Liability and Related Ratios, Schedule of Proportionate Share of Net Pension Liability (Asset), and Schedule of Contributions - Pension Plan, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Schedule of Expenditures of Federal Awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Mayor, City Council and management of the City of Cortland, New York and is not intended to be and should not be used by anyone other than these specified parties.

City of Cortland, New York
 Attachment A - Material Audit Adjustments
 12/31/2020

Capital Projects Fund		<u>DR</u>	<u>CR</u>
H -01-1997-0000-0000-541500	Contr Professional Services	\$ 39,862	
H -00-0000-0000-0000-2600	Accounts Payable		\$ 39,862
<i>To accrue accounts payable for amount improperly excluded.</i>			
H -00-0000-0000-0000-2600	Accounts Payable	48,309	
H -00-0000-0000-0000-1223	Cash held with Fiscal Agent		48,309
<i>To reduce cash in escrow and accounts payable for payments made on the street lighting project.</i>			
H80000	Home & Community	349,591	
H -00-0000-0000-0000-1223	Cash held with Fiscal Agent		349,591
<i>To reduce cash in escrow and record expenditures for street lighting project disbursements in 2020.</i>			
H -00-0000-0000-0000-1410	Due from Other Govts., UtilGÇª	66,452	
H -00-0000-0000-0000-439891	State Aid - Other Home and Community		66,452
<i>To correct due from other governments for BOA project</i>			
Total Capital Projects Fund		<u>\$ 504,214</u>	<u>\$ 504,214</u>
 Special Grants Fund		 <u>DR</u>	 <u>CR</u>
CD86682	Rehab Loans & Grant, Equip & Cap Outlay	\$ 60,391	
CD915a	Assigned Unappropr. Fund Bal.		\$ 60,391
<i>To adjust fund balance to properly roll forward from prior year-end.</i>			
CD741	Reserve For Loans Rec.	208,786	
CD86682	Rehab Loans & Grant, Equip & Cap Outlay		208,786
<i>To reclass client misposting of an expenditure to deferred revenue.</i>			
Total Special Grants Fund		<u>\$ 269,177</u>	<u>\$ 269,177</u>