

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 28, 2025

SERIAL BONDS BOND ANTICIPATION NOTES

S&P GLOBAL RATING: APPLIED FOR

In the opinion of Hodgson Russ LLP, of Buffalo, New York, Bond Counsel, under existing statutes, regulations, rulings, and court decisions, and assuming continuing compliance with certain tax certifications described herein, interest on the Bonds and the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code,") as amended. Bond Counsel is also of the opinion that the interest on the Bonds and the Notes is not treated as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. We observe that interest on the Bonds and the Notes will be included in the adjusted financial statement income of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. Furthermore, Bond Counsel is of the opinion that, under existing statutes, interest on the Bonds and the Notes is exempt from personal income taxes imposed by New York State and any political subdivision thereof (including the City of New York). See "TAX EXEMPTION" herein.

The Bonds and the Notes will NOT be designated by the City as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

CITY OF TONAWANDA ERIE COUNTY, NEW YORK (the "City")

\$2,028,330

PUBLIC IMPROVEMENT SERIAL BONDS, 2025 (the "Bonds")

Dated: May 29, 2025

**Principal Due: May 15, 2026 / 2043, inclusive
Interest Due: May 15, 2026, November 15, 2026 and
semi-annually thereafter on May 15 and November 15
in each year until maturity (or earlier redemption)**

BOND MATURITY SCHEDULE

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2026	\$228,330				2035	\$100,000			
2027	225,000				2036	100,000			
2028	190,000				2037	85,000			
2029	195,000				2038	75,000			
2030	175,000				2039	75,000			
2031	150,000				2040	35,000			
2032	95,000				2041	35,000			
2033	95,000				2042	35,000			
2034	100,000				2043	35,000			

Prior Redemption: The Bonds maturing on or before May 15, 2033 will not be subject to redemption prior to maturity. The Bonds maturing on or after May 15, 2034 will be subject to redemption prior to maturity, at the option of the City, on May 15, 2033 and on any date thereafter, in whole or in part, and if in part, in any order of their maturity and in any amount within a maturity (selected at random within a maturity), at par (100%) plus accrued interest to the date of redemption, as described herein under the heading "THE BONDS - Optional Redemption."

Form and Denomination: The purchaser will have the option of having the Bonds issued as registered bonds in the name of the purchaser, or, at the option of the purchaser, the Bonds may be registered to The Depository Trust Company, New York, New York ("DTC"). The purchaser must notify Hodgson Russ LLP, of Buffalo, New York ("Bond Counsel") by 3:00 P.M., Prevailing Time, on the date of sale whether the Bonds will be issued in non-book-entry form or book-entry form.

To the extent that the Bonds are issued in non-book-entry form, they will be issued as registered obligations, registered in the name of the purchaser. Principal of and interest on the Bonds will be payable at maturity at such bank or trust company located and authorized to do business in the State of New York or at such other office as may be designated by the purchaser. Under this scenario, the paying agent on the Bonds may be designated by the winning bidder and paying agent fees, if any, shall be paid by the purchaser.

To the extent that the Bonds are issued through DTC, the Bonds will be issued in registered form and, when issued, will be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry-only form, in denominations of \$5,000 each or integral multiples thereof, except for one bond of an odd denomination maturing in 2026. Bondholders will not receive certificates representing their ownership interest in the Bonds purchased. See “THE BONDS AND THE NOTES - Book-Entry-Only System,” herein.

The record date for the Bonds is the last business day of the calendar month immediately preceding an interest payment date.

\$9,876,000

BOND ANTICIPATION NOTES, 2025
(the “Notes”)

Dated: May 29, 2025

Maturity Date: May 28, 2026

Prior Redemption: The Notes will NOT be subject to prior redemption.

Form and Denomination: The Notes will be issued as registered Notes and, at the option of the initial purchaser(s), may be registered to the Depository Trust Company (“DTC” or the “Securities Depository”), or may be registered in the name of the initial purchaser(s).

To the extent that the Notes will be issued through DTC, the Notes will be registered in the name of Cede & Co., as nominee of DTC in New York, New York, which will act as Securities Depository for the Notes. In such event, individual purchases will be made in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof, except for one Note of an odd denomination, as may be determined by such successful bidder(s). Initial purchasers of the Notes will not receive certificates representing their ownership interest in the Notes. Payments of principal of and interest on the Notes will be made by the City to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Notes. See “THE NOTES - Book-Entry-Only System,” herein.

To the extent that the Notes are registered in the name of the initial purchaser(s), principal of and interest on the Notes will be payable in federal funds at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder(s). In such case, the Notes will be issued in registered form in denominations of \$5,000 or integral multiples thereof, except for one Note of an odd denomination, as may be determined by such successful bidder(s).

Interest on the Bonds and the Notes will be calculated on a 30-day month and a 360-day year basis, payable at maturity.

The Bonds and the Notes will constitute general obligations of the City and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Bonds and the Notes. Unless paid from other sources, all the taxable real property within the City will be subject to the levy of *ad valorem* taxes to pay the principal and interest thereon, without limitation as to rate or amount (subject to certain statutory limitations imposed by Chapter 97 of the 2011 Laws of New York). See “REAL PROPERTY TAX INFORMATION - Tax Levy Limitation Law,” herein.

The Bonds and the Notes are offered when, as and if issued and received by the initial purchaser(s) thereof and subject to the receipt of the legal opinions as to the validity of the Bonds and the Notes of Hodgson Russ LLP, of Buffalo, New York, Bond Counsel, and certain other conditions. It is anticipated that the Bonds and the Notes will be available for delivery in Jersey City, New Jersey (through the facilities of DTC) or at such other place as may be agreed with the initial purchaser(s) on or about May 29, 2025.

THE CITY DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"), EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH THE RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE BONDS AND THE NOTES. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER(S) AS MORE FULLY DESCRIBED IN THE NOTICE OF SALE. UNLESS THE BONDS OR THE NOTES ARE PURCHASED FOR THE SUCCESSFUL BIDDER'S OWN ACCOUNT AS PRINCIPAL FOR INVESTMENT AND NOT FOR RESALE, THE CITY WILL ENTER INTO AN UNDERTAKING TO PROVIDE NOTICE OF CERTAIN INFORMATION AND NOTICE OF CERTAIN DESIGNATED EVENTS (AS SPECIFIED IN THE RULE) AS REQUIRED BY THE RULE WITH REGARD TO THE BONDS (SEE "DISCLOSURE UNDERTAKING FOR THE BONDS," HEREIN) AND TO PROVIDE NOTICE OF CERTAIN DESIGNATED EVENTS (AS SPECIFIED IN THE RULE) AS REQUIRED BY THE RULE WITH REGARD TO THE NOTES (SEE "DISCLOSURE UNDERTAKING FOR THE NOTES," HEREIN)

**CITY OF TONAWANDA
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John White, Mayor

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Jenna N. Koch, President

1st Ward
James Shiesley

2nd Ward
Christopher Fisher

3rd Ward
Sean Rautenstrauch

4th Ward
David Mileham

Adam J. McNeill, CPA, City Treasurer
S. Michael Rua, Esq., City Attorney
J. Mario Peña, City Clerk

* * *

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* * *

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No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations not contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds and the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information set forth herein has been obtained by the City from sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness. The information, estimates, and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

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OFFICIAL STATEMENT

CITY OF TONAWANDA ERIE COUNTY, NEW YORK (the “City”)

\$2,028,330 PUBLIC IMPROVEMENT SERIAL BONDS, 2025 (the “Bonds”)

AND

\$9,876,000 BOND ANTICIPATION NOTES, 2025 (the “Notes”)

This Official Statement, which includes the cover page and appendices hereto (the “Official Statement”), presents certain information relating to the City of Tonawanda, Erie County, New York (the “City,” “County” and “State,” respectively) in connection with the sale of the \$2,028,330 Public Improvement Serial Bonds, 2025 (the “Bonds”) and the \$9,876,000 Bond Anticipation Notes, 2025 (the “Notes”).

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the City contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof and all references to the Bonds and the Notes and the proceedings of the City relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and the Notes and such proceedings.

Statements in this Official Statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, which are based on the City management’s beliefs as well as assumptions made by, and information currently available to, the City’s management and staff.

THE BONDS AND THE NOTES

The Bonds and the Notes are general obligations of the City, and will contain a pledge of the City’s faith and credit for the payment of the principal thereof and interest thereon as required by the Constitution and laws of the State of New York (State Constitution, Article VIII, Section 2; Local Finance Law, Section 100.00). Unless paid from other sources, all the taxable real property within the City is subject to the levy of *ad valorem* taxes to pay the Bonds and the Notes and interest thereon, without limitation as to rate or amount, sufficient to pay such principal and interest as the same become due (subject to certain statutory limitations imposed by the Tax Levy Limitation Law; see “REAL PROPERTY TAX INFORMATION – Tax Levy Limitation Law,” herein).

The financial condition of the City, as well as the market for the Bonds and the Notes, could be affected by a variety of factors, some of which are beyond the control of the City. See “BONDHOLDER AND NOTEHOLDER RISKS,” herein.

Description of the Bonds

The Bonds comprise an issue in the aggregate principal amount of \$2,028,330, will be dated May 29, 2025 (the date of delivery) and will mature in installments on May 15, 2026 and annually thereafter as set forth on the cover page hereof. Interest on the Bonds will be payable on May 15, 2026, November 15, 2026, and semiannually thereafter on May 15 and November 15, until maturity (or earlier redemption).

The purchaser will have the option of having the Bonds issued as registered bonds in the name of the purchaser, or, at the option of the purchaser, the Bonds may be registered to The Depository Trust Company, New York, New York (“DTC”). The purchaser must notify Hodgson Russ LLP, of Buffalo, New York (“Bond Counsel”) by 3:00 P.M., Prevailing Time, on the date of sale whether the Bonds will be issued in non-book-entry form or book-entry form.

If the Bonds are issued in non-book-entry form, they will be issued as registered obligations, registered in the name of the purchaser. Principal of and interest on the Bonds will be payable at maturity at such bank or trust company located and authorized to do business in the State of New York or at such other office as may be designated by the purchaser. Under this

scenario, the paying agent on the Bonds may be designated by the winning bidder and paying agent fees, if any, shall be paid by the purchaser.

If the Bonds will be issued in book-entry-only form, the Bonds, when issued, will be registered in the name of Cede & Co., as nominee of DTC which will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry-only form, in denominations of \$5,000 each or integral multiples thereof, except for one bond of an odd denomination maturing in 2026. Bondholders will not receive certificates representing their ownership interest in the Bonds purchased. See “THE BONDS AND THE NOTES - Book-Entry-Only System,” herein.

The record date for the Bonds is the last business day of the calendar month immediately preceding an interest payment date.

Optional Redemption of the Bonds

The Bonds maturing on or before May 1, 2033 will not be subject to redemption prior to maturity. The Bonds maturing on or after May 1, 2034 will be subject to redemption prior to maturity, at the option of the City, on May 1, 2033 or on any date thereafter, in whole or in part, and if in part, in any order of their maturity and in any amount within a maturity (selected at random within a maturity), at par (100%), plus accrued interest to the date of redemption.

The City may select the maturities of the Bonds to be redeemed and the amount to be redeemed of each maturity selected, as the City shall determine to be in the best interest of the City at the time of such redemption. If less than all of the Bonds of any maturity are to be redeemed, the particular Bonds of such maturity to be redeemed shall be selected at random (by lot or in any other customary manner of selection as determined by the City Treasurer).

Written notice of any such redemption (the “Notice”) shall be given to the registered owner(s) of the Bonds to be redeemed not more than sixty (60) days nor less than thirty (30) days prior to the date set for such redemption. To the extent that the Bonds are issued through the Depository Trust Company, such Notice will be provided in accordance with the prevailing DTC redemption notification procedure (currently, transmission of the Notice by e-mail to redemptionnotification@dtcc.com, with the date of such email transmission being deemed the date that the Notice was given). In the event that such procedure is modified by DTC, the Notice will be provided in accordance with any new DTC procedure or, in the absence of any DTC procedure, by mailing the Notice by first class mail to the registered owner(s) thereof. If the Bonds are registered in the name of the initial purchaser, such Notice will be provided by e-mailing the Notice or by mailing the Notice by first class mail to the registered owner(s) of the Bonds to be redeemed. Notice of redemption having been given as aforesaid, the Bonds so called for redemption shall, on the date for redemption set forth in the Notice, become due and payable, together with interest to such redemption date. Interest shall cease to be paid thereon after such redemption date.

The City may provide conditional notice of redemption, which may state that such redemption is conditioned upon the receipt of moneys and/or any other event. If any such condition is not satisfied, such redemption shall not occur, and the City is to give notice thereof, as soon as practicable, in the same manner, to the same person(s), as notice of such redemption was given. Additionally, any such redemption notice may be rescinded by the City no later than one business day prior to the date specified for redemption, by written notice by the City given in the same manner, to the same person(s), as notice of such redemption was given.

Authorizations and Purposes of Issue of the Bonds

The Bonds are being issued pursuant to the Constitution and Laws of the State of New York, including among others, the Local Finance Law and the City Charter, and pursuant to various bond resolutions that were duly adopted by the Common Council of the City (the “Common Council”), as follows:

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Amount Outstanding</u>	<u>Principal Payment</u>	<u>Total Amount This Issue</u>
4/21/2020	Reconstruction of and construction of improvements to various sidewalks	\$130,000	\$90,000	\$15,000	\$75,000
4/21/2020	Acquisition of maintenance vehicles and equipment	82,000	40,000	12,552	27,448
4/21/2020	Replacement of sewer pump number three	75,000	35,000	13,846	21,154
4/20/2021	Reconstruction of and construction of improvements to various sidewalks and walkways	130,000	100,000	10,000	90,000
4/20/2021	Acquisition of maintenance vehicles and equipment	200,000	140,000	20,000	120,000
4/20/2021	Reconstruction of and construction of improvements to Kohler Street Building	300,000	240,000	92,006	147,994
1/4/2022	Acquisition of a fire pumper vehicle and apparatus	600,000	575,000	36,339	538,661
4/18/2023	Reconstruction of and construction of improvements to fire department headquarters	400,000	260,000	139,980	120,020
5/2/2023	Reconstruction of and construction of improvements to various sidewalks and walkways	330,000	150,000	30,000	120,000
5/7/2024	Reconstruction of and construction of improvements to various sidewalks and walkways	350,000	350,000	180,000	170,000
5/7/2024	Fletcher Street Storm Sewer Improvements	150,000	150,000	126,500	23,500
5/7/2024	Acquisition of Department of Public Works Vehicles and Equipment	610,000	610,000	35,447	574,553
			<u>\$2,740,000</u>	<u>\$711,670</u>	<u>\$2,028,330</u>

The proceeds of the Bonds, along with \$711,670 of available funds of the City, will be used to redeem and retire the applicable portion of an outstanding bond anticipation note of the City that was issued on May 30, 2024.

Description of the Notes

The Notes will be dated May 29, 2025 and will mature on May 28, 2026, with interest payable at maturity at the annual rate(s) specified by the purchaser(s). Interest on the Notes will be calculated on a 30-day month and a 360-day year basis.

The Notes will be general obligations of the City and will contain a pledge of the City's faith and credit for the payment of the principal thereof and interest thereon as required by the Constitution and laws of the State (State Constitution, Article VIII, Section 2; Local Finance Law, Section 100.00). Unless paid from other sources, all the taxable real property within the City will be subject to the levy of *ad valorem* taxes to pay the Notes and interest thereon, without limitation as to rate or amount, sufficient to pay such principal and interest as the same become due (subject to certain statutory limitations imposed by the Tax Levy Limitation Law; see "REAL PROPERTY TAX INFORMATION - Tax Levy Limitation Law," herein).

The Notes will be issued in registered form. At the option of the purchaser(s), the Notes may be registered in the name of the purchaser(s), with principal of and interest on the Notes being payable in federal funds at such bank or trust company located and authorized to do business in the State as may be selected by the successful bidder(s). In such case, the Notes will be issued in registered form in denominations of \$5,000 or integral multiples thereof, except for one Note of an odd denomination, as may be determined by such successful bidder(s). Alternatively, the Notes may be registered in the name of Cede & Co. as nominee for DTC, with DTC acting as securities depository for the Notes. See "Book-Entry-Only System," herein. Under the DTC scenario, one fully-registered note certificate will be issued for all Notes bearing the same rate of interest and CUSIP number, each in the aggregate principal amount of such issue, and purchasers will not receive certificates representing their interest in the Notes. Principal and interest will be paid in lawful money of the United States of America (federal funds) by the City directly to DTC for its nominee, Cede & Co.

The financial condition of the City as well as the market for the Notes could be affected by a variety of factors, some of which are beyond the control of the City. See "NOTEHOLDER RISKS," herein.

No Optional Redemption of the Notes

The Notes will NOT be subject to redemption, in whole or in part, prior to maturity. Interest on the Notes will be payable at maturity.

Authorization and Purpose of the Notes

The Notes are being issued in accordance with the Constitution and Laws of the State of New York, including among others, the Local Finance Law and the City Charter, and pursuant to various bond resolutions that were duly adopted by the Common Council of the City (the "Common Council"), as follows:

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Amount Outstanding</u>	<u>Principal Payment</u>	<u>New Monies This Issue</u>	<u>Total Amount This Issue</u>
4/18/2023, amended 4/15/2025	Reconstruction of and construction of improvements to canal swing bridge overlook	\$600,000	\$275,000	\$25,000	\$300,000	\$550,000
4/18/2023	Capital improvements in the Kohler pool area	350,000	330,000	20,000	0	310,000
4/18/2023, amended 4/15/2025	Reconstruction of and construction of improvements to City Hall	650,000	520,000	30,000	0	490,000
5/2/2023	Young Street Truck Avoidance System	1,200,000	1,200,000	50,000	0	1,150,000
5/2/2023	Acquisition of Department of Public Works Vehicles and Equipment	420,000	400,000	25,000	0	375,000
5/7/2024	Replacement of the Pedestrian Bridge	2,750,000	2,750,000	30,000	0	2,720,000
5/7/2024	Two Mile & Niagara Street Realignment & Drainage Improvements	720,000	720,000	15,000	0	705,000
5/7/2024	Replacement of the Fletcher Street Bridge	2,250,000	351,000	15,000	0	336,000
5/7/2024, amended 4/15/2025	Department of Public Works Roof Replacement	3,700,000	950,000	40,000	0	910,000
5/7/2024, amended 4/15/2025	Installation of a Pump Station Bypass	1,800,000	1,000,000	30,000	800,000	1,770,000
4/15/2025	Reconstruction of and construction of improvements to various sidewalks and walkways	360,000	0	0	360,000	360,000
4/15/2025	Reconstruction of and contract of improvements to the City's Fire Department Headquarters' HVAC System	200,000	0	0	200,000	200,000
			<u>\$8,496,000</u>	<u>\$280,000</u>	<u>\$1,660,000</u>	<u>\$9,876,000</u>

The proceeds of the Notes in the amount of \$8,216,000, along with \$280,000 of available funds of the City, will be used to redeem and renew, in part, the applicable portion of an outstanding bond anticipation note of the City that was issued on May 30, 2024 and will provide \$1,660,000 of original financing for the City's 2025 authorizations. Additional available funds of the City in the amount of \$1,097,000 will be used to redeem and retire the remaining applicable portion of the outstanding bond anticipation note of the City.

Book-Entry-Only System

The following is relevant only if the Bonds and the Notes are issued in book-entry form. DTC will act as securities depository for the Bonds and the Notes. The Bonds and the Notes will be issued as fully-registered Notes registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered note certificate will be issued for all the Bonds and the Notes, bearing the same rate of interest and CUSIP number, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). S&P Global Ratings has issued DTC a rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC may be obtained at the website of The Depository Trust Company. Reference to the website implies no warranty of the accuracy of the information therein.

Purchases of the Bonds and the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds and the Notes on DTC's records. The ownership interest of each actual purchaser of each Bond or Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds and the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds and the Notes, except in the event that use of the book-entry system for the Bonds and the Notes is discontinued.

To facilitate subsequent transfers, all Bonds and Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds and the Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee does not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds and the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds or Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds and the Notes may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds and the Notes, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the Bonds and the Notes may wish to ascertain that the nominee holding the Bonds and the Notes for their benefit has agreed to obtain and transmit notices to such Beneficial Owner. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Principal and interest payments on the Bonds and the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with bonds or notes held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds and the Notes at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, note certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, note certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company, New York.

THE CITY CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS AND THE NOTES: (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS AND THE NOTES; (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE BONDS AND THE NOTES; OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE BONDS AND THE NOTES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THE OFFICIAL STATEMENT.

THE CITY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS AND THE NOTES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED OWNER OF THE BONDS AND THE NOTES.

THE INFORMATION CONTAINED HEREIN CONCERNING DTC AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC, AND THE CITY MAKES NO REPRESENTATION AS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

Certificated Bonds and Notes

DTC may discontinue providing its services with respect to the Bonds and the Notes at any time by giving notice to the City and discharging its responsibilities with respect thereto under applicable law, or the City may terminate its participation in the system of book-entry-only transfers through DTC at any time. In the event that such book-entry-only system is discontinued, the following provisions will apply: the Bonds and the Notes will be issued in fully registered form in denominations of \$5,000 each or any integral multiple thereof, for any single maturity, except for one Bond of an odd denomination maturing in 2026 in the case of the Bonds and except for one Note of an odd denomination in the case of the Notes. Principal of the Bonds and the Notes when due will be payable upon presentation at the principal corporate trust office of a bank or trust company located and authorized to do business and act as a fiscal agent in the State to be named by the City. Interest on the Bonds will be payable May 15, 2026, November 15, 2026 and semi-annually thereafter on May 15 and November 15 in each year to maturity (or earlier redemption). Such interest will be payable by check drawn on the fiscal agent and mailed to the registered owner on each interest payment date at the address as shown on the registration books of the fiscal agent as of the last business day of the calendar month next preceding each such interest payment date. The Bonds and the Notes may be transferred or exchanged at no cost to the registered owner at any time prior to maturity at the office of

the fiscal agent for the Bonds and the Notes of the same or any other authorized denomination or denominations in the same aggregate principal amount upon the terms set forth in the Certificates of Determination executed by the City Treasurer authorizing the sale of the Bonds and the Notes, respectively, and fixing the details thereof and in accordance with the Local Finance Law. The fiscal agent shall not be obligated to make any such transfer or exchange of particular Bonds between the applicable record date for such Bonds and such interest payment date.

Security and Source of Payment

Each Bond and Note, when duly issued and paid for, will constitute a contract between the City and the holder thereof.

The Bonds and the Notes are general obligations of the City and will contain a pledge of the faith and credit of the City for the payment of the principal thereof and the interest thereon. For the payment of such principal and interest, the City has the power and statutory authorization to levy *ad valorem* taxes on all the taxable real property in the City, without limitation as to rate or amount (subject to certain statutory limitations imposed by the Tax Levy Limitation Law). See “REAL PROPERTY TAX INFORMATION – Tax Levy Limitation Law,” herein.

Under the Constitution of the State, the City is required to pledge its faith and credit for the payment of the principal of and interest on the Bonds and the Notes and the State is specifically precluded from restricting the power of the City to levy taxes on real estate therefor. The Tax Levy Limitation Law had its first application with respect to the City’s 2012 fiscal year, which began on January 1, 2012. See “REAL PROPERTY TAX INFORMATION - Tax Levy Limitation Law,” herein.

Remedies of Bondholders and Noteholders on Default

Upon default in payment in full of the principal of or interest on the Bonds and the Notes, a holder of such defaulted Bond and Note has a contractual right to sue the City for the amount then due thereon. Such holder may obtain a judgment against the City with interest as provided by law from the date of default in such payment or the date of demand therefor, if later. Execution or attachment of City property cannot be obtained to satisfy the judgment. The General Municipal Law of the State provides that if the City fails to pay a final judgment for such principal and/or interest, it shall be the duty of the Common Council to assess, levy and cause to be collected at the same time and in like manner as other moneys for expenses are then next thereafter to be assessed, levied and collected, a sum of money sufficient to pay such judgment with interest thereon. Any moneys so collected shall, from time to time, be paid to the judgment creditors.

In addition, the State Constitution provides that if the City fails to provide in its annual budget an amount sufficient to meet payment of principal of or interest on the Bonds and the Notes, the City shall set aside from the first revenues thereafter received an amount necessary to pay such amounts which were required to be included in the City’s annual budget. In addition, the City Treasurer may be required to set apart and apply such revenues to the payment of principal and interest on the Bonds and the Notes at the suit of any holder of the Bonds and the Notes. However, such right is subject to the discretionary power of the enforcing court and may be abridged by federal laws affecting creditors’ rights or laws involving financial emergencies. (See “Special Provisions Affecting Remedies Upon Default.”)

Special Provisions Affecting Remedies Upon Default

Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the City upon any judgment or accrued claim against it shall not exceed nine per centum per annum. This provision might be construed to have application to the holders of the Bonds and the Notes in the event of a default in the payment of the principal of or interest on the Bonds and the Notes.

In accordance with the general rule with respect to municipalities, judgments against the City may not be enforced by levy and execution against property owned by the City.

The United States Bankruptcy Code (the “Bankruptcy Code”) allows public bodies such as the City recourse to the protection of a federal court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State to file a petition under any provision of federal bankruptcy law for the composition or adjustment of municipal indebtedness.

Under the Bankruptcy Code, a petition may be filed in federal bankruptcy court by a municipality which is insolvent or unable to meet its debts as they mature. Generally, the filing of such a petition operates as a stay of any proceeding to enforce a claim against the municipality. The Bankruptcy Code also requires the municipality to file a plan for the adjustment of its debts, which may modify or alter the rights of creditors and would authorize the federal bankruptcy court to permit the municipality to issue certificates of indebtedness, which could have priority over existing creditors and which could be secured. Any plan of adjustment confirmed by the court must be approved by the requisite majority of creditors. If confirmed by the bankruptcy court, the plan would be binding upon all creditors affected by it. The City has the legal capacity to file a petition under the Bankruptcy Code.

It might be asserted that, under the Bankruptcy Code, interest and principal debt service payments made by the City within 90 days of the City filing a bankruptcy petition were voidable preferences. In the event that these assertions were made and sustained by a bankruptcy court, the recipients of those preferential payments could be required to refund them, and their claims would then be treated as if the preferential payments had not been made.

At the Extraordinary Session of the State Legislature held in November 1975, legislation was enacted which purported to suspend the right to commence or continue an action in any court to collect or enforce certain short-term obligations of the City of New York. The effect of such act was to create a three-year moratorium on actions to enforce the payment of such obligations. On November 19, 1976, the Court of Appeals, the State's highest court, declared such act to be invalid on the ground that it violates the provisions of the State Constitution requiring a pledge by such City of its faith and credit for the payment of such obligations.

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of the Local Finance Law enacted at the 1975 Extraordinary Session of the State Legislature, authorizing any county, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has ever been declared with respect to the City.

No principal and interest payments on City indebtedness are past due. The City has never defaulted in the payment of the principal of and interest on any indebtedness.

THE CITY

General Information

The City is located in the northwest portion of the County at the junction of the Niagara River and the State Barge Canal, midway between the cities of Buffalo and Niagara Falls. The City has a land area of approximately 3.5 square miles.

The City is an industrial and commercial center of the Niagara Frontier due in large part to the availability of raw materials from the Great Lakes region and abundant electric power from the Niagara Power Project.

Electric utility and natural gas services are provided by National Grid and National Fuel Gas Corporations. Police protection is afforded by City Police, the Erie County Sheriff's Department and the New York State Police. Fire protection is provided by the City's full-time fire department. Water service is provided by the Erie County Water Authority and sewer service is provided by the City which is pumped to the Town of Tonawanda for treatment under an intermunicipal cooperation agreement negotiated in the early 1970s.

Residents of the City have access to many recreational and cultural attractions, including Niagara Falls and the many museums, art galleries and professional sport teams in Buffalo. Rail transportation is provided by Amtrak. Air transportation is available at the Buffalo Niagara International Airport.

The State University of New York at Buffalo, Niagara University, Canisius, Daemen, D'Youville and Buffalo State Universities are located in close proximity to the City and provide extensive graduate and undergraduate degree programs.

Source: City Officials.

Governmental Organization

Subject to the provisions of the State Constitution, the City operates pursuant to a City Charter that went into effect January 1, 1998, and various State statutes including the General City Law, the General Municipal Law and the Local Finance Law, generally to the extent that such laws are applicable to a city operating under a charter form of government.

The Common Council is the legislative body of the City, consisting of five Council members. The Council President is elected to a four-year term. The other four Council members represent the four wards of the City and are elected for two-year terms.

The Mayor is the chief executive officer of the City. All department heads report directly to the Mayor. The Mayor appoints most major City officials, subject to the Civil Service Law.

The City Treasurer, who is the chief fiscal officer of the City, is appointed to a six-year term. The Treasurer is responsible for maintaining all required accounting records of the City and for reporting annually to the State Department of Audit and Control.

Source: City Officials.

Employees

The City provides services through approximately 128 full-time and 80 part-time employees. Some of the employees of the City are represented by the following labor organization:

<u>Unions</u>	<u>No. of Members</u>	<u>Contract Expiration Date</u>
CTEA (Blue Collar)	46	December 31, 2027
CSEA	17	December 31, 2028
Police	27	December 31, 2026
Fire	27	December 31, 2026

Source: City Officials.

DEMOGRAPHIC AND STATISTICAL INFORMATION

The following tables present certain comparative demographic and statistical information regarding the City, the County, the State and the United States.

<u>Population</u>				
<u>Year</u>	<u>City</u>	<u>County</u>	<u>State</u>	<u>United States</u>
1990	17,284	968,532	17,990,455	249,632,692
2000	16,136	950,265	18,976,457	281,421,906
2010	15,130	919,040	19,378,102	308,745,538
2020	15,129	954,236	20,201,249	331,449,281

Source: U.S. Census Bureau.

<u>Median Household Income</u>				
<u>Year</u>	<u>City</u>	<u>County</u>	<u>State</u>	<u>United States</u>
1990	\$27,019	\$28,408	\$32,965	\$30,056
2000	37,327	38,136	43,393	41,994
2019 - 2023	61,619	71,175	84,578	78,538

Source: U.S. Census Bureau, American Community Survey (2019 – 2023).

Per Capita Income

<u>Year</u>	<u>City</u>	<u>County</u>	<u>State</u>	<u>United States</u>
1990	\$12,343	\$12,710	\$16,501	\$14,420
2000	17,500	19,219	23,389	21,587
2019 - 2023	35,348	41,560	49,520	43,289

Source: U.S. Census Bureau, American Community Survey (2019 – 2023).

Unemployment Rate Statistics

Unemployment statistics are not available for the City as such. The smallest area for which such statistics are available (which includes the City) is the County. The information set forth below with respect to the County is included for informational purposes only. It should not be inferred from the inclusion of such data in this Official Statement that the City is necessarily representative of the County or vice versa.

<u>Annual Averages:</u>	<u>County</u>	<u>State</u>	<u>United States</u>
2020	9.2%	9.8%	8.1%
2021	5.5	7.1	5.3
2022	3.7	4.3	3.6
2023	3.8	4.1	3.6
2024	3.9	4.3	4.0
<u>2025 Monthly Rates:</u>			
January	4.5%	4.6%	4.4%
February	4.8	4.3	4.5
March	4.2	4.1	4.2

Source: Department of Labor, State of New York, Bureau of Labor Statistics. Information not seasonally adjusted.

Selected Listing of Larger Employers

<u>Name</u>	<u>Type</u>	<u>Estimated No. of Employees</u>
Tops Friendly Markets	Retail	305
Tonawanda City School District	Education	268
City of Tonawanda	Government	208
Sugar Kake	Manufacturing	175
Mueller Services	Insurance Consultants	150
Con-Way Freight	Trucking	100
Midland Asphalt	Commercial	90
Tank Real Estate	Housing	90
U&S Services	HVAC Services	70
Leisure Living	Warehouse/Distribution	70
Exolon	Manufacturing	55
Boulevard Produce	Warehouse/Distribution	50
BDC Realty (Schwabel Fabricating)	Warehouse/Distribution	50
Simmers Crane	Manufacturing	35

Source: City Officials.

INDEBTEDNESS OF THE CITY

Constitutional Requirements

The State Constitution and Local Finance Law limit the power of the City (and other municipalities and certain school districts of the State) to issue obligations and to otherwise contract indebtedness. Such constitutional limitations, in summary form and as generally applicable to the City and the Bonds and the Notes, include the following:

Purpose and Pledge: Subject to certain enumerated exceptions, the City shall not give or loan any money or property to or in aid of any individual, or private corporation or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The City may contract indebtedness only for a City purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

Payment and Maturity: Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the City authorizes the issuance of bonds with substantially level or declining debt service. The City is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for payment of principal on its serial bonds, bond anticipation notes and capital notes.

There is no constitutional limitation on the amount that may be raised by the City by tax on real property in any fiscal year to pay interest and principal on all indebtedness. There are, however, statutory limitations imposed by Chapter 97 of the 2011 Laws of New York. See “REAL PROPERTY TAX INFORMATION - Tax Levy Limitation Law,” herein.

General: The City is further subject to constitutional limitation by the general constitutionally imposed duty of the State Legislature to restrict the power of taxation, assessment, borrowing money, contracting indebtedness and loaning the credit of the City so as to prevent abuses in taxation and assessments and in contracting indebtedness; however, as has been noted above under “THE BONDS AND THE NOTES - Security and Source of Payment”, the State Legislature is prohibited by a specific constitutional provision from restructuring the power of the City to levy taxes on real property for the payment of interest on or principal of indebtedness theretofore contracted. See, however, the discussion of the Tax Levy Limitation Law under the heading “REAL PROPERTY TAX INFORMATION - Tax Levy Limitation Law,” herein.

Statutory Procedure

In general, the State Legislature has authorized the power and procedure for the City to borrow and incur indebtedness by the enactment of the State Local Finance Law, subject, of course, to the constitutional and statutory provisions set forth above. The power to spend money, however, generally derives from other law, including specifically the City Law and the General Municipal Law of the State.

Pursuant to the Local Finance Law, the City authorizes the incurrence of indebtedness, including bonds and bond anticipation notes issued in anticipation of such bonds, by the adoption of a resolution, approved by at least two-thirds of the members of the Common Council, the finance board of the City.

Each bond resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto.

The Local Finance Law also provides that where a bond resolution is published with a statutory form of notice, the validity of the bonds authorized thereby, including bond anticipation notes issued in anticipation of the sale thereof, may be contested only if:

1. (a) Such obligations are authorized or an object or purpose for which the City is not authorized to expend money,
or

- (b) The provisions of the law which should be complied with as of the date of publication of the notice were not substantially complied with,

and an action, suit or proceeding contesting such validity is commenced within 20 days after the date of such publication of the notice; or

2. Such obligations were authorized in violation of the provisions of the Constitution of New York.

The City typically complies with this estoppel procedure, and is in the process of doing so with respect to the bond resolutions pursuant to which the Bonds and the Notes are being issued. It is a procedure that is recommended by Bond Counsel but is not an absolute legal requirement.

Each bond resolution also authorizes the issuance of bond anticipation notes prior to the issuance of serial bonds. Statutory law in the State permits notes to be renewed each year, provided annual principal installments are made in reduction of the total amount of such notes outstanding, commencing no later than two years from the date of the first issuance of such notes, and provided that such renewal issues do not (generally) extend more than five years beyond the original date of borrowing. However, notes issued in anticipation of the sale of serial bonds for assessable improvements are not subject to such five-year limit and may be renewed subject to annual principal reductions for the entire period of probable usefulness of the purpose for which such notes were originally issued. Additionally, in response to the COVID-19 pandemic, legislation has been adopted that allows certain bond anticipation notes originally issued between 2015 and 2021 to be renewed up to seven years prior to the issuance of serial bonds. (See “Payment and Maturity” under “Constitutional Requirements,” and “Details of Short-Term Indebtedness Outstanding,” herein).

In general, the Local Finance Law contains provisions providing the City with the power to issue certain other short-term general obligation indebtedness including revenue and tax anticipation notes and budget and capital notes (see “Details of Short-Term Indebtedness Outstanding” herein).

Debt Limit

The City has the power to contract indebtedness for any City purpose so long as the aggregate principal amount thereof, subject to certain limited exceptions, shall not exceed seven per centum of the average full valuation of taxable real property of the City and subject to certain enumerated deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional and statutory method for determining full valuation is by taking the assessed valuation of taxable real estate for the last completed assessment roll of the City and dividing the same by the equalization rate, or the ratio which such assessed valuation bears to the full valuation, as determined by the State Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined. Average full valuation is determined by taking the sum of the full valuations of such last completed assessment roll and the four preceding assessment rolls and dividing such sum by five.

The following pages present certain details with respect to the indebtedness of the City as of the date of the Statement.

Details of Short-Term Indebtedness Outstanding

As of the date of this Official Statement, the City has the following outstanding short-term indebtedness:

<u>Type</u>	<u>Maturity</u>	<u>Purpose</u>	<u>Amount</u>
Bond Anticipation Notes	5/29/2025	Various Projects	\$12,333,000 ¹
		Total	<u>\$12,333,000</u>

Source: Note Records of the City.

Note: ¹ To be redeemed and renewed, in part, with the proceeds of the Bonds and the Notes and \$2,088,670 of available funds of the City.

Revenue and Tax Anticipation Notes

The City has not found it necessary to borrow in anticipation of taxes and revenues nor does it anticipate undertaking any cash flow borrowings in the near future.

Status of Outstanding Bond Issues

Year of Issue:	2014	2016 ¹	2018
Amount Issued	\$5,492,000	\$4,705,815	\$975,000
Last Maturity:	6/1/2033	6/11/2045	6/1/2029
Interest Rate/Instrument:	2.00% - 3.25% / SB	0.00% - EFC SIB	2.875% - 3.300% / SB
Purpose:	Various	Sewer (Phases 1-4)	Various
Balance Principal 12-31-24:	\$1,775,000	\$3,498,541	\$270,000

Fiscal Year						
Ending December 31:	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	\$315,000	\$48,044	\$144,961	\$0	\$110,000	\$6,690
2026	325,000	39,244	147,125	0	40,000	4,440
2027	325,000	29,900	149,288	0	40,000	3,220
2028	195,000	22,100	151,452	0	40,000	1,960
2029	130,000	17,225	153,616	0	40,000	660
2030	130,000	13,325	155,779	0		
2031	130,000	9,344	157,943	0		
2032	125,000	5,281	160,106	0		
2033	100,000	1,625	162,270	0		
2034			164,434	0		
2035			166,597	0		
2036			168,761	0		
2037			170,924	0		
2038			173,088	0		
2039			175,252	0		
2040			177,415	0		
2041			179,579	0		
2042			181,742	0		
2043			183,906	0		
2044			186,070	0		
2045			188,233	0		
Totals:	<u>\$1,775,000</u>	<u>\$186,088</u>	<u>\$3,498,541</u>	<u>\$0</u>	<u>\$270,000</u>	<u>\$16,970</u>

Notes: ¹ Issued as a New York State Environmental Facilities Corporation 0% interest loan.

Status of Outstanding Bond Issues

Year of Issue:	2018A ²	2020	2021
Amount Issued:	\$2,599,842	\$848,000	\$980,000
Last Maturity:	6/8/2048	6/1/2030	6/1/2031
Interest Rate/Instrument:	0.00% - EFC SIB	2.00% - 2.50% / SB	0.500% - 1.35%
Purpose:	Sewer (Phases 5-6)	Various	Various
Balance Principal 12-31-24:	\$2,080,800	\$415,000	\$635,000

Fiscal Year

<u>Ending December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	\$86,700	\$0	\$95,000	\$8,228	\$120,000	\$6,645
2026	86,700	0	95,000	6,209	120,000	5,535
2027	86,700	0	55,000	4,616	90,000	4,440
2028	86,700	0	60,000	3,356	75,000	3,495
2029	86,700	0	55,000	2,028	75,000	2,558
2030	86,700	0	55,000	688	75,000	1,575
2031	86,700	0			80,000	540
2032	86,700	0				
2033	86,700	0				
2034	86,700	0				
2035	86,700	0				
2036	86,700	0				
2037	86,700	0				
2038	86,700	0				
2039	86,700	0				
2040	86,700	0				
2041	86,700	0				
2042	86,700	0				
2043	86,700	0				
2044	86,700	0				
2045	86,700	0				
2046	86,700	0				
2047	86,700	0				
2048	86,700	0				
Totals:	<u>\$2,080,800</u>	<u>\$0</u>	<u>\$415,000</u>	<u>\$25,125</u>	<u>\$635,000</u>	<u>\$24,788</u>

Notes: ² Issued as a New York State Environmental Facilities Corporation 0% interest loan.

Status of Outstanding Bond Issues

Year of Issue:	2021	2022	2023 ³
Amount Issued:	\$1,585,000	\$4,740,000	\$3,096,675
Last Maturity:	6/1/2037	6/1/2042	12/27/2052
Interest Rate/Instrument:	2.00% - 4.00% / Ref. SB	3.00% - 4.00% / SB	0.00% - EFC SIB
Purpose:	Various	Various	Sewer (Phases 7-10)
Balance Principal 12-31-24:	\$1,075,000	\$3,955,000	\$2,930,095

Fiscal Year

<u>Ending December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	\$80,000	\$24,050	\$375,000	\$145,075	\$85,426	\$0
2026	80,000	22,450	375,000	133,825	86,850	0
2027	85,000	20,800	375,000	120,700	88,260	0
2028	85,000	18,675	370,000	105,800	89,697	0
2029	85,000	15,700	250,000	93,400	91,121	0
2030	80,000	12,800	215,000	84,100	92,545	0
2031	85,000	10,750	205,000	75,700	93,969	0
2032	85,000	9,050	210,000	67,400	95,392	0
2033	85,000	7,350	190,000	59,400	96,816	0
2034	85,000	5,650	175,000	52,100	98,240	0
2035	85,000	3,950	180,000	45,000	99,664	0
2036	80,000	2,300	175,000	37,900	101,087	0
2037	75,000	750	175,000	30,900	102,511	0
2038			135,000	24,700	103,935	0
2039			135,000	19,300	105,359	0
2040			135,000	13,900	106,782	0
2041			140,000	8,400	108,206	0
2042			140,000	2,800	109,630	0
2043					111,054	0
2044					112,477	0
2045					113,901	0
2046					115,325	0
2047					116,749	0
2048					118,172	0
2049					119,596	0
2050					121,020	0
2051					122,444	0
2052					123,867	0
Totals:	<u>\$1,075,000</u>	<u>\$154,275</u>	<u>\$3,955,000</u>	<u>\$1,120,400</u>	<u>\$2,930,095</u>	<u>\$0</u>

Note: ³ Issued as a New York State Environmental Facilities Corporation 0% interest loan.

Total Annual Bond Principal and Interest Due

<u>Fiscal Year</u> <u>Ending December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt Service</u>	<u>% Paid</u>
2025	\$1,412,087	\$238,732	\$1,650,819	8.49%
2026	1,355,675	211,703	1,567,378	16.64%
2027	1,294,248	183,676	1,477,924	24.42%
2028	1,152,849	155,386	1,308,235	31.35%
2029	966,437	131,571	1,098,008	37.16%
2030	890,024	112,488	1,002,512	42.51%
2031	838,612	96,334	934,946	47.55%
2032	762,198	81,731	843,929	52.13%
2033	720,786	68,375	789,161	56.47%
2034	609,374	57,750	667,124	60.13%
2035	617,961	48,950	666,911	63.84%
2036	611,548	40,200	651,748	67.52%
2037	610,135	31,650	641,785	71.19%
2038	498,723	24,700	523,423	74.19%
2039	502,311	19,300	521,611	77.21%
2040	505,897	13,900	519,797	80.25%
2041	514,485	8,400	522,885	83.34%
2042	518,072	2,800	520,872	86.46%
2043	381,660	0	381,660	88.75%
2044	385,247	0	385,247	91.07%
2045	388,834	0	388,834	93.40%
2046	202,025	0	202,025	94.62%
2047	203,449	0	203,449	95.84%
2048	204,872	0	204,872	97.07%
2049	119,596	0	119,596	97.79%
2050	121,020	0	121,020	98.52%
2051	122,444	0	122,444	99.26%
2052	123,867	0	123,867	100.00%
Totals:	<u>\$16,634,436</u>	<u>\$1,527,646</u>	<u>\$18,162,082</u>	

Source: City Bond Records.

Schedule of Principal Payments - Outstanding and Proposed Bonds

Fiscal Year Ending December 31:	Prior Issues	This Issue	Total Maturing Principal	Year-End Outstanding Principal
2025	\$1,412,087	\$0	\$1,412,087	\$17,250,679
2026	1,355,675	228,330	1,584,005	15,666,674
2027	1,294,248	225,000	1,519,248	14,147,426
2028	1,152,849	190,000	1,342,849	12,804,577
2029	966,437	195,000	1,161,437	11,643,140
2030	890,024	175,000	1,065,024	10,578,116
2031	838,612	150,000	988,612	9,589,504
2032	762,198	95,000	857,198	8,732,306
2033	720,786	95,000	815,786	7,916,520
2034	609,374	100,000	709,374	7,207,146
2035	617,961	100,000	717,961	6,489,185
2036	611,548	100,000	711,548	5,777,637
2037	610,135	85,000	695,135	5,082,502
2038	498,723	75,000	573,723	4,508,779
2039	502,311	75,000	577,311	3,931,468
2040	505,897	35,000	540,897	3,390,571
2041	514,485	35,000	549,485	2,841,086
2042	518,072	35,000	553,072	2,288,014
2043	381,660	35,000	416,660	1,871,354
2044	385,247		385,247	1,486,107
2045	388,834		388,834	1,097,273
2046	202,025		202,025	895,248
2047	203,449		203,449	691,799
2048	204,872		204,872	486,927
2049	119,596		119,596	367,331
2050	121,020		121,020	246,311
2051	122,444		122,444	123,867
2052	123,867		123,867	0
Totals:	<u>\$16,634,436</u>	<u>\$2,028,330</u>	<u>\$18,662,766</u>	

Other Obligations

As of the date of this Official Statement, the City does not have any outstanding installment purchase debt or energy performance contracts.

Trend of Outstanding Debt

	Fiscal Year Ending December 31:				
	2020	2021	2022	2023	2024
Bonds	\$13,086,192	\$13,005,185	\$16,576,173	\$18,142,936	\$16,634,436
Bond Anticipation Notes	6,823,900	6,878,000	5,246,000	6,564,000	12,333,000
EFC Grid Notes	6,705,920	6,646,650	6,424,280	0	0
Capital Lease Agreements	19,685	10,173	0	0	0
Total Debt Outstanding	<u>\$26,635,697</u>	<u>\$26,540,008</u>	<u>\$28,246,453</u>	<u>\$24,706,936</u>	<u>\$28,967,436</u>

Source: Annual Financial Reports and Records of the City.

Note: This table is NOT audited.

Computation of Debt Limit and Calculation of Net Indebtedness

(As of April 28, 2025)

Fiscal Year Ended December 31:	Taxable Assessed Valuation	State Equalization Rate	Taxable Full Valuation
2021	\$744,284,064	92.00%	\$809,004,417
2022	746,658,028	86.00%	868,207,009
2023	749,973,893	78.00%	961,504,991
2024	1,207,660,606	100.00%	1,207,660,606
2025 ¹	1,207,641,685	93.00%	1,298,539,446
Total	<u>\$4,656,218,276</u>		<u>\$5,144,916,470</u>
Average Five-Year Full Valuation			\$1,028,983,294
Debt Limit: 7% of Full Valuation			\$72,028,831
Inclusions:			
Bonds			\$16,634,436
Bond Anticipation Notes			12,333,000
Total Indebtedness			<u>\$28,967,436</u>
Exclusions:			
Budgeted Appropriations ²			\$3,183,670
Sewer ³			8,509,436
Total Exclusions			<u>\$11,693,106</u>
Total Net Indebtedness Prior to This Issue			\$17,274,330
New Money This Issue			1,660,000
Total Net Indebtedness After This Issue ⁴			<u>\$18,934,330</u>
Net Debt-Contracting Margin			\$53,094,501

Notes: ¹ The latest completed assessment roll for which a State Equalization Rate has been established.

² Water indebtedness and budgeted appropriations are automatically excluded pursuant to provisions of Article VIII, Section 5B of the New York State Constitution and Section 136.00 of the Local Finance Law.

³ Excluded pursuant to a certificate issued by the State Comptroller on March 28, 2018 in accordance with Section 124.10 of the Local Finance Law.

⁴ Represents 26.29% of the City's Debt Limit.

Authorized and Unissued Indebtedness

After the issuance of the Bonds and the Notes, the City will have the following authorized and unissued indebtedness:

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount of Authorization</u>	<u>Amount Unissued</u>
5/19/2015	Acquisition of Garbage Packer vehicle	\$200,000	\$110,000
7/7/2015 Amended 04/05/2016	Acquisition of Fire-Fighting Vehicle and Apparatus	475,000	395,000
3/17/2015 Amended 4/5/2016 & 10/04/2016	Capital improvements in Koenig Alley area	1,500,000	600,000
4/5/2016	Reconstruction of and construction of improvements to various roads	700,000	200,000
4/5/2016	Planning and consulting redevelopment projects primarily Main Street	350,000	250,000
4/18/2017	Reconstruction of and construction of improvements to various roads	700,000	300,000
4/16/2019	Reconstruction of and construction of improvements to various roads	500,000	300,000
4/16/2019	Capital improvements in the Main/Young Street area	450,000	450,000
4/16/2019	Reconstruction of and construction of improvements to various City sidewalks	130,000	130,000
5/7/2019	Capital improvements in the Young Street area	2,550,000	2,550,000
4/20/2021	Lighting capital improvement project	2,400,000	20,000
4/18/2023, Amended 4/15/2025	Reconstruction of and construction of improvements to City Hall	650,000	100,000
5/2/2023	Sewer generator installation project	800,000	800,000
5/7/2024	Replacement of the Fletcher Street Bridge	2,250,000	1,899,000
5/7/2024, amended 4/15/2025	Department of Public Works Roof Replacement	3,700,000	2,750,000

Source: Adopted bond resolutions of the City.

The City does not anticipate the need to borrow the unissued amounts for the projects authorized in 2021 or prior. The City does anticipate the need to borrow for those projects authorized in 2023, 2024 and 2025.

Capital Project Plans and Anticipated Future Borrowings

The City is generally responsible for providing services as required by the citizens on a City-wide basis. The City maintains a road system necessitating road resurfacing and improvements and the acquisition of machinery and, from time to time, equipment. Additionally, although not a capital expense, such road system requires annual expenditures for snow removal as well as regular general operating maintenance expenses. Since 2004, the City has contracted with the Erie County Water Authority for water service. Future capital improvements made to the water system will be undertaken by the Authority. In addition, the City owns, operates, maintains and improves recreation facilities. The City generally has provided for the financing of sanitary sewer facilities located within the City limits.

Major capital projects included within the City's capital budget for 2023 that remain outstanding or are currently underway include:

- Sidewalk reconstruction (\$330,000 est. cost)
- Pedestrian bridge rehab / replacement (\$2,750,000 est. cost)
- Various City-owned building improvements (\$795,000 est. cost)
- Canal Street pedestrian swing bridge overlook improvements (\$600,000)
- Various Community Development Block Grant improvements (\$360,000 est. cost)
- Construction of a splash park (\$350,000 est. cost)
- Electronic railroad overpass warning and detour system (\$1,200,000 est. cost)
- City Hall improvements (\$650,000 est. cost)
- Various road improvements (\$630,000 est. cost)

The City is funding these projects through a combination of City funds, grant funds, and borrowed proceeds.

Major capital projects included within the City's capital budget for 2024 that remain outstanding or are currently underway and for which the City is borrowing include:

- Planning for Downtown Revitalization Grant expenditures (\$300,000 est. design cost)
- Two Mile Creek Road / Niagara Street realignment and drainage improvements (\$720,000 est. cost)
- Fletcher Street Pedestrian Bridge improvements (\$2,250,000 est. cost)
- DPW Building roof replacement (\$3,700,000 est. cost)
- Fletcher Street storm sewer improvements (\$150,000 est. cost)
- Main Sewer Pump Station bypass (\$1,800,000 est. cost)

For 2025, the City is anticipating undertaking the following projects:

- Street and sidewalk improvements (\$360,000 est. cost)
- Fire Department Headquarters heating (\$200,000 est. cost)
- Sewer Pump Station Generator replacement (\$1,400,000 est. cost)

Direct and Overlapping Indebtedness

In addition to the City, the following political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the City.

The real property taxpayers of the City are responsible for a proportionate share of outstanding debt obligations of the political subdivisions located within the City's boundaries. Such taxpayers' share of this overlapping debt is based upon the amount of the City's equalized property values taken as a percentage of each separate unit's total values. The table below sets forth both the total outstanding principal amount of debt issued by the City and the appropriate magnitude of the burden on taxable property of the City of the debt issued and outstanding by such overlapping entities, as of the dates shown.

Calculation of Estimated Overlapping and Underlying Indebtedness

Overlapping Units	Date of Report	Applicable Total Indebtedness	Exclusions ¹	Applicable Net Indebtedness	Full Value of City in Municipality	Total Full Value of Municipality	% Within City	Estimated Applicable Overlapping Debt
County:								
Erie	2024	\$345,319,813	\$77,052,139	\$268,267,674	\$1,298,539,446	\$96,968,303,216	1.34%	\$3,592,475
School District:								
Tonawanda City	2024	47,656,442	0	47,656,442	1,298,539,446	1,474,983,584	88.04%	41,955,565
Total Net Overlapping Debt:								\$45,548,040
Total Net Direct Debt:								18,934,330
Net Direct and Overlapping Debt:								<u>\$64,482,370</u>

Source: Annual Reports of the respective units for the most recently completed fiscal year on file with the Office of the State Comptroller or more recently published official statements.

Note: ¹ Exclusions consist of indebtedness deductible from gross indebtedness for debt limit purposes pursuant to constitutional and statutory provisions (including water and sewer debt and revenue anticipation notes). School districts receive aid from the State to assist with debt service for school building purposes.

Debt Ratios

The following table presents certain debt ratios relating to the City's direct and overlapping indebtedness as of April 28, 2025:

	<u>Amount</u>	<u>Debt Per Capita¹</u>	<u>Debt Full Value²</u>
Net Direct Debt	\$18,934,330	\$1,251.53	1.46%
Total Direct & Applicable Total Overlapping Debt	64,482,370	4,262.17	4.97%

Notes: ¹ The population of the City's is 15,129 according to the 2020 US Census Bureau.

² The full valuation of real property located in the City for the 2025 fiscal year is \$1,298,539,446.

FINANCES OF THE CITY

Financial Statements and Accounting Procedures

The City maintains its financial records in accordance with the Uniform System of Accounts for Cities prescribed by the State Comptroller. The financial records of the City are audited by independent accountants on an annual basis. The last such audit completed and made available for public inspection covers the fiscal year ended December 31, 2023 and is herewith attached as APPENDIX B. The City is in the process of completing the audited financial statements and the unaudited Annual Financial Report as filed with the State Comptroller's Office for the fiscal year ending December 31, 2024.

The Statements of Revenues, Expenditures and Changes in Fund Balances and Balance Sheets presented in APPENDIX A of this Official Statement are based on annual audited financial reports for the City for the 2019 - 2023 fiscal years.

The financial affairs of the City are subject to periodic compliance review by the Office of the State Comptroller to ascertain whether the City has complied with the requirements of various state and federal statutes. The City has not been the subject of any such audit within the past five years.

Fund Structure and Accounts

The City utilizes fund accounting to record and report its various service activities. A fund represents both a legal and an accounting entity which segregates the transactions of specific programs in accordance with special regulations, restrictions or limitations.

There are three basic fund types: (1) governmental funds that are used to account for basic services and capital projects; (2) proprietary funds that account for operations of a commercial nature; and (3) fiduciary funds that account for assets held in a trustee capacity. Account groups, which do not represent funds, are used to record fixed assets and long-term obligations that are not accounted for in a specific fund.

The City presently maintains the following governmental funds: General Fund, Sewer Fund, Water Fund and the Capital Projects Fund. Fiduciary funds consist of a Trust and Agency Fund. Account groups are maintained for fixed assets and long-term debt.

Basis of Accounting

The City's governmental funds are accounted for on a modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become susceptible to accrual – that is, when they become “measurable” and “available” to finance expenditures to the current period. Revenues susceptible to accrual include real property taxes, intergovernmental revenues (State and federal aid) and operating transfers.

Expenditures are generally recognized under the modified accrual basis of accounting, that is when the related fund liability is incurred. An exception to this general rule is interest on unmatured long-term debt which is recognized when due. Compensated absences, such as vacation and sick leave, which vests or accumulates, are charged as an expenditure when paid.

Investment Policy

The City has adopted an investment policy and such policy conforms with applicable laws of the State governing the deposit and investment of public moneys. All deposits and investments of the City are made in accordance with such policy.

The primary objectives of the City's investment policy are, in priority order, as follows:

- To conform to all applicable federal, State and other legal requirements.
- To adequately safeguard principal.
- To provide sufficient liquidity to meet all operating requirements.
- To obtain a reasonable rate of return on invested funds.

Pursuant to State law, including Sections 10 and 11 of the General Municipal Law (the “GML”), the City is generally permitted to deposit moneys in banks or trust companies located and authorized to do business in the State. All such deposits, including special time deposit accounts and certificates of deposit, in excess of the amount insured under the Federal Deposit Insurance Act, are required to be secured in accordance with the provisions of and subject to the limitations of Section 10 of the GML.

The City may also temporarily invest moneys in: (1) obligations of the United States of America; (2) obligations of the State; (3) repurchase agreements involving the purchase and sale of direct obligations of the United States; (4) certificates of deposit issued by a bank or trust company authorized to do business in the State; (5) time deposit accounts in a bank or trust company authorized to do business in the State; and (6) in the case of moneys held in certain reserve funds established by the City pursuant to law, obligations of the City.

All funds may be invested in: (1) obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America; (2) with the approval of the State Comptroller, tax anticipation notes or revenue anticipation notes issued by any municipality, school district, or district corporation, other than those bonds issued by the City itself.

Only reserve funds may be invested in obligations of the City.

All other City officials receiving money in their official capacity must turn over such funds to the City Treasurer as the chief fiscal officer of the City.

All of the foregoing investments are required to be payable or redeemable at the option of the owner within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable in any event, at the option of the owner, within two years of the date of purchase. Unless registered or inscribed in the name of the City, such instruments and investments must be purchased through, delivered to and held in custody of a bank or trust company in the State pursuant to a written custodial agreement as provided by Section 10 of the GML.

Budgetary Procedures

The Mayor prepares a proposed budget to be submitted to the Common Council by October 1st of each year. The budget is reviewed by the Common Council and it must hold a public hearing on the budget by November 15th. The budget must be adopted by the Common Council by December 15th. The budget of the City is not subject to voter approval. The City took the necessary measures to exceed its allowable tax levy increase in the fiscal years ending December 31, 2015 through 2019 and 2021.

Financial Operations

Subject to the State Constitution, the City operates pursuant to its Charter and the City Code, as well as various local laws. Additionally, certain State laws govern the City to the extent that such laws are applicable to cities operating under a charter form of government. The Common Council of the City is the legislative body responsible for overall operations, and the Mayor serves as chief executive officer. The Common Council, as a whole, serves as the finance board of the City and is responsible for authorizing, by resolution, all material financial transactions such as operating and capital budgets and bonded debt. The City Treasurer functions as the chief fiscal officer of the City.

City finances are operated primarily through the General, Water and Sewer Funds. The primary sources of income for the Water and Sewer Funds come from user fees assessed against users based upon consumption of water and sewer services utilized. Capital projects and equipment purchases are accounted for in special capital project funds.

The City observes a calendar year (January 1 through December 31) for operating and reporting purposes.

Revenues

The City receives most of its revenues from real property taxes, assessments and State aid.

A summary of such revenues and other financing sources for the last five available fiscal years and the budgets for the fiscal years ending December 31, 2024 and 2025 may be found in APPENDIX A – Financial Information.

Real Property Taxes

See “REAL PROPERTY TAX INFORMATION,” herein.

State Aid

There can be no assurance that the State appropriation for State aid to municipalities and school districts will not be reduced or delayed in future fiscal years, as the State is not constitutionally obligated to maintain or continue State aid to the City. The availability of such monies and the timeliness of such payment could be affected by a delay in the adoption of the State budget. In any event, State aid appropriated and apportioned to the City can be paid only if the State has such monies available therefor.

The State also receives federal aid. However, the State’s current financial projections concerning federal aid, and the assumptions on which they are based, are subject to revision as more information becomes available about federal tax policy and legislation and other issues under the current presidential administration and Congress.

Reductions in federal funding levels could have a materially adverse impact on the State budget. In addition to the potential fiscal impact of policies that may be proposed and adopted by the current administration and Congress, the State budget may be adversely affected by other actions taken by the federal government, including audits, disallowances and changes to federal participation rates or Medicaid rules.

The City of New York was an early epicenter of the COVID-19 pandemic in the United States, and as a result the State suffered significant revenue shortfalls and unanticipated expenses beginning at the end of the State's 2019-2020 fiscal year and continuing during the State's 2020-2021 fiscal year.

In response, the enacted State budget for the 2020-21 fiscal year allowed the State to reduce expenditures (including aid to local school districts and municipalities) if tax receipts were lower than anticipated. Accordingly, in June 2020, the State Division of the Budget ("DOB") began withholding 20% of most local aid payments, although such aid was generally since restored.

Many of the State's 2020-2021 budget decisions were based on the uncertainty of future federal aid. In the period of time since such decisions were made, the \$1.9 trillion American Rescue Plan Act was signed into law (on March 11, 2021), which legislation included almost \$24 billion in funding for various levels of government in the State, including approximately \$12.5 billion for the State, \$6 billion for New York City, and \$4 billion to be divided among counties in the State; another \$12 billion intended to be used toward the safe reopening of K-12 schools as well as colleges and universities.

Accordingly, the State enacted budget for the 2021-2022 fiscal year was more expansive (about 10% higher) than the prior budget, including significantly increased funding for schools and local governments. School districts benefited from a \$1.4 billion increase in Foundation Aid and a three-year Foundation Aid full restoration phase-in that will allow all school districts to receive the increased level of Foundation Aid that was originally promised in 2007, along with a \$105 million expansion of full-day prekindergarten. Local governments received a full restoration of proposed cuts to Aid and Incentives for Municipalities ("AIM") funding. Further, municipalities that host Video Lottery Terminal ("VLT") facilities received a full restoration of \$10.3 million in proposed VLT aid cuts.

The State enacted budget for the 2022-2023 fiscal year continued to provide increased funding for schools and local governments. School districts benefited from a \$1.5 billion increase in Foundation Aid, continuing the phase-in to fully restore the level of Foundation Aid that was originally promised in 2007, along with a \$125 million expansion of full-day prekindergarten and a \$451 million increase in all other school aid programs. For local governments, the level of AIM funding was maintained at \$715 million, fully funding this program. Additionally, this budget put an end to the intercept of sales tax to pay \$59 million in AIM-related payments to various villages and towns within the state. Further, the budget included a \$32.8 billion five-year capital plan for programs and projects administered by the State Department of Transportation with a focus on investments in State and local roads and bridges primarily serving smaller municipalities. This budget continued to provide a similar level of funding for various transportation aid programs as the prior year, while also allocating \$100 million to the creation of a new "Pave our Potholes" program.

The State enacted budget for the fiscal year ending March 31, 2024 continued to fully fund AIM payments to local governments, maintaining the \$715 million allocated in the prior year's budget.

The State enacted budget for the 2024-25 fiscal year again continues to maintain AIM payments to local governments at prior levels and also includes an additional \$50 million of unrestricted Temporary Municipal Assistance Program aid for municipalities outside of New York City. The budget includes \$1.288 billion of funding for various highway and transportation related capital improvements. School Districts will benefit from a total of \$35.9 billion for K-12 education spending.

Although the recent State budgets contained additional aid for school districts and municipalities, it is uncertain whether the State will have future budget shortfalls necessitating cuts to State aid. Reductions in the payment of State aid could adversely affect the financial condition of municipalities in the State, including the City.

The City believes that it will mitigate the impact of any delays or proposed reductions in State aid by reducing expenditures, increasing revenues, appropriating other available funds on hand, reducing staffing levels, and/or by any combination of the foregoing.

A summary of State aid payments received by the City for the last five fiscal years and the amounts budgeted for the fiscal years ending December 31, 2024 and 2025 are as follows:

<u>Fiscal Year Ending December 31:</u>	<u>Total General Fund State Aid</u>	<u>Total General Fund Revenues</u>	<u>Percentage of Total Revenues Consisting of State Aid</u>
2019	\$3,035,666	\$23,975,035	12.66%
2020	2,625,880	23,810,267	11.03%
2021	3,482,215	25,752,823	13.52%
2022	3,077,646	25,400,039	12.12%
2023	3,035,365	26,737,236	11.35%
2024 (Budgeted)	2,921,104	26,558,354	11.00%
2025 (Budgeted)	3,042,000	27,583,771	11.03%

Source: Audited Annual Financial Reports of the City and adopted budgets of the City.

Note: This table is NOT audited.

Sales Tax

In addition, the City is dependent to a degree on the portion of sales tax revenues received by the City from the County. The County has a local sales tax rate of 4.75%. Of the first 3%, the County retains 35.3055% (of which the Niagara Frontier Transportation Authority receives 4.1666%, leaving the County with 31.1389%); 10.0087% is distributed to the cities of Buffalo, Lackawanna and Tonawanda and the towns on the basis of population and property value, and villages receive a portion of the town share based on property value; 29% is divided among all the school districts with territory in the County on the basis of average daily attendance. The cities of Lackawanna and Tonawanda are guaranteed an annual minimum of \$1,172,706 and \$1,534,671, respectively. Of the next 1%, \$12.5 million is distributed to cities, town and villages on the basis of property value. The remainder is retained by the County.

A summary of sales aid payments received by the City for the last five fiscal years and the amounts budgeted for the fiscal years ending December 31, 2024 and 2025 are as follows:

<u>Fiscal Year Ending December 31:</u>	<u>Total General Fund Sales Tax</u>	<u>Total General Fund Revenues</u>	<u>Percentage of Total Revenues Consisting of Sales Tax</u>
2019	\$5,236,463	\$23,975,035	21.84%
2020	5,066,353	23,810,267	21.28%
2021	5,748,713	25,752,823	22.32%
2022	5,958,199	25,400,039	23.46%
2023	6,143,946	26,737,236	22.98%
2024 (Budgeted)	5,535,000	26,558,354	20.84%
2025 (Budgeted)	6,000,000	27,583,771	21.75%

Source: Audited Annual Financial Reports of the City and adopted budgets of the City.

Note: This table is NOT audited.

Expenditures

The major categories of expenditure for the City are General Government Support, Public Safety, Health, Transportation, Economic Assistance and Opportunity, Culture and Recreation, Home and Community Services, Employee Benefits and Debt Service. A summary of the expenditures for the five most recently completed fiscal years for which audited financial statements are available, and the budgeted expenditures for the 2024 and 2025 fiscal years may be found in APPENDIX A – Financial Information.

The State Comptroller's Fiscal Stress Monitoring System

The Office of the State Comptroller has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent, objectively measured and quantifiable information to school district and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's school districts and municipalities are operating.

The fiscal stress scores are based on financial information submitted as part of each school district's ST-3 report filed with the State Education Department annually, and each municipality's annual report filed with the State Comptroller. Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the system creates an overall fiscal stress score which classifies whether a school district or municipality is in "significant fiscal stress", in "moderate fiscal stress," as "susceptible to fiscal stress" or "no designation". Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of "no designation." This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity's financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place it in one of the three established stress categories.

The most current applicable report of the State Comptroller lists the City's current fiscal score as 0.00%, putting it in the "No Designation" category.

For a complete list of school district and municipal fiscal stress scores, visit the State Comptroller's website. For further information on the fiscal stress rating system can be found on the State Comptroller's website, where recent audits and reports may also be found. Reference to the website implies no warranty of accuracy of information therein.

Employee Pension Benefits

Substantially all employees of the City are members of the New York State and Local Employees' Retirement System ("ERS") or the New York State Local Police and Fire Retirement System ("PFRS"). (Both Systems are referred to together hereinafter as the "Retirement Systems" where appropriate.) The ERS and PFRS together are generally also known as the "Common Retirement Fund". The Retirement Systems are cost-sharing multiple public employer retirement systems. The obligation of employers and employees to contribute and the benefit to employees are governed by the New York State Retirement System and Social Security Law (the "Retirement System Law"). The Retirement Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service. The Retirement System Law generally provides that all participating employers in each retirement system are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers.

Generally, all employees, except certain part-time employees, participate in the Retirement Systems. All members of the respective systems hired on or before April 12, 2012, must contribute 3% of gross annual salary, for the first 10 years of service, toward the cost of retirement programs. Chapter 86 of the Laws of 2000 eliminated the 3% contribution for Tier 3 and Tier 4 members with 10 years of service credit. All benefits generally vest after five years of credited service.

On December 10, 2009, legislation created a new Tier 5 pension level. Key components of Tier 5 included raising the minimum age at which most civilians can retire without penalty from 55 to 62 and imposing a penalty of up to 38% for any civilian who retires prior to age 62; requiring employees to continue contributing 3% of their salaries toward pension costs so long as they accumulate additional pension credits, increasing the minimum years of service required to draw a pension from five years to 10 years; capping the amount of overtime that can be considered in the calculation of pension benefits for civilians at \$15,000 per year, and for police and firefighters at 15% of non-overtime wages; and increasing the vesting period from five years to 10 years. Tier 5 applies to public employees hired on or after January 1, 2010 and before April 1, 2012.

Chapter 18 of the Laws of 2012, which provided for a new Tier 6 for employees hired on or after April 1, 2012. This pension tier has progressive contribution rates between 3% and 6%; it increases the retirement age for new employees from 62 to 63 and includes provisions allowing early retirement with penalties. Under Tier 6, the pension multiplier is 1.75% for the first 20 years of service and 2% thereafter; vesting will occur after 10 years; the time period for calculation of final average salary is increased from three years to five years; and the amount of overtime used to determine an employee's

pension is capped at \$15,000, indexed for inflation, for civilian and non-uniform employees and at 15% of base pay for uniformed employees outside of New York City. It also includes a voluntary, portable, defined contribution plan option for new non-union employees with salaries of \$75,000 or more.

The State's enacted budget for the 2022-23 fiscal year, which was signed into law on April 9, 2022, reduced the number of years of service credit required to vest from 10 years to five years for Tier 5 and Tier 6. In addition, the enacted budget changed the contribution rate to the system for Tier 6 members from April 1, 2022 through March 31, 2024 to be determined on only the base pay, not including any overtime compensation, earned between April 1, 2020 through March 31, 2022, so as to not penalize those members that worked overtime to provide essential services during the COVID-19 pandemic. Further, the annual earnings limit of \$35,000 has been waived for any retiree working in a public school through June 30, 2025.

The State's enacted budget for the 2024-25 fiscal year, which was signed into law on April 22, 2024, further reformed Tier 6 by changing the final average year salary to determine a public employee's retirement benefit from the highest five consecutive years to the highest three consecutive years, and by extending the two-year exclusion of overtime earnings when determining a Tier 6 member's contribution rate to their pension benefit.

The following schedule reflects the City's contribution to the ERS and PFRS for the last five fiscal years and the amounts budgeted for fiscal year 2025:

<u>Fiscal Year</u> <u>Ending December 31:</u>	<u>ERS</u>	<u>PFRS</u>
2020	\$612,672	\$1,210,089
2021	669,646	1,408,177
2022	534,887	1,446,374
2023	596,816	1,530,468
2024	736,382	1,854,259
2025 (Budgeted)	870,160	2,248,724

The City is current with all its pension obligations and prepays its pension payments in December of each year to take advantage of the discounted payment amount offered by the System.

Pursuant to Chapter 49 of the Laws of 2003, the City is required to contribute a minimum contribution of 4.50% of payroll every year, including years in which the investment performance of the fund would make a lower contribution possible.

Due to significant capital market declines in the wake of the 2008 and 2009 financial crisis, the Retirement System's portfolio experienced negative investment performance and severe downward trends in market earnings. As a result, State Comptroller Thomas DiNapoli announced that the employer contribution rate for the State's Retirement System in 2012 and subsequent years would be higher than the minimum contribution rate established by Chapter 49. For fiscal year 2025-26 average ERS contributions will increase from 15.2% to 16.5% of payroll and PFRS will increase from 31.2% to 33.7%. The System posted an 11.55% return for the fiscal year that ended March 31, 2024.

Chapter 57 of the Laws of 2010 (Part TT) amended the Retirement and Social Security Law to authorize participating local government employers, if they so elect, to amortize an eligible portion of their annual required contributions to the ERS, when employer contribution rates rise above certain levels. The option to amortize the eligible portion began with the annual contribution due February 1, 2011. The amortizable portion of an annual required contribution is based on a "graded" rate by the State Comptroller in accordance with installments over a ten-year period but may be prepaid at any time. Interest is to be charged on the unpaid amortized portion at a rate to be determined by the State Comptroller, which approximates a market rate of return on taxable fixed rate securities of a comparable duration issued by comparable issuers. The interest rate is established annually for that year's amortized amount and then applies to the entire ten years of the amortization cycle of that amount. When in any fiscal year, the participating employer's graded payment eliminates all balances owed on prior amortized amounts; any remaining graded payments are to be paid into an employer contribution reserve fund established by the State Comptroller for the employer, to the extent that such amortizing employer has no currently unpaid prior amortized amount, for future use.

The 2013-14 State Budget established an Alternative Contribution Stabilization Program (ACSP) which allowed local governments and school districts to lessen the cash impact of current increases in pension contributions, while repaying the deferrals with interest as well as contributing to a reserve account to dampen future rate increases. Eligible participating employers had the opportunity to make a one-time election in the 2013-14 fiscal year to the ACSP. Interest rates charged on deferrals to participants in the ACSP program were comparable to a 10-year treasury bond adjusted to a 12-year duration, plus one percent. Once a participating employer elected into the program, deferred contributions could be amortized over a period of up to 12 years using the ACSP. Prior to April 2023, a participant could not withdraw from the program; however, as part of the State's enacted budget for the 2023-24 a provision was included that now allows a participant to withdraw provided that certain conditions are met, including the requirement that all previous amortizations are paid in full plus interest. If a municipality withdraws from the program, it cannot rejoin at a later date. The plan reduced pension contributions for local governments and school districts in the near future but required higher payments later on. However, those higher payments in later years could be offset, at least in part, by savings from the new pension tier, Tier 6.

The City does not amortize its pension obligations and has not chosen to participate in this program.

The investment of monies and underlying assumptions of the Retirement System covering the City's employees is not subject to the direction of the City. Thus, it is not possible to predict, control or prepare for future unfunded accrued actuarial liabilities of the Retirement System ("UAAL"). The UAAL is the difference between total actuarially accrued liabilities and actuarially calculated assets available for the payment of such benefits. The UAAL is based on assumptions as to retirement age, mortality, projected salary increases attributed to inflation, across-the-board raises and merit raises, increases in retirement benefits, cost-of-living adjustments, valuation of current assets, investment return and other matters. Such UAAL could be substantial in the future, requiring significantly increased contributions from the City which could affect other budgetary matters. Concerned investors should contact the Retirement System administrative staff for further information on the latest actuarial valuations of the Retirement System.

Other Post-Employment Benefits

OPEB refers to "other post-employment benefits," and refers to benefits other than pension benefits. OPEB consists primarily of health care benefits and may include other benefits such as disability benefits and life insurance. The City provides post-employment healthcare benefits to various categories of former employees.

Before the GASB Statement No. 45 ("GASB 45"), OPEB costs were generally accounted for and managed on a pay-as-you-go basis and had not been reported as a liability on the government's financial statements. GASB 45 required state and local governments to account for and report their OPEB costs as they account for vested pension benefits.

In June 2015, GASB issued Statement 75 ("GASB 75"), which superseded and eliminated GASB 45. This Statement established new standards for recognizing and measuring OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Municipalities and school districts are required to account for OPEB within their financial statements rather than only noted in the footnotes of such documents as previously required by GASB 45. Actuarial valuation is required every two years under GASB 75. GASB 75 was required to be implemented for all municipalities and school districts for fiscal years beginning after June 15, 2017. The City implemented GASB 75 beginning with the fiscal year ending December 31, 2018.

The City's annual change in OPEB liability and the total year-end OPEB liability for the last five available fiscal years under GASB 75 are as follows:

<u>Fiscal Year</u> <u>Ending December 31:</u>	<u>Net Change In OPEB</u>	<u>Ending OPEB Liability</u>
2019	(\$16,588,133)	\$46,133,148
2020	(4,165,365)	41,967,783
2021	1,174,621	43,142,404
2022	(13,364,397)	29,778,007
2023	(1,452,036)	28,325,971

While State Comptroller Thomas P. DiNapoli proposed a bill in April of 2015, and again in 2016, that would have created an optional investment pool to help local governments fund their OPEB liabilities, such legislation did not advance past the committee stage.

The City continues to meet this liability on a pay-as-you-go basis.

Additional information about GASB 45, GASB 75 and other accounting rules applicable to municipalities and school districts may be obtained from GASB.

REAL PROPERTY TAX INFORMATION

Real Property Taxes

The City derives its power to levy an *ad valorem* real property tax from the State Constitution. Methods and procedures to levy, collect and enforce this tax are governed by the Real Property Tax Law. Assessment valuations are determined by the City assessor and the State Office of Real Property Services, which is responsible for certain utility and railroad property. In addition, the State Office of Real Property Services annually establishes State Equalization Rates for all localities in the State, which are determined by statistical sampling of market sales/assessment studies. The equalization rates are used in the calculation and distribution of certain State aid and are used by many localities in the calculation or debt contracting and real property taxing limitations.

The City derives a significant portion of its annual revenue through a direct real property tax. The following table presents the total tax levy tax rates and collection performance for each of the last five fiscal years.

Tax Collection Record					
	Fiscal Year Ending December 31:				
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Taxes on Roll/Net Tax Levy	\$14,442,264	\$13,978,667	\$14,562,522	\$15,063,059	\$15,552,817
Special Items					
Sewer Relevy	495,225	517,084	445,084	675,432	642,578
Property Maintenance Charges	7,550	0	24,620	40,925	43,155
ECWA Surcharges	116	0	0	0	1,353
Exemption Removals	<u>22,247</u>	<u>62,239</u>	<u>29,830</u>	<u>51,890</u>	<u>34,800</u>
Total City Levy	<u>14,967,403</u>	<u>14,557,990</u>	<u>15,062,056</u>	<u>15,831,306</u>	<u>16,274,704</u>
Total Taxes Collected	14,855,555	14,370,177	14,804,732	15,337,468	11,449,691
Uncollected	111,849	187,813	257,324	493,838	4,825,013
Percentage Collected	99.25%	98.71%	98.29%	96.88%	70.35%

Source: City Officials.

Note: ¹ Collection figures provided as of April 28, 2025.

Percentage of Revenues - Real Property Taxes

<u>Fiscal Year Ending December 31:</u>	<u>Total General Fund Real Property Taxes</u>	<u>Total General Fund Revenues</u>	<u>Percentage of Total Revenues Consisting of Real Property Taxes</u>
2019	\$13,011,202	\$23,975,035	54.27%
2020	13,730,894	23,810,267	57.67%
2021	14,130,733	25,752,823	54.87%
2022	13,978,502	25,400,039	55.03%
2023	14,562,522	26,737,236	54.47%
2024 (Budgeted)	15,068,000	26,558,354	56.74%
2025 (Budgeted)	15,552,821	27,583,771	56.38%

Source: Annual Financial Reports and Adopted Budgets of the City

Note: This table is NOT audited.

Tax Collection Procedure

Taxes are due April 1, payable to April 30 without penalty. Penalties consist of 1% for the month of May and 1% per month thereafter which is added to the May penalty.

Tax sales are not held annually, but the City Treasurer is directed to sell taxes on designated property. Foreclosures are ordered by the Common Council. The City maintains a reserve for uncollected taxes.

Source: City Officials.

Tax Levy Limitation Law

On June 24, 2011, former Governor Andrew Cuomo signed (as Chapter 97 of the 2011 Laws of the State), significant and complex legislation relating to real property tax levies, rent regulation, exemption from local taxation and mandate relief (the “Legislation”). Part A of the Legislation amends the General Municipal Law and the Education Law in order to impose a limit upon real property tax levies by local governments (excluding the City of New York and the counties contained therein) and almost all school districts in the State (the “Tax Levy Limitation Law”).

On June 25, 2015, Chapter 20 of the 2015 Laws of New York (“Chapter 20”) amended the Tax Levy Limitation Law to extend its expiration from June 15, 2016 to June 15, 2020. The State’s enacted budget for the fiscal year ending March 31, 2020 made the Tax Levy Limitation Law permanent. Chapter 20 also affects the calculation of tax base growth factor, as outlined below.

The City is subject to the Legislation, and the Tax Levy Limitation Law first applied to the City’s budget during the 2012 fiscal year. The Tax Levy Limitation Law restricts, among other things, the amount of real property taxes that may be levied by or on behalf of the City in a particular year (unless certain prescribed procedures are followed). Under the Legislation, the tax levy of the City may not increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in a designated measure of the consumer price index (“CPI”) over the amount of the City’s prior year’s tax levy. The exceptions for a tax levy above two percent or the CPI increase are (i) funds needed to pay judgments arising out of tort actions that exceed 5% of the total tax levied by the City in the prior fiscal year and (ii) required pension payments (but only that portion of such payments attributable to the average actuarial contribution rate exceeding two percentage points).

The Tax Levy Limitation Law also allows for growth in the City’s tax levy due to physical and quantitative changes in the City. While the Tax Levy Limitation Law as originally enacted only allowed adjustments for development of taxable land, Chapter 20 now allows the Commissioner of Taxation and Finance to adjust the calculation based on the development of tax-exempt land. If the City does not levy an amount up to the cap in any one year, it would be allowed to carry over unused tax levy capacity into future years. However, this carryover levy capacity may not be used to increase its tax levy by more than an additional 1.5 percent above the cap in any single year. If the City’s actual tax levy exceeds its authorized

levy due to clerical or technical errors, the erroneous excess levy must be placed in reserve to offset the levy for the next budget year.

The City may adopt a budget that requires a tax levy that exceeds the tax levy limit for a given fiscal year, but only if the Common Council first adopts, by a vote of 60% of the total voting power of such body, a local law to override such limit for that particular fiscal year only.

Constitutional Tax Limit

The State Constitution limits the amount that may be raised by the City's *ad valorem* tax levy on real property in any fiscal year to two per centum (2%) of the five-year average full valuation of taxable real property of the City plus (1) the amounts required for principal and interest on all capital indebtedness, and (2) current appropriations for certain capital purposes. The tax limit for the City for the 2025 fiscal year is as follows:

Five-Year Average Full Valuation	\$1,028,983,294
Constitutional Tax Limit: (2%)	20,579,666
Tax Levy General City Purposes	15,552,821
Less: Exclusions for Debt and Capital Purposes	0
Tax Levy Subject to Debt Limit	15,552,821
Percentage of Tax Limit Exhausted	75.57%
Constitutional Tax Margin	\$5,026,845

Source: Report as submitted to the State Comptroller's Office by the City.

Ten Largest Taxpayers

2024 Assessment Roll for 2025 Taxes

<u>Name</u>	<u>Type</u>	<u>Estimated Taxable Full Valuation</u>
TG-Cotops NY LLC	Commercial/Retail	\$21,019,100
Niagara Mohawk	Utility	18,167,603
CSX Transportation	Railroad	10,050,323
National Fuel Gas Distribution Corp.	Utility	8,411,068
Benderson/MSF Niagara	Commercial/Retail	7,530,300
Hunt & Associates LLC	Apartments	5,317,000
Exolon/Washington Mills Tonawanda Inc.	Manufacturing/Distribution	5,300,000
800 Young LLC	Retail/Warehouse	5,163,242
Con-Way Transportation Services	Commercial/Truck Terminal	4,700,000
Sovran Acquisition Ltd. Partnership	Commercial/Self Storage	3,920,000
Total		<u>\$89,578,636</u> ¹

Source: City Officials.

Note: ¹ The above ten taxpayers represent 6.89% of the City's 2025 full valuation of \$1,298,539,446.

LITIGATION

In common with other local governments and school districts, the City from time to time receives notices of claim and is a party to litigation. In the opinion of the City, after consultation with its attorney, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no significant claims or actions pending in which the City has not asserted a substantial and adequate defense, nor which if determined against the City, would have a significant adverse material effect on the financial condition of the City.

There is no action, suit, proceeding or investigation, at law or in equity, before or by any court, public board or body pending or, to the best knowledge of the City, threatened against or affecting the City to restrain or enjoin the issuance, sale or delivery of the Bonds or the Notes or the levy and collection of taxes or assessments to pay same, or in any way contesting or affecting the validity of the Bonds or the Notes or any proceedings or authority of the City taken with respect to the authorization, issuance or sale of the Bonds or the Notes or contesting the corporate existence or boundaries of the City.

Source: City Officials.

BONDHOLDER AND NOTEHOLDER RISKS

There are various forms of risk associated with investing in the Bonds and the Notes. One such risk is that the City will be unable to promptly pay interest and principal on the Bonds and/or the Notes as they become due (see “THE BOND AND THE NOTES - Remedies of Bondholders and Noteholders on Default,” herein). If a Bondholder or a Noteholder elects to sell his or her investment prior to its scheduled maturity date, market access or price risk may be incurred. The following is a discussion of certain events that could affect the risk of investing in the Bonds and the Notes. In addition, there may be other risk factors which a potential investor must consider. In order to make an informed investment decision, an investor should be thoroughly familiar with the entire Official Statement, including its appendices, as well as all areas of potential risk.

There are a number of factors which could have a detrimental effect on the ability of the City to continue to generate revenues, particularly its property taxes. For instance, the termination of a major commercial enterprise or an unexpected increase in tax certiorari proceedings could result in a reduction in the assessed valuation of taxable real property in the City. In addition, to the extent that the City is dependent on State aid, there can be no assurance that such aid will be continued in the future. The State is dependent, to a degree, on the receipt of federal funding. Any reductions in the level of federal funds provided to the State could have a negative impact on the State’s budget and may impact the level of aid provided to municipalities and school districts, including the City (see “FINANCES OF THE CITY – Revenues – State Aid” herein). Unforeseen developments could also result in substantial increases in City expenditures, thus placing considerable strain on the City’s financial condition.

The financial condition of the City as well as the market for the Bonds and the Notes could be affected by a variety of factors, some of which are beyond the City’s control. There can be no assurance that adverse events in the State, including, for example, the seeking by a municipality of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and market for the Bonds and the Notes. If a significant default or other financial crisis should occur in the affairs of the State or any of its agencies or political subdivisions, thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the City to arrange for additional borrowings and the market for and market value of outstanding debt obligations, including the Bonds and the Notes, could be adversely affected.

If and when a holder of any of the Bonds and/or the Notes should elect to sell a Bond or a Note prior to its maturity, there can be no assurance that a market shall have been established, maintained and be in existence for the purchase and sale of any of the Bonds and the Notes. In addition, the price and principal value of the Bonds and the Notes is dependent on the prevailing level of interest rates; if interest rates rise, the price of a Bond or Note will decline, causing the holder to incur a capital loss upon the sale of such Bond or Note (unless such Bond or Note is held to maturity).

Amendments to the Code could reduce or eliminate the favorable tax treatment granted to municipal debt, including the Bonds and the Notes and other debt issued by the City. While it is impossible to predict at this time what, if any, legislation will be proposed or enacted, any such future legislation could have an adverse effect on the tax treatment of the Bonds and the Notes and the market value of the Bonds and the Notes, see “TAX EXEMPTION,” herein.

Cybersecurity

The City, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including but not limited to, hacking, viruses, malware and other attacks on computer or other sensitive digital systems and networks. To mitigate the risks of impact on the City operations and/or damage from cyber incidents or cyber-attacks, the City has invested in cybersecurity and other operational controls. While the City continues to review its policies and practices in this regard, there can be no assurances

that such security and operational control measures will be completely successful in guarding against and preventing cyber threats and attacks. The result of any such attacks could impact business operations and/or digital networks and systems and the costs of remedying any such damage could be significant.

COVID-19

The spread of COVID-19, a respiratory disease caused by a new strain of coronavirus, was declared a pandemic by the World Health Organization. The outbreak of the disease affected travel, commerce, and financial markets globally. Efforts to contain the spread of COVID-19 reduced the spread of the virus and the restrictions put in place following the initial outbreak have been rescinded. The federal coronavirus public health emergency expired in May 2023. Any resurgence of COVID-19, or any other pandemic disease, could have a material adverse effect on the State and municipalities and school districts located in the State, including the City. The City continues to monitor the situation and will take such proactive measures as may be required to maintain its operations and meet its obligations.

Inflation Reduction Act of 2022

On August 16, 2022, former President Biden signed into law the Inflation Reduction Act of 2022 (H.R. 5376). This legislation will impose a minimum tax of 15 percent on the “adjusted financial statement income” of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with at least \$1 billion in average annual earnings, and certain foreign-parented multinational corporations with at least \$100 million in average annual earnings, determined over a three-year period. For this purpose, adjusted financial statement income is not reduced for interest earned on tax-exempt obligations. Prospective holders of the Bonds and the Notes that could be subject to this minimum tax should consult with their own tax advisors regarding the potential consequences of owning the Bond or the Notes.

TAX EXEMPTION

Hodgson Russ LLP of Buffalo, New York, Bond Counsel, will deliver an opinion that, under existing law, the interest on the Bonds and the Notes is excluded from gross income of the holders thereof for federal income tax purposes and is not an item of tax preference for the purpose of the individual alternative minimum tax imposed by the Code. Interest on the Bonds and the Notes included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. However, such opinion will note that the City, by failing to comply with certain restrictions contained in the Code, may cause interest on the Bonds and the Notes to become subject to federal income taxation from the date of issuance of the Bonds and the Notes. We observe that interest on the Bonds and the Notes will be included in the adjusted financial statement income of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. Such opinion will state that interest on the Bonds and the Notes is exempt from personal income taxes imposed by New York State or any political subdivision thereof (including the City of New York).

In rendering the foregoing opinion, Hodgson Russ LLP will note that the exclusion of the interest on the Bonds and the Notes from gross income for federal income tax purposes is subject to, among other things, continuing compliance by the City with the applicable requirements of Code Sections 141, 148, and 149, and the regulations promulgated thereunder (collectively, the “Tax Requirements”). In the opinion of Hodgson Russ LLP, the tax certificate and nonarbitrage certificate that will be executed and delivered by the City in connection with the issuance of the Bonds and the Notes (collectively, the “Certificates”) establish requirements and procedures, compliance with which will satisfy the Tax Requirements.

The Tax Requirements referred to above, which must be complied with in order that interest on the Bonds and the Notes remains excluded from gross income for federal income tax purposes, include, but are not limited to:

1. The requirement that the proceeds of the Bonds and the Notes be used in a manner so that the Bonds and the Notes are not obligations which meet the definition of a “private activity bond” within the meaning of Code Section 141;
2. The requirements contained in Code Section 148 relating to arbitrage bonds and notes; and

3. The requirements that payment of principal or interest on the Bonds and the Notes not be directly or indirectly guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof) as provided in Code Section 149(b).

In the Certificates, the City will covenant to comply with the Tax Requirements, and to refrain from taking any action which would cause the interest on the Bonds and the Notes to be includable in gross income for federal income tax purposes. Any violation of the Tax Requirements may cause the interest on the Bonds and the Notes to be included in gross income for federal income tax purposes from the date of issuance of the Bonds and the Notes. Hodgson Russ LLP expresses no opinion regarding other federal tax consequences arising with respect to the Bonds and the Notes.

Prospective purchasers of the Bonds and the Notes should be aware that ownership of, accrual or receipt of interest on, or disposition of, the Bonds and the Notes may have collateral federal income tax consequences for certain taxpayers, including financial institutions, property and casualty insurance companies, S corporations, certain foreign corporations, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. Prospective purchasers should consult their tax advisors as to any possible collateral consequences from their ownership of, or receipt of interest on, or disposition of, the Bonds and the Notes. Bond Counsel expresses no opinion regarding any such collateral federal income tax consequences.

In general, information reporting requirements will apply to non-corporate holders with respect to payments of principal, payments of interest, and the proceeds of the sale of a bond or note before maturity within the United States. Backup withholding may apply to a holder of the Bonds and the Notes under Code Section 3406, if such holder fails to provide the information required on Internal Revenue Service ("IRS") Form W-9, Request for Taxpayer Identification Number and Certification, or the IRS has specifically identified the holder as being subject to backup withholding because of prior underreporting. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner's United States federal income tax provided the required information is furnished to the IRS. Neither the information reporting requirement nor the backup withholding requirement affects the excludability of interest on the Bonds and the Notes from gross income for federal income tax purposes.

Bond Counsel has not undertaken to advise in the future whether any events occurring after the date of issuance of the Bonds and the Notes may affect the tax status of interest on the Bonds and the Notes. The Code has been continuously subject to legislative modifications, amendments, and revisions, and proposals for further changes are regularly submitted by leaders of the legislative and executive branches of the federal government. No representation is made as to the likelihood of such proposals being enacted in their current or similar form, or if enacted, the effective date of any such legislation, and no assurances can be given that such proposals or amendments will not materially and adversely affect the economic value of the Bonds and the Notes or the tax consequences of ownership of the Bonds and the Notes. Prospective purchasers are encouraged to consult with their own legal and tax advisors with respect to these matters.

DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS AND THE NOTES

Absence of Litigation

Upon delivery of the Bonds and the Notes, the City will furnish a certificate, dated the date of delivery of the Bonds and the Notes, to the effect that there is no controversy or litigation of any nature pending or threatened to restrain or enjoin the issuance, sale, execution, or delivery of the Bonds and the Notes, or in any way contesting or affecting the validity of the Bonds and the Notes or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Bonds and the Notes. An additional certificate will state that there is no controversy or litigation of any nature now pending or threatened by or against the City wherein an adverse judgment or ruling could have a material adverse impact on the financial condition of the City or adversely affect the power of the City to levy, collect, and enforce the collection of taxes or other revenues for the payment of the Bonds and the Notes, which has not been disclosed in this Official Statement.

Legal Matters

The legality of the authorization and issuance of the Bonds and the Notes will be covered by the legal opinion of Hodgson Russ LLP, of Buffalo, New York, Bond Counsel. Such legal opinion will state that in the opinion of Bond Counsel

(i) the Bonds and the Notes have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the City and, unless paid from other sources, are payable as to principal and interest from *ad valorem* taxes levied upon all the taxable real property within the City, without limitation as to rate or amount (subject to certain statutory limitations imposed by Chapter 97 of the 2011 Laws of New York); provided, however, that the enforceability (but not the validity) of the Bonds and the Notes may be limited or otherwise affected by (a) any applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or similar statute, rule, regulation or other law affecting the enforcement of creditors' rights and remedies heretofore or hereafter enacted or (b) by the unavailability of equitable remedies or the application thereto of equitable principles; (ii) assuming that the City complies with certain requirements of the Code, interest on the Bonds and the Notes (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals (although interest on the Bonds and the Notes included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax) and; and (iii) interest on the Bonds and the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof, including the City of New York. Bond Counsel will express no opinion regarding other federal income tax consequences arising with respect to the Bonds and the Notes.

Such legal opinion also will state that (i) in rendering the opinions expressed therein, Bond Counsel has assumed, without inquiry or other investigation, (a) the legal capacity of each natural person, (b) the full power and authority of each person other than the City to execute and deliver certain documents and to perform certain acts, (c) no modification of any provision of any document, no waiver of any right or remedy and no exercise of any right or remedy other than in a commercially reasonable and conscionable manner and in good faith, (d) the genuineness of each signature, the completeness of each document submitted to Bond Counsel, the authenticity of each document submitted to Bond Counsel as an original, the conformity to the original of each document submitted to Bond Counsel as a copy and the authenticity of the original of each document submitted to Bond Counsel as a copy, (e) the accuracy on the date of such opinion of certain reviewed documents, (f) the truthfulness of each statement as to any factual matter contained in such reviewed documents, and (g) the due and timely filing of certain filed documents; (ii) the scope of Bond Counsel's engagement in relation to the issuance of the Bonds and the Notes has extended solely to rendering the opinions expressed therein; (iii) the opinions expressed therein are not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the City, together with other legally available sources of revenue, if any, will be sufficient to enable the City to pay the principal of and interest on the Bonds and the Notes as the same respectively become due and payable; and (iv) no opinion is expressed by Bond Counsel as to whether the City, in connection with the sale of the Bonds and the Notes, has made any untrue statement of a material fact, or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

DISCLOSURE UNDERTAKINGS

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), unless the Bonds or the Notes are purchased for the purchaser's own account, as principal for investment and not for resale, the City will enter into separate Disclosure Undertakings at closing with the holders of the Bonds and the Notes, the forms of which are attached hereto as "APPENDIX C." A purchaser buying for its own account shall deliver a municipal securities disclosure certificate that documents its intent to purchase the Bonds or the Notes as principal for investment and not for resale (in a form satisfactory to Bond Counsel) establishing that an exemption from the Rule applies.

CONTINUING DISCLOSURE COMPLIANCE PROCEDURES

The City has established procedures designed to ensure that future filings of continuing disclosure information will be in compliance with existing continuing disclosure obligations, including transmitting such filings to the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 through the Electronic Municipal Market Access System.

RATING

The City has applied to S&P for a rating on the Bonds. The City has not applied for a rating on the Notes.

S&P Global Ratings currently rates the outstanding long-term debt of the City “AA-/Stable”. Such rating reflects only the view of such rating agency and any desired explanation of the significance of such rating should be obtained from such rating agency. Generally, rating agencies base their ratings on rating investigation, studies and assumptions they have made in addition to the information and materials provided by the issuer. There is no assurance that a particular rating will apply for any given period of time or that it will be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of such ratings could have an adverse effect on the market price of the Bonds and the Notes. Such rating should not be taken as a recommendation to buy or hold the Bonds and the Notes.

MUNICIPAL ADVISOR

Municipal Solutions, Inc. is an independent municipal advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities and will not participate in the underwriting of any securities. In preparing the Statement, Municipal Solutions, Inc. has relied upon governmental officials, and other sources, whom have access to relevant data to provide accurate information for this Official Statement, and Municipal Solutions, Inc. has not been engaged, nor has it undertaken to independently verify the accuracy of such information. Municipal Solutions, Inc. is not a firm of certified public accountants and has not been engaged by the issuer to compile, review, examine or audit any information in this Official Statement in accordance with accounting standards and principles.

ADDITIONAL INFORMATION

Additional information may be obtained upon request from the business office of the City Treasurer, 200 Niagara Street, Tonawanda, New York 14150, telephone number (716) 695-8629, fax number (716) 695-8314 or from the office of Municipal Solutions, Inc., 2528 State Route 21, Canandaigua, New York 14424, telephone number 585-394-4090, fax number 585-394-4092, and website at: <http://www.municipalsolution.com>.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. This Official Statement is not to be construed as a contract or agreement between the City and the original purchasers or holders of the Bonds and the Notes.

This Official Statement is submitted only in connection with the sale of the Bonds and the Notes by the City and may not be reproduced or used in whole or in part for any other purpose.

So far as any statements made in this Official Statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, which are based on the City’s management’s beliefs as well as assumptions made by, and information available to, the City management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the City files with the repositories. When used in City documents or oral presentations, the words “anticipate,” “estimate,” “expect,” “objective,” “projection,” “forecast,” “goal” or similar words are intended to identify forward-looking statements.

Municipal Solutions, Inc. will place a copy of this Official Statement on its website: <http://www.municipalsolution.com>. Unless the Official Statement specifically indicated otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Municipal Solutions, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information.

Typographical or other errors may have occurred in converting original source documents to digital format, and neither the City nor Municipal Solutions, Inc. assumes any liability or responsibility for errors or omissions on such

website. Further, Municipal Solutions, Inc., and the City disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website.

Municipal Solutions, Inc. and the City also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

Hodgson Russ LLP, of Buffalo, New York, Bond Counsel to the City, expresses no opinion as to the accuracy or completeness of information in any documents prepared by or on behalf of the City for use in connection with the offer and sale of the Bonds and the Notes, including but not limited to, the financial or statistical information in this Official Statement.

CITY OF TONAWANDA

April 28, 2025
Tonawanda, New York

By:/s/ Adam J. McNeill, CPA
City Treasurer and Chief Fiscal Officer

Additional copies of the Notices of Sale and Official Statement may be obtained upon request
from the office of Municipal Solutions, Inc., 2528 State Route 21,
Canandaigua, New York 14424, telephone (585) 394-4090.
Website: www.municipalsolution.com

APPENDIX A

FINANCIAL INFORMATION

Statement of Revenues, Expenditures and Fund Balances
General Fund - City of Tonawanda

	Fiscal Year Ending December 31:				
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Revenues:					
Real Property Taxes	\$13,011,202	\$13,730,894	\$14,130,733	\$13,978,502	\$14,562,522
Real Property Tax Items	706,532	558,669	791,207	719,638	987,949
Non-Property Tax Items	5,586,369	5,521,335	6,106,360	6,437,499	6,611,246
Departmental Income	231,905	42,197	200,705	215,006	218,012
Intergovernmental Charges	198,472	179,576	143,904	333,090	271,079
Use of Money & Property	11,110	3,737	1,179	1,840	66,620
Licenses & Permits	188,004	168,490	177,886	140,343	172,221
Fines & Forfeitures	404,911	256,768	278,683	265,157	323,901
Sale of Prop. & Comp. For Loss	243,523	557,156	122,273	160,471	68,681
Miscellaneous	37,533	46,727	184,633	38,374	309,396
State Aid	3,035,666	2,625,880	3,482,215	3,077,646	3,035,365
Federal Aid	319,808	118,838	133,045	32,473	110,244
Total Revenues	<u>\$23,975,035</u>	<u>\$23,810,267</u>	<u>\$25,752,823</u>	<u>\$25,400,039</u>	<u>\$26,737,236</u>
Expenditures:					
General Government Support	\$2,131,712	\$2,125,244	\$2,451,394	\$2,235,371	\$2,542,306
Public Safety	6,938,628	6,561,201	6,805,278	7,093,160	7,645,592
Transportation	2,084,055	2,134,923	2,106,033	2,165,197	2,088,656
Culture & Recreation	1,193,095	847,452	1,044,233	1,313,986	1,423,817
Home & Community Service	1,337,235	1,401,308	1,468,909	1,501,930	1,694,314
Employee Benefits	7,205,659	7,226,102	6,746,265	7,227,789	7,936,770
Debt Service	1,350,931	1,157,778	1,016,118	960,527	1,682,837
Total Expenditures	<u>\$22,241,315</u>	<u>\$21,454,008</u>	<u>\$21,638,230</u>	<u>\$22,497,960</u>	<u>\$25,014,292</u>
Excess (Deficit) Revenues					
Over Expenditures	<u>\$1,733,720</u>	<u>\$2,356,259</u>	<u>\$4,114,593</u>	<u>\$2,902,079</u>	<u>\$1,722,944</u>
Other Sources (Uses):					
Interfund Transfers	\$793,166	\$705,000	\$690,000	\$622,854	\$592,722
Operating Transfers Out	<u>(692,899)</u>	<u>(693,619)</u>	<u>(855,900)</u>	<u>(662,000)</u>	<u>(232,000)</u>
Total Other Sources (Uses):	<u>\$100,267</u>	<u>\$11,381</u>	<u>(\$165,900)</u>	<u>(\$39,146)</u>	<u>\$360,722</u>
Fund Balance Beg. of Fiscal Year	<u>\$2,204,647</u>	<u>\$4,038,634</u>	<u>\$6,406,274</u>	<u>\$10,354,967</u>	<u>\$13,217,900</u>
Fund Balance End of Fiscal Year	<u><u>\$4,038,634</u></u>	<u><u>\$6,406,274</u></u>	<u><u>\$10,354,967</u></u>	<u><u>\$13,217,900</u></u>	<u><u>\$15,301,566</u></u>

Source: Audited Annual Financial Reports of the City.

Note: This table is NOT audited.

Statement of Revenues, Expenditures and Fund Balance
Sewer Fund - City of Tonawanda

	Fiscal Year Ending December 31:				
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Revenues:					
Departmental Income	\$2,274,931	\$2,193,498	\$2,175,723	\$2,214,676	\$2,383,902
Miscellaneous Local Sources	0	86,692	750	0	9,281
Use of Money & Property	<u>1,268</u>	<u>440</u>	<u>51,563</u>	<u>28,213</u>	<u>71,361</u>
Total Revenues	<u>\$2,276,199</u>	<u>\$2,280,630</u>	<u>\$2,228,036</u>	<u>\$2,242,889</u>	<u>\$2,464,544</u>
Expenditures:					
Home & Community Services	\$1,011,890	\$1,132,923	\$1,432,978	\$1,182,807	\$1,472,741
Employee Benefits	90,113	93,116	89,652	24,962	106,463
Debt Service	<u>430,385</u>	<u>426,938</u>	<u>447,277</u>	<u>648,802</u>	<u>399,912</u>
Total Expenditures	<u>\$1,532,388</u>	<u>\$1,652,977</u>	<u>\$1,969,907</u>	<u>\$1,856,571</u>	<u>\$1,979,116</u>
Excess (Deficit) Revenues Over Expenditures	<u>\$743,811</u>	<u>\$627,653</u>	<u>\$258,129</u>	<u>\$386,318</u>	<u>\$485,428</u>
Other Sources (Uses):					
Operating Transfers In	\$0	\$8,619	\$90,000	\$0	\$0
Operating Transfers Out	<u>(490,000)</u>	<u>(540,000)</u>	<u>(490,000)</u>	<u>(422,854)</u>	<u>(405,000)</u>
Total Other Sources (Uses):	<u>(\$490,000)</u>	<u>(\$531,381)</u>	<u>(\$400,000)</u>	<u>(\$422,854)</u>	<u>(\$405,000)</u>
Fund Balance Beginning of Fiscal Year	<u>\$595,340</u>	<u>\$849,151</u>	<u>\$945,423</u>	<u>\$803,552</u>	<u>\$767,016</u>
Fund Balance End of Fiscal Year	<u><u>\$849,151</u></u>	<u><u>\$945,423</u></u>	<u><u>\$803,552</u></u>	<u><u>\$767,016</u></u>	<u><u>\$847,444</u></u>

Source: Audited Annual Financial Reports of the City.

Note: This table is NOT audited.

Statement of Revenues, Expenditures and Fund Balance
Water Fund - City of Tonawanda

	Fiscal Year Ending December 31:				
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Revenues:					
Departmental Income	<u>\$229,968</u>	<u>\$181,975</u>	<u>\$149,897</u>	<u>\$153,027</u>	<u>\$187,722</u>
Total Revenues	<u>\$229,968</u>	<u>\$181,975</u>	<u>\$149,897</u>	<u>\$153,027</u>	<u>\$187,722</u>
Expenditures:					
Total Expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Excess (Deficit) Revenues Over Expenditures	<u>\$229,968</u>	<u>\$181,975</u>	<u>\$149,897</u>	<u>\$153,027</u>	<u>\$187,722</u>
Other Sources (Uses):					
Operating Transfers Out	<u>(\$200,000)</u>	<u>(\$200,000)</u>	<u>(\$200,000)</u>	<u>(\$200,000)</u>	<u>(\$187,722)</u>
Total Other Sources (Uses)	<u>(\$200,000)</u>	<u>(\$200,000)</u>	<u>(\$200,000)</u>	<u>(\$200,000)</u>	<u>(\$187,722)</u>
Fund Balance Beg. of Fiscal Year	<u>\$91,399</u>	<u>\$121,367</u>	<u>\$103,342</u>	<u>\$53,239</u>	<u>\$6,266</u>
Fund Balance End of Fiscal Year	<u><u>\$121,367</u></u>	<u><u>\$103,342</u></u>	<u><u>\$53,239</u></u>	<u><u>\$6,266</u></u>	<u><u>\$6,266</u></u>

Source: Audited Annual Financial Reports of the City.

Note: This table is NOT audited.

Balance Sheet
General Fund - City of Tonawanda

Fiscal Year Ending December 31:

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Assets:					
Cash & Cash Equivalents	\$3,056,442	\$5,244,143	\$8,584,725	\$10,253,924	\$10,660,557
Restricted Cash & Cash Equivalents	0	0	2,151,391	4,046,147	4,259,717
Taxes Receivable	2,277,017	2,919,830	2,738,869	2,480,098	3,203,930
Accounts Receivable	152,190	257,926	206,840	267,482	246,026
Due from Other Governments	737,425	722,925	725,725	821,095	828,659
Due from Other Funds	0	797,206	113,131	1,118,248	1,220,574
Prepaid Expenses	493,961	450,695	514,462	490,315	526,821
Restricted Assets	137,613	4,643,811	0	0	0
Total Assets:	<u>\$6,854,648</u>	<u>\$15,036,536</u>	<u>\$15,035,143</u>	<u>\$19,477,309</u>	<u>\$20,946,284</u>
Liabilities:					
Accounts Payable	\$86,527	\$264,461	\$511,006	\$452,070	\$367,200
Accrued Liabilities	559,747	626,937	701,084	741,886	581,363
Due to Other Governments	845,114	4,506,198	1,060,256	1,302,609	1,700,984
Due to Other Funds	0	1,877,259	34,087	1,407	3,333
Unearned Revenue	0	0	958,257	2,610,643	2,238,116
Total Liabilities	<u>\$1,491,388</u>	<u>\$7,274,855</u>	<u>\$3,264,690</u>	<u>\$5,108,615</u>	<u>\$4,890,996</u>
Deferred Inflows of Resources	<u>\$1,324,626</u>	<u>\$1,355,407</u>	<u>\$1,415,486</u>	<u>\$1,150,794</u>	<u>\$753,722</u>
Fund Balances:					
Nonspendable	\$493,961	\$450,695	\$514,462	\$490,315	\$526,821
Restricted	137,613	137,613	132,878	132,895	320,617
Assigned	331,972	545,491	1,608,902	3,584,140	4,725,256
Unassigned	3,075,088	5,272,475	8,098,725	9,010,550	9,728,872
Total Fund Balance	<u>\$4,038,634</u>	<u>\$6,406,274</u>	<u>\$10,354,967</u>	<u>\$13,217,900</u>	<u>\$15,301,566</u>
Total Liabilities & Fund Balance	<u>\$6,854,648</u>	<u>\$15,036,536</u>	<u>\$15,035,143</u>	<u>\$19,477,309</u>	<u>\$20,946,284</u>

Source: Audited Annual Financial Reports of the City.

Note: This table is NOT audited.

Balance Sheet
Sewer Fund - City of Tonawanda

	Fiscal Year Ending December 31:				
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Assets:					
Cash & Cash Equivalents	\$541,987	\$722,214	\$825,372	\$990,130	\$851,401
Other Receivables	562,205	482,517	495,013	407,003	605,734
Due from Other Funds	0	763,746	0	2,565	2,565
Prepaid Expenses	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>
Total Assets	<u>\$1,109,192</u>	<u>\$1,973,477</u>	<u>\$1,325,385</u>	<u>\$1,404,698</u>	<u>\$1,464,700</u>
Liabilities:					
Accounts Payable	\$255,285	\$63,132	\$334,550	\$486,479	\$270,851
Accrued Liabilities	4,756	8,437	7,670	9,170	9,170
Due to Other Funds	<u>0</u>	<u>956,485</u>	<u>179,613</u>	<u>142,033</u>	<u>337,235</u>
Total Liabilities	<u>\$260,041</u>	<u>\$1,028,054</u>	<u>\$521,833</u>	<u>\$637,682</u>	<u>\$617,256</u>
Fund Balances:					
Nonspendable	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Assigned	<u>844,151</u>	<u>940,423</u>	<u>798,552</u>	<u>762,016</u>	<u>842,444</u>
Total Fund Balance	<u>\$849,151</u>	<u>\$945,423</u>	<u>\$803,552</u>	<u>\$767,016</u>	<u>\$847,444</u>
Total Liabilities & Fund Balances	<u>\$1,109,192</u>	<u>\$1,973,477</u>	<u>\$1,325,385</u>	<u>\$1,404,698</u>	<u>\$1,464,700</u>

Source: Audited Annual Financial Reports of the City.

Note: This table is NOT audited.

Balance Sheet
Water Fund - City of Tonawanda

	Fiscal Year Ending December 31:				
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Assets:					
Cash & Cash Equivalents	\$58,543	\$253,819	\$3,841	\$0	\$187,722
Other Receivables	62,824	49,282	49,282	49,282	49,282
Due from Other Funds	<u>0</u>	<u>241</u>	<u>116</u>	<u>116</u>	<u>116</u>
Total Assets	<u>\$121,367</u>	<u>\$303,342</u>	<u>\$53,239</u>	<u>\$49,398</u>	<u>\$237,120</u>
Liabilities:					
Due to Other Funds	<u>\$0</u>	<u>\$200,000</u>	<u>\$0</u>	<u>\$43,132</u>	<u>\$230,854</u>
Total Liabilities	<u>\$0</u>	<u>\$200,000</u>	<u>\$0</u>	<u>\$43,132</u>	<u>\$230,854</u>
Fund Balances:					
Assigned	<u>\$121,367</u>	<u>\$103,342</u>	<u>\$53,239</u>	<u>\$6,266</u>	<u>\$6,266</u>
Total Fund Balances	<u>\$121,367</u>	<u>\$103,342</u>	<u>\$53,239</u>	<u>\$6,266</u>	<u>\$6,266</u>
Total Liabilities & Fund Balances	<u>\$121,367</u>	<u>\$303,342</u>	<u>\$53,239</u>	<u>\$49,398</u>	<u>\$237,120</u>

Source: Audited Annual Financial Reports of the City.

Note: This table is NOT audited.

Budget Summaries
Combined Funds - City of Tonawanda
Fiscal Year Ending December 31, 2025

	<u>General</u> ¹	<u>Sewer</u>
Revenues:		
Real Property Taxes	\$15,552,821	\$0
Real Property Tax Items	788,000	0
Non-Property Tax Items	6,520,000	0
Departmental Income	145,450	2,684,518
Intergovernmental Charges	238,000	0
Use of Money & Property	10,000	1,000
Licenses & Permits	183,000	0
Fines & Forfeitures	310,000	0
Sale of Prop. & Comp. for Loss	336,500	0
Miscellaneous Local Sources	53,000	0
State Aid	3,042,000	0
Interfund Transfers	405,000	0
Appropriated Fund Balance	2,047,052	0
Deficiency Tax	(435,000)	0
Total Revenues	<u>\$29,195,823</u>	<u>\$2,685,518</u>
Expenditures:		
General Government Support	\$3,263,410	\$0
Public Safety	8,639,143	0
Transportation	2,481,980	0
Culture & Recreation	1,308,790	0
Home & Community Services	1,733,170	1,661,649
Employee Benefits	9,330,663	91,274
Debt Service	2,438,667	527,595
Interfund Transfers	0	405,000
Total Expenditures	<u>\$29,195,823</u>	<u>\$2,685,518</u>

Source: Adopted Budgets of the City.

Notes: This table is NOT audited.

¹ The City eliminated the water fund in 2023. Relevant revenues and appropriations are now accounted for within the General Fund.

APPENDIX B

**CITY OF TONAWANDA
ERIE COUNTY, NEW YORK**

**AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023**

NOTE: SUCH FINANCIAL REPORT AND OPINIONS WERE PREPARED AS OF THE DATE THEREOF AND HAVE NOT BEEN REVIEWED AND/OR UPDATED BY THE CITY'S AUDITORS IN CONNECTION WITH THE PREPARATION AND DISSEMINATION OF THIS OFFICIAL STATEMENT. CONSENT OF THE AUDITORS FOR INCLUSION OF THE AUDITED FINANCIAL REPORT IN THIS OFFICIAL STATEMENT HAS NEITHER BEEN REQUESTED NOR OBTAINED.

**CITY OF TONAWANDA,
NEW YORK**

*Basic Financial Statements and Required Supplementary
Information for the Year Ended December 31, 2023
and Independent Auditors' Reports*

CITY OF TONAWANDA, NEW YORK
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INDEPENDENT AUDITORS' REPORT

Honorable City Council
City of Tonawanda, New York:

Report on the Audit of the Financial Statements

Adverse and Unmodified Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Tonawanda, New York (the "City"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents.

Unmodified Opinions on the Governmental Activities, Major Funds, and Aggregate Remaining Fund Information

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the primary government of the City, as of December 31, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adverse Opinion on the Reporting Entity

In our opinion, because of the significance of the matter described in the Basis for Adverse and Unmodified Opinion section of our report, the primary government financial statements do not present fairly the financial position of the reporting entity of the City, as of December 31, 2023, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America, the City has issued separate reporting entity financial statements, for which we have issued our report dated October 15, 2024.

Basis for Adverse and Unmodified Opinions

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

Matters Giving Rise to Adverse Opinion on the Reporting Entity

The financial statements include only the primary government of the City, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. These primary government financial statements do not include financial data for the City's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and GAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis and other Required Supplementary Information, as listed in the table of contents, be presented to supplement the primary government basic financial statements. Such information is the responsibility of management and, although not a part of the primary government 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 primary government basic financial statements, and other knowledge we obtained during our audit of the primary government 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 15, 2024 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 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.

Drescher & Malecki LLP

October 15, 2024

CITY OF TONAWANDA, NEW YORK
Management's Discussion and Analysis
Year Ended December 31, 2023

As management of the City of Tonawanda, 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 year ended December 31, 2023. The financial statements referred to above include only the primary government of the City, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component unit, the Tonawanda Housing Authority, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. We encourage readers to consider the information presented here in conjunction with additional information contained in the City's financial statements, which follow this narrative.

Financial Highlights

- The liabilities and deferred inflows of resources of the City exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$2,480,420 (*net position*). This consists of \$26,417,980 net investment in capital assets, \$329,792 restricted for specific purposes, offset by an unrestricted net position of \$(29,228,192).
- The City's primary government net position increased by \$7,074,759 during the year ended December 31, 2023.
- At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$16,225,130, an increase of \$2,837,365 in comparison with the prior year's fund balance of \$13,387,765.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$9,728,872, or approximately 38.5 percent of General Fund expenditures and transfers out. This total amount is *available for spending* at the City's discretion and constitutes approximately 63.6 percent of the General Fund's total fund balance of \$15,301,566 at December 31, 2023.
- The City's total bonded indebtedness decreased \$2,180 during the current fiscal year as a result of the issuance of \$5,592,190 in serial bonds, partially offset by the refunding of Environmental Impact Bonds totaling \$4,064,458 and scheduled principal payments made in the amount of \$1,529,912.

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 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., 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 City reports no business-type activities.

The government-wide financial statements can be found on pages 12-13 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 are considered governmental 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 seven 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, Sewer Fund, Water Fund, and Capital Projects Fund, which are considered to be major funds. Data from the other three funds are combined into a single aggregated presentation.

The basic governmental fund financial statements can be found on pages 14-17.

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 18-42 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City’s net pension liability, the City’s OPEB liability and related ratios, and the City’s budgetary comparison schedules for the General Fund, Sewer Fund, and Water Fund. Required Supplementary Information and related notes to the required supplementary information can be found on pages 43-51 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government’s financial position. In the case of the City, liabilities and deferred inflows of resources of the primary government exceeded assets and deferred outflows of resources by \$2,480,420 at the close of the most recent fiscal year, as compared to a deficit of \$9,555,179 at the close of the fiscal year ended December 31, 2022.

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	
	December 31,	
	2023	2022
Current assets	\$ 30,071,883	\$ 26,670,558
Noncurrent assets	44,889,906	44,121,122
Total assets	74,961,789	70,791,680
Deferred outflows of resources	10,036,796	10,589,599
Current liabilities	13,254,125	12,222,856
Noncurrent liabilities	64,916,680	55,253,211
Total liabilities	78,170,805	67,476,067
Deferred inflows of resources	9,308,200	23,460,391
Net position:		
Net investment in capital assets	26,417,980	22,978,620
Restricted	329,792	142,070
Unrestricted	(29,228,192)	(32,675,869)
Total net position	\$ (2,480,420)	\$ (9,555,179)

The City’s net investment in capital assets, \$26,417,980, reflects its investment in capital assets (e.g. land, buildings, improvements and equipment), net of accumulated depreciation and less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide a variety of 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 used 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 \$329,792 represents resources that are subject to external restrictions imposed by creditors, grantors, contributions, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

The remaining balance of the City's net position, \$(29,228,192), represents an unrestricted net position deficit. This deficit does not mean that the City does not have resources available to meet its obligations in the ensuing year. Rather, it reflects liabilities not related to the County's capital assets and are not expected to be repaid from current resources. These long-term liabilities including compensated absences, other postemployment benefits ("OPEB") obligations, and net pension liability are funded annually within the funds.

Table 2, presented below, shows the changes in net position for the years ended December 31, 2023 and December 31, 2022.

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

	Governmental Activities	
	Year Ended December 31,	
	2023	2022
Program revenues:		
Charges for services	\$ 3,690,787	\$ 3,577,236
Operating grants and contributions	208,474	190,971
Capital grants and contributions	3,438,672	243,995
General revenues	<u>26,741,320</u>	<u>24,573,206</u>
Total revenues	<u>34,079,253</u>	<u>28,585,408</u>
Program expenses	<u>27,004,494</u>	<u>22,886,571</u>
Change in net position	7,074,759	5,698,837
Net position—beginning	<u>(9,555,179)</u>	<u>(15,254,016)</u>
Net position—ending	<u>\$ (2,480,420)</u>	<u>\$ (9,555,179)</u>

Governmental activities—Governmental activities increased the City's net position by \$7,074,759. Overall revenues of the governmental activities increased 19.2 percent from the prior year. This increase was primarily the result of increased capital grants from the Department of Transportation. Total expenses increased 18.0 percent from the prior year, which is primarily attributable to an increase in allocable employee benefits relating to the net pension liability.

A summary of sources of revenues for the years ended December 31, 2023 and December 31, 2022 is presented below in Table 3.

Table 3—Summary of Sources of Revenues—Governmental Activities

	Year Ended December 31,		Increase/(Decrease)	
	2023	2022	Dollars	Percent (%)
Charges for services	\$ 3,690,787	\$ 3,577,236	\$ 113,551	3.2
Operating grants and contributions	208,474	190,971	17,503	9.2
Capital grants and contributions	3,438,672	243,995	3,194,677	1309.3
Property taxes	15,153,399	14,433,448	719,951	5.0
Non-property taxes	6,611,246	6,437,499	173,747	2.7
Mortgage tax	335,031	317,044	17,987	5.7
Use of money and property	185,167	30,059	155,108	516.0
Sale of property and compensation for loss	68,681	160,471	(91,790)	(57.2)
Miscellaneous	1,785,692	592,581	1,193,111	201.3
Unrestricted state aid	2,602,104	2,602,104	-	0.0
Total revenues	<u>\$ 34,079,253</u>	<u>\$ 28,585,408</u>	<u>\$ 5,493,845</u>	19.2

The City's most significant sources of revenue for the year ended December 31, 2023 were property taxes of \$15,153,399, or 44.5 percent of total revenues, non-property taxes of \$6,611,246, or 19.4 percent of total revenues, and charges for services of \$3,690,787, or 10.8 percent of total revenues. For the year ended December 31, 2022 the City's most significant sources of revenue were property taxes of \$14,433,448, or 50.5 percent of total revenues, non-property taxes of \$6,437,499, or 22.5 percent of total revenues, and unrestricted state aid of \$2,602,104, or 9.1 percent of total revenues.

A summary of program expenses for the years ended December 31, 2023 and December 31, 2022 is presented below in Table 4.

Table 4—Summary of Program Expenses—Governmental Activities

	Year Ended December 31,		Increase/(Decrease)	
	2023	2022	Dollars	Percent (%)
General government support	\$ 3,702,186	\$ 3,011,220	\$ 690,966	22.9
Public safety	11,063,191	9,299,591	1,763,600	19.0
Transportation	4,693,228	4,026,722	666,506	16.6
Culture and recreation	2,415,915	1,960,931	454,984	23.2
Home and community services	4,513,916	4,350,278	163,638	3.8
Interest and other fiscal charges	616,058	237,829	378,229	159.0
Total program expenses	<u>\$ 27,004,494</u>	<u>\$ 22,886,571</u>	<u>\$ 4,117,923</u>	18.0

The City's most significant expense items for the year ended December 31, 2023 were public safety of \$11,063,191, or 41.0 percent of total expenses, transportation of \$4,693,228, or 17.4 percent of total expenses, and home and community services of \$4,513,916, or 16.7 percent of total expenses. Similarly, for the year ended December 31, 2022 the City's most significant expense items were public safety of \$9,299,591, or 40.6 percent of total expenses, home and community services of \$4,350,278, or 19.0 percent of total expenses, and transportation of \$4,026,722, or 17.6 percent of total expenses.

Financial Analysis of Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related 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 been limited to use for a particular purpose by an external party, the City itself, or a group of individuals that has been delegated authority to assign resources for use for particular purposes by the City Council.

At December 31, 2023, the City’s governmental funds reported combined ending fund balances of \$16,225,130, an increase of \$2,837,365 from the prior year. Approximately 58.6 percent of this amount, \$9,515,235, constitutes *unassigned fund balance*, which is available for spending at the City’s discretion. The remainder of fund balance is either *nonspendable*, *restricted*, or *assigned* to indicate that it is: (1) not in spendable form, \$531,821, (2) restricted for particular purposes, \$329,792, or (3) assigned for particular purposes, \$5,848,282.

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 \$9,728,872, while total fund balance increased to \$15,301,566. 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 and transfers out. Unassigned fund balance represents approximately 38.5 percent of General Fund expenditures and transfers out, while total fund balance represents 60.6 percent of that same amount.

The City’s Sewer Fund ending fund balance was \$847,444, of which \$842,444 is reported as fund balance assigned for specific (Sewer Fund) use. During the year ended December 31, 2023, the Sewer Fund balance increased \$80,428 due primarily to increased Sewer Fund departmental income.

The City’s Water Fund ending fund balance was \$6,266. This entire amount is reported as fund balance assigned for specific (Water Fund) use. During the year ended December 31, 2023, the Water Fund balance remained the same as the prior year.

The City’s Capital Projects Fund accounts for the construction and reconstruction of general public improvements. At the end of the current fiscal year, ending fund balance was in a deficit position of (\$213,637). During the year ended December 31, 2023, fund balance increased by \$654,200 primarily as a result of the issuance of long term debt. This deficit will be remedied through the issuance of long-term debt.

General Fund Budgetary Highlights

The City’s General Fund budget generally contains budget amendments during the year. The budget is allowed to be amended upward (increased) for prior year’s encumbrances since the funds were allocated under the previous year’s budget, and the City has appropriately assigned an equal amount of fund balance at year-end for this purpose. Furthermore, the budget is allowed to be amended upward (increased) for additional current year appropriations supported by an increase in budgeted revenues. A budgetary comparison schedule within the required supplementary information section of this report has been provided to demonstrate compliance with their budget.

A summary of the General Fund results of operations for the year ended December 31, 2023 is presented below in Table 5:

Table 5—General Fund Budget

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues and other financing sources	\$ 26,323,376	\$ 26,409,943	\$ 27,329,958	\$ 920,015
Expenditures and other financing uses	27,173,376	26,774,276	25,246,292	1,527,984
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (850,000)</u>	<u>\$ (364,333)</u>	<u>\$ 2,083,666</u>	<u>\$ 2,447,999</u>

Final budget compared to actual results—A review of actual revenues and expenditures compared to the estimated revenues and appropriations in the final budget yields certain variances. The most significant revenue variances occurred within non-property tax items due to actual revenue from non-property tax items. The most significant expenditure variances relate to savings in general government support due to spending less than anticipated on retirement costs and taxes. In addition, costs for transportation expenditures were less than budgeted appropriations by \$446,592, due to less infrastructure projects being performed.

Capital Asset and Debt Administration

Capital assets—The City’s investment in capital assets for its governmental activities as of December 31, 2023, amounted to \$44,889,906 (net of accumulated depreciation). This investment in capital assets includes land, buildings and building improvements, machinery and equipment, and infrastructure.

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 primary government at the years ended December 31, 2023 and December 31, 2022 are presented below in Table 6.

Table 6—Summary of Capital Assets (Net of Depreciation)

	Governmental Activities	
	December 31,	
	2023	2022
Land	\$ 328,850	\$ 328,850
Construction in progress	3,484,657	10,846,008
Buildings and building improvements	10,809,097	5,515,963
Machinery and equipment	3,149,441	2,202,282
Infrastructure	27,117,861	23,808,969
Total	<u>\$ 44,889,906</u>	<u>\$ 42,702,072</u>

Additional information on the City’s capital assets can be found in Note 4 to the financial statements.

Long-term debt—The City’s total bonded indebtedness decreased \$2,180 during the current fiscal year as a result of the issuance of \$5,592,190 in serial bonds, partially offset by the refunding of Environmental Impact Bonds totaling \$4,064,458 and scheduled principal payments made in the amount of \$1,529,912.

The City’s governmental activities also have recorded debt for landfill post-closure costs, pollution remediation obligation, compensated absences, workers’ compensation other postemployment benefits (“OPEB”) obligation, and the net pension liability.

A summary of the City’s long-term liabilities at December 31, 2023 and 2022 is presented below within Table 8.

Table 8—Summary of Long-Term Liabilities

	Governmental Activities	
	December 31,	
	2023	2022
Serial bonds	\$ 18,142,935	\$ 18,145,115
Premium on serial bonds	107,038	114,054
Landfill post-closure costs	180,000	200,000
Pollution remediation obligation	-	750,000
Compensated absences	3,703,994	3,321,720
Workers' compensation	1,337,063	2,049,171
OPEB obligation	28,325,971	29,778,007
Net pension liability	13,119,679	895,144
Total	<u>\$ 64,916,680</u>	<u>\$ 55,253,211</u>

Additional information on the City’s long-term liabilities can be found in Note 10 to the financial statements.

Economic Factors and Next Year’s Budgets and Rates

The unemployment rate, not seasonally adjusted, for Erie County during December 2023 was 4.4 percent, as compared to New York State’s unemployment rate of 4.5 percent and to the national unemployment rate of 3.7 percent. These factors are considered in preparing the City’s budget.

The City considered current year operational expenses and estimated increases based on economic factors when establishing the 2024 budget. The City’s 2024 budget includes the appropriation of \$2,730,620 of fund balance in the General Fund.

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. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Treasurer, City of Tonawanda, 200 Niagara Street, Tonawanda, New York 14150.

BASIC FINANCIAL STATEMENTS

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CITY OF TONAWANDA, NEW YORK
Statement of Net Position
December 31, 2023

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 12,018,985
Restricted cash and cash equivalents	12,006,475
Taxes receivable	3,203,930
Receivables	909,217
Intergovernmental receivables	1,401,455
Prepaid items	531,821
Capital assets not being depreciated	3,813,507
Capital assets, net of accumulated depreciation	41,076,399
Total assets	<u>74,961,789</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows—relating to pensions	9,612,571
Deferred outflows—relating to OPEB	424,225
Total deferred outflows of resources	<u>10,036,796</u>
LIABILITIES	
Accounts payable	1,204,409
Accrued liabilities	794,982
Intergovernmental payables	1,702,618
Unearned revenue	2,988,116
Bond anticipation notes payable	6,564,000
Noncurrent liabilities:	
Due within one year	1,787,569
Due in more than one year	63,129,111
Total liabilities	<u>78,170,805</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows—relating to pensions	1,225,848
Deferred inflows—relating to OPEB	8,082,352
Total deferred inflows of resources	<u>9,308,200</u>
NET POSITION	
Net investment in capital assets	26,417,980
Restricted for:	
Insurance	132,895
Water surcharges	187,722
Other	9,175
Unrestricted	<u>(29,228,192)</u>
Total net position	<u><u>\$ (2,480,420)</u></u>

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

CITY OF TONAWANDA, NEW YORK
Statement of Activities
Year Ended December 31, 2023

					Net (Expense) Revenue and Changes in Net Position
Function/Program	Expenses	Program Revenues			Primary Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government support	\$ 3,702,186	\$ 314,633	\$ 90,000	\$ -	\$ (3,297,553)
Public safety	11,063,191	499,834	118,474	-	(10,444,883)
Transportation	4,693,228	37,994	-	3,438,672	(1,216,562)
Culture and recreation	2,415,915	183,520	-	-	(2,232,395)
Home and community services	4,513,916	2,654,806	-	-	(1,859,110)
Interest and other fiscal charges	616,058	-	-	-	(616,058)
Total primary government	<u>\$ 27,004,494</u>	<u>\$ 3,690,787</u>	<u>\$ 208,474</u>	<u>\$ 3,438,672</u>	<u>(19,666,561)</u>
General revenues:					
					15,153,399
					6,611,246
					185,167
					68,681
					1,785,692
					2,937,135
					<u>26,741,320</u>
					7,074,759
					<u>(9,555,179)</u>
					\$ (2,480,420)

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

CITY OF TONAWANDA, NEW YORK
Balance Sheet—Governmental Funds
December 31, 2023

		Special Revenue		Capital	Total	Total
	General	Sewer	Water	Projects	Nonmajor	Governmental
	Fund	Fund	Fund	Fund	Funds	Funds
ASSETS						
Cash and cash equivalents	\$ 10,660,557	\$ 851,401	\$ 187,722	\$ -	\$ 319,305	\$ 12,018,985
Restricted cash and cash equivalents	4,259,717	-	-	7,745,758	1,000	12,006,475
Taxes receivable	3,203,930	-	-	-	-	3,203,930
Receivables	246,026	605,734	49,282	-	8,175	909,217
Intergovernmental receivables	828,659	-	-	572,796	-	1,401,455
Due from other funds	1,220,574	2,565	116	1,878	-	1,225,133
Prepaid items	526,821	5,000	-	-	-	531,821
Total assets	<u>\$ 20,946,284</u>	<u>\$ 1,464,700</u>	<u>\$ 237,120</u>	<u>\$ 8,320,432</u>	<u>\$ 328,480</u>	<u>\$ 31,297,016</u>
LIABILITIES						
Accounts payable	\$ 367,200	\$ 270,851	\$ -	\$ 566,358	\$ -	\$ 1,204,409
Accrued liabilities	581,363	9,170	-	-	43,355	633,888
Intergovernmental payables	1,700,984	-	-	-	1,634	1,702,618
Due to other funds	3,333	337,235	230,854	653,711	-	1,225,133
Unearned revenue	2,238,116	-	-	750,000	-	2,988,116
Bond anticipation notes payable	-	-	-	6,564,000	-	6,564,000
Total liabilities	<u>4,890,996</u>	<u>617,256</u>	<u>230,854</u>	<u>8,534,069</u>	<u>44,989</u>	<u>14,318,164</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue—Property taxes	<u>753,722</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>753,722</u>
Total deferred inflows of resources	<u>753,722</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>753,722</u>
FUND BALANCES (DEFICIT)						
Nonspendable	526,821	5,000	-	-	-	531,821
Restricted	320,617	-	-	-	9,175	329,792
Assigned	4,725,256	842,444	6,266	-	274,316	5,848,282
Unassigned	9,728,872	-	-	(213,637)	-	9,515,235
Total fund balances (deficit)	<u>15,301,566</u>	<u>847,444</u>	<u>6,266</u>	<u>(213,637)</u>	<u>283,491</u>	<u>16,225,130</u>
Total liabilities, deferred inflows of resources and fund balances (deficit)	<u>\$ 20,946,284</u>	<u>\$ 1,464,700</u>	<u>\$ 237,120</u>	<u>\$ 8,320,432</u>	<u>\$ 328,480</u>	<u>\$ 31,297,016</u>

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

CITY OF TONAWANDA, NEW YORK
Reconciliation of the Balance Sheet—Governmental Funds
to the Government-wide Statement of Net Position
December 31, 2023

Amounts reported for governmental activities in the statement of net position (page 12) are different because:

Total fund balances (deficit)—governmental funds (page 14)		\$ 16,225,130
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements. The cost of the assets is \$94,013,018 and the accumulated depreciation is \$49,123,112.		44,889,906
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the fund statements:		
Deferred outflows related to employer contributions	\$ 1,595,463	
Deferred outflows related to experience, changes of assumptions		
investment earnings, and changes in proportion	8,017,108	
Deferred inflows related to pension plans	(1,225,848)	
Deferred outflows related to OPEB	424,225	
Deferred inflows related to OPEB	<u>(8,082,352)</u>	728,596
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.		753,722
Net accrued interest expense for serial bonds is not reported in the fund statements.		(161,094)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements. The effects of these items are:		
Serial bonds	\$ (18,142,935)	
Premium on serial bonds	(107,038)	
Landfill post-closure costs	(180,000)	
Compensated absences	(3,703,994)	
Workers' compensation	(1,337,063)	
Other postemployment benefits obligation	(28,325,971)	
Net pension liability	<u>(13,119,679)</u>	(64,916,680)
Net position of governmental activities		<u><u>\$ (2,480,420)</u></u>

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

CITY OF TONAWANDA, NEW YORK
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)—Governmental Funds
Year Ended December 31, 2023

	General Fund	Special Revenue		Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
	Fund	Sewer Fund	Water Fund	Fund	Funds	Funds
REVENUES						
Real property taxes	\$ 14,562,522	\$ -	\$ -	\$ -	\$ -	\$ 14,562,522
Other tax items	987,949	-	-	-	-	987,949
Non property tax items	6,611,246	-	-	-	-	6,611,246
Departmental income	218,012	2,383,902	187,722	7,175	126,775	2,923,586
Intergovernmental charges	271,079	-	-	-	-	271,079
Use of money and property	66,620	71,361	-	47,044	142	185,167
Licenses and permits	172,221	-	-	-	-	172,221
Fines and forfeitures	323,901	-	-	-	-	323,901
Sale of property and compensation for loss	68,681	-	-	-	-	68,681
Miscellaneous	309,396	9,281	-	1,467,015	-	1,785,692
State aid	3,035,365	-	-	3,438,672	-	6,474,037
Federal aid	110,244	-	-	-	-	110,244
Total revenues	<u>26,737,236</u>	<u>2,464,544</u>	<u>187,722</u>	<u>4,959,906</u>	<u>126,917</u>	<u>34,476,325</u>
EXPENDITURES						
Current:						
General government support	2,542,306	-	-	-	-	2,542,306
Public safety	7,645,592	-	-	-	55,205	7,700,797
Transportation	2,088,656	-	-	-	-	2,088,656
Culture and recreation	1,423,817	-	-	-	52,641	1,476,458
Home and community services	1,694,314	1,472,741	-	-	-	3,167,055
Employee benefits	7,936,770	106,463	-	-	-	8,043,233
Debt service:						
Principal	1,130,000	399,912	-	-	-	1,529,912
Interest and other fiscal charges	552,837	-	-	-	-	552,837
Capital outlay	-	-	-	6,065,438	-	6,065,438
Total expenditures	<u>25,014,292</u>	<u>1,979,116</u>	<u>-</u>	<u>6,065,438</u>	<u>107,846</u>	<u>33,166,692</u>
Excess (deficiency) of revenues over expenditures	<u>1,722,944</u>	<u>485,428</u>	<u>187,722</u>	<u>(1,105,532)</u>	<u>19,071</u>	<u>1,309,633</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	592,722	-	-	232,000	-	824,722
Transfers out	(232,000)	(405,000)	(187,722)	-	-	(824,722)
Serial bonds issued	-	-	-	2,495,515	-	2,495,515
Refunding bonds issued	-	-	-	3,096,675	-	3,096,675
Payment to escrow agent	-	-	-	(4,064,458)	-	(4,064,458)
Total other financing sources and (uses)	<u>360,722</u>	<u>(405,000)</u>	<u>(187,722)</u>	<u>1,759,732</u>	<u>-</u>	<u>1,527,732</u>
Net change in fund balances (deficit)	2,083,666	80,428	-	654,200	19,071	2,837,365
Fund balances (deficit)—beginning	<u>13,217,900</u>	<u>767,016</u>	<u>6,266</u>	<u>(867,837)</u>	<u>264,420</u>	<u>13,387,765</u>
Fund balances (deficit)—ending	<u>\$ 15,301,566</u>	<u>\$ 847,444</u>	<u>\$ 6,266</u>	<u>\$ (213,637)</u>	<u>\$ 283,491</u>	<u>\$ 16,225,130</u>

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

CITY OF TONAWANDA, NEW YORK
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances (Deficit)—Governmental Funds to the Government-wide Statement of Activities
Year Ended December 31, 2023

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

Net change in fund balances—total governmental funds (page 16)		\$ 2,837,365
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 capital outlays exceeded depreciation expense in the current period.		
Capital asset additions, net	\$ 4,769,489	
Depreciation expense	<u>(2,581,655)</u>	2,187,834
Net differences between pension contributions recognized on the fund financial statements and the government-wide financial statements are as follows:		
City pension contributions	\$ 2,090,779	
Cost of benefits earned net of employee contributions	<u>(3,933,627)</u>	(1,842,848)
Deferred outflows and inflows of resources relating to OPEB result from actuarial changes in the census, changes in medical premiums that are different than expected, and changes in assumptions and other inputs. These amounts are shown net of current amortization.		
		1,798,651
Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows in the fund statements.		
		(397,072)
In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid.		
		(70,237)
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 current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect 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:		
Serial bonds issued	\$ (2,495,515)	
Refunding bonds issued	(3,096,675)	
Repayment of serial bonds	1,529,912	
Payment to refunded bond escrow	4,064,458	
Amortization of premium on serial bonds issued	7,016	
Change in landfill post-closure costs	20,000	
Change in pollution remediation obligation	750,000	
Change in compensated absences	(382,274)	
Change in workers' compensation	712,108	
Change in other postemployment benefits obligation	<u>1,452,036</u>	2,561,066
Change in net position of governmental activities		<u>\$ 7,074,759</u>

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

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CITY OF TONAWANDA, NEW YORK
Notes to the Financial Statements
December 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Tonawanda, New York (the “City”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to governmental units, except that the City’s financial statements do not include the financial activities of the Tonawanda Housing Authority, a component unit of the City. 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 City. 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. The City reports no business-type activities. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

Reporting Entity

The City, which was originally incorporated as a Village in 1854 and was established as a City in 1903, is governed by the charter of the City of Tonawanda, other general laws of the State of New York and various local laws and ordinances. The Common Council, which is the legislative body responsible for the overall operation of the City, consists of a council president and four aldermen.

The financial reporting entity includes organizations, functions and activities over which elected officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Blended component units, although legally separate entities, are, in substance, part of the City’s operations. Discretely presented component units should be reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the City; however, the City has elected not to evaluate certain potential component units nor consider them for financial statement presentation.

Blended Component Unit

The Tonawanda Public Library was established by the City and granted a charter by the Board of Regents as provided in Article 5 of the Education Law. The Library’s Trustees are appointed by the Mayor. The City is financially responsible for maintenance of the library building. All other library operations are financed by the County of Erie pursuant to contract. Title to real property used by the library is held by the City. Based upon these factors, the financial activities of the Tonawanda Public Library Fund are reported as a governmental fund (within Nonmajor Governmental Funds).

Departure from Generally Accepted Accounting Principles

The Tonawanda Housing Authority was created in 1942 pursuant to an act of the New York State Legislature, the creation of which was reaffirmed in 1957 through Public Housing Law, Article 13, Title 9. The members of the Housing Authority Board are appointed by the Mayor. The City is responsible for operating deficits not covered by the subsidy from the State. The Authority's debt is supported by debt service subsidies received under contract from the state government. The City is liable for the repayment of the loan and interest. Contractual provisions regarding the various housing projects have to be approved by the State Department of Housing and Community Renewal. Based upon these factors, the financial activities of the Tonawanda Housing Authority should be reported as a discrete presentation within the City's government-wide financial statements. However, the City has elected not to report such financial activities within these financial statements.

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. Separate financial statements are provided for governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments and charges between the City's various functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

- *General Fund*—The General Fund constitutes the primary operating fund of the City and includes all operations not required to be recorded in other funds. The principal source of revenue for the General Fund is real property taxes.
- *Sewer Fund*—The Sewer Fund is used to record all revenues and expenditures related to the transportation and treatment of City sewage. The principal source of revenue for the Sewer Fund is sewer usage fees.
- *Water Fund*—Water services are provided to the City by the Erie County Water Authority ("ECWA"). The Water Fund is used to record the billing and the collection of water surcharges (via ECWA).
- *Capital Projects Fund*—The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of major capital facilities. The principal sources of revenue and financing for the Capital Projects Fund are grants, bond proceeds and donations.

The City's nonmajor governmental funds are aggregated into a single column of the fund financial statements. Individual fund information is available from the City Treasurer's Office.

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 are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in 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.

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, pensions, and claims and judgments, 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 so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period of availability. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements are met and amount is received during the period of availability. All other revenue items are considered to be measurable and available only when cash is received by the City.

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

Cash, Cash Equivalents and Investments—The City's cash, cash equivalents and investments consist of 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. The City reported no investments at

December 31, 2023; however, when the City does have investments they reported at fair value in accordance with GASB.

Restricted Cash and Cash Equivalents—Restricted cash and cash equivalents represents amounts to support restricted fund balance, certain intergovernmental payables, unspent proceeds of debt and unearned revenues.

Receivables—Receivables include amounts due from state and federal governments which represent amounts owed to the City to reimburse it for expenditures incurred pursuant to state and federally funded programs. Additionally, the City records taxes receivables for unpaid City property taxes and receivables due for school tax collection fees, sewer rents, water surcharges and other miscellaneous items. Receivables are recorded and revenues recognized as earned. Allowances are recorded when appropriate.

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

Capital Assets—Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of its donation.

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>Years</u>
Buildings and building improvements	10 - 50
Machinery and equipment	5 - 20
Infrastructure	15 - 50

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 highway vehicle included as part of *expenditures—transportation*). 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 December 31, 2023, the City has two items that qualifies for reporting in this category. The first item represents the effect of the net change in the City's proportion of the collective net pension 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. The second item represents the effects of the change in the City's proportion of the collective OPEB liability and difference 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 OPEB liability, and is reported on the government-wide financial statements.

In addition to liabilities, the statement of financial position 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 December 31, 2023, the City has three items that qualify for reporting in this category. The first 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 contributions and its proportionate share of the total contributions to the pension systems not included in pension expense and is reported on the government-wide statements. The second item represents the effects of the change in the City's proportion of the collective OPEB liability and difference 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 OPEB liability and is reported on the government-wide financial statements. The third item, which arises only under a modified accrual basis of accounting, also qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes receivable. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

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

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 City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance or resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance or resolution remains in place until a similar action is taken (the adoption of another ordinance or resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as committed. The City Council may 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 an 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.

Property Taxes—Real property taxes are collected by the City Treasurer. Taxes are levied annually on April 1st for the fiscal year beginning the previous January 1st. City taxes are payable without penalty until May 1st. Thereafter, a 1% penalty is charged for each month that the taxes are overdue.

All City property taxes are the enforcement responsibility of the City. County and school taxes are also collected by the City. A settlement of collected County taxes is made on May 1st with the County Commissioner of Finance and enforcement of subsequent collections is the responsibility of the County. The City purchases unpaid school taxes after they have been outstanding for three years and then assumes responsibility for their collection. The City enforces all tax liens.

The City recognizes revenues in the fund financial statements only to the extent that they have been collected, or are expected to be collected, within 60 days of the year end.

Unearned Revenues—Certain revenues have not met the revenue recognition criteria for financial statement purposes. At December 31, 2023, the City reported \$2,238,116 and \$750,000 of unearned revenue in the General Fund and Capital Projects Fund, respectively. Of this amount, \$1,422,303 represents cash that the City received in advance related to the American Rescue Plan Act ("ARPA"), but has not incurred the expenditure and therefore recognizes a liability.

Compensated Absences—The City labor agreements and City Council rules and regulations provide for sick leave, vacations, and miscellaneous other paid absences. Upon retirement, certain eligible employees qualify for paid hospitalization insurance premiums and/or payment for fractional values of unused sick leave. These payments are budgeted annually without accrual. Estimated sick leave and compensatory time accumulated by governmental fund type employees are reported as liabilities in the government-wide financial statements.

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

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 and 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 6.

Other Postemployment Benefits (“OPEB”)—In addition to providing pension benefits, the City provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the City’s employees may become eligible for these benefits if they reach normal retirement age while working for the City, as discussed in Note 7.

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, expenditures, assets, liabilities, deferred outflows/inflows of resources, and disclosures of contingent assets and liabilities at the date of the financial statements during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements—During the year ended December 31, 2023, the City implemented GASB Statements No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; No. 96, *Subscription-Based Information Technology Arrangements*; and a portion of No. 99, *Omnibus 2022*. GASB Statement No. 94 improves financial reporting by addressing issues related to public-private and public-public partnerships arrangements (“PPPs”). GASB Statement No. 96 improves financial reporting by establishing a definition for Subscription-Based Information Technology Arrangements (“SBITAs”) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. A portion of GASB Statement No. 99 enhances comparability in the application of accounting and financial reporting requirements and improves the consistency of authoritative literature related to GASB Statements No. 94 and 96. The implementation of GASB Statements No. 94, 96, and a portion of 99 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 the remainder of GASB Statement No. 99, *Omnibus 2022*; No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*; and No. 101, *Compensated Absences*, effective for the year ending December 31, 2024; No. 102, *Certain Risk Disclosures*, effective for the year ending December 31, 2025; and No. 103, *Financial Reporting Model Improvements*; and GASB Statement No. 104, *Disclosure of Certain Capital Assets*, effective for the year ending December 31, 2026. The City is, therefore, unable to disclose the impact that adopting GASB Statements No. 99, 100, 101, 102, 103, and 104 will have on its financial position and results of operations when such statements are adopted.

Stewardship, Compliance and Accountability

Legal Compliance—Budgets

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

- Prior to August 1st, all City boards and departments are required to submit budget estimates, including appropriations and estimated revenues, for the following fiscal year to commence on January 1st.

- Following various meetings between the Budget Committee, a public hearing is held to obtain taxpayer comments and discuss revisions.
- The Common Council then adopts formal budgets for the General, Water and Sewer funds no later than the third Tuesday of November. All adopted budgets are for the fiscal year beginning the previous January 1st.
- Capital Project funds are subject to project budgets determined primarily by the bonding authorizations used to fund a particular project rather than annual budgetary appropriations, these budgets do not lapse at year end, rather, they lapse upon termination of the project.
- The annual operating budgets for the Public Library Fund are proposed and adopted by the Board of Trustees of the Erie County Public Libraries.
- Budgets for the Special Grant Fund are established upon City Common Council acceptance of grants for Community Development activities.
- During the fiscal year, the Common Council and/or City Treasurer can legally amend the operating budgets and is empowered to implement supplemental appropriations. Budget amendments are required for departmental budgetary control.

Additional information regarding the City's budgets can be found in the Notes to the Required Supplementary Information section of this report.

Deficit Net Position—At December 31, 2023, the City reported a net position deficit of \$1,684,471. The deficit is caused by long-term obligations that are greater than currently available resources.

Deficit Fund Balance—At December 31, 2023, the Capital Projects Fund reported a deficit fund balance of \$213,637. The reason for this deficit in this case is that the City issued bond anticipation notes ("BANs"), which do not qualify for treatment as a long-term liability. Accordingly, the BANs are reported as a fund liability in the Capital Projects Fund balance sheet (rather than an inflow on the statement of revenues, expenditures, and changes in fund balances). When the cash from the BANs is spent, expenditures are reported and fund balance is reduced. Because the BANs are the main source of resources for the fund, the result is an overall fund deficit. This deficit will be eliminated as resources are obtained (e.g., from revenues, long-term debt issuances, and transfers in) to make the scheduled debt service principal and interest payments on the BANs.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance (FDIC). The City has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligation 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, cash equivalents, and investments at December 31, 2023, are as follows:

	Governmental Activities
Petty cash (uncollateralized)	\$ 1,450
Deposits	<u>24,024,010</u>
Total	<u>\$ 24,025,460</u>

Deposits—All deposits are carried at fair value and are classified by custodial credit risk at December 31, 2023 as follows:

	Bank Balance	Carrying Amount
FDIC insured	\$ 849,812	\$ 849,812
Uninsured:		
Collateral held by pledging bank's agent in the City's name	<u>24,900,899</u>	<u>23,174,198</u>
Total	<u>\$ 25,750,711</u>	<u>\$ 24,024,010</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 New York State statute all deposits in excess of FDIC insurance coverage must be collateralized. At December 31, 2023, 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 restricted cash, totaling \$12,006,475 within the General Fund, Capital Projects Fund and Special Grants Fund. These funds represent amounts set aside to support restricted fund balances and certain intergovernmental payables in the amount of \$1,702,618, and unspent proceeds of debt and unearned revenues in the amount of \$10,303,857.

Investments—The City reported no investments at December 31, 2023.

Custodial Credit Risk—Investments—For investments, this is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. A margin of 2% or higher of the market value of purchased securities in repurchase transactions must be maintained and the securities must be held by a third party in the City's name.

Credit Risk—Investments—In compliance with the State law, City investments are limited to obligations of the Federal government, obligations guaranteed by the Federal government where the payment of principal and interest are guaranteed by the Federal government, obligations of the State, time deposit accounts and certificates of deposit issued by a bank or trust company located in, and authorized to do business in, the State, and certain joint or cooperative investment programs.

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

3. RECEIVABLES

Major revenues accrued by the City at December 31, 2023 consisted of the following:

Taxes Receivable—Consist of unpaid City property taxes. Amounts outstanding beyond the City's availability period of 60 days have been reported as deferred inflows on the balance sheet of the governmental funds and are recognized as revenue when the amounts are both measurable and available. The balance of taxes receivable at December 31, 2023 is \$3,203,930. The City believes that an allowance for doubtful accounts is not necessary at December 31, 2023.

Receivables—Represents amounts due for franchise fees, sewer rents, water surcharges and other miscellaneous items. Receivables at December 31, 2023 are presented below:

General Fund:		
Franchise fees	\$ 195,446	
Storm water management fees	19,558	
Court fees	22,141	
Miscellaneous	<u>8,881</u>	\$ 246,026
Sewer Fund:		
Sewer rents		605,734
Water Fund:		
Water surcharges		49,282
Special Grant Fund:		
Mortgage receivables		<u>8,175</u>
Total governmental funds		<u>\$ 909,217</u>

Intergovernmental Receivables—Represents amounts due from other units of government, such as Federal, New York State, County of Erie, County of Niagara or other local governments. Intergovernmental receivables at December 31, 2023 are presented below:

General Fund:	
Due from Erie County	\$ 828,659
Capital Projects Fund:	
Due from New York State	<u>572,796</u>
Total	<u>\$ 1,401,455</u>

4. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended December 31, 2023 was as follows:

	Balance 1/1/2023	Additions	Deletions	Balance 12/31/2023
Capital assets, not being depreciated:				
Land	\$ 328,850	\$ -	\$ -	\$ 328,850
Construction in progress	10,846,008	3,271,616	10,632,967	3,484,657
Total capital assets, not being depreciated	<u>11,174,858</u>	<u>3,271,616</u>	<u>10,632,967</u>	<u>3,813,507</u>
Capital assets, being depreciated:				
Buildings and building improvements	13,810,745	5,743,310	-	19,554,055
Machinery and equipment	10,153,684	1,497,873	-	11,651,557
Infrastructure	54,104,242	4,889,657	-	58,993,899
Total capital assets, being depreciated	<u>78,068,671</u>	<u>12,130,840</u>	<u>-</u>	<u>90,199,511</u>
Less accumulated depreciation for:				
Buildings and improvements	8,294,782	450,176	-	8,744,958
Machinery and equipment	7,951,402	550,714	-	8,502,116
Infrastructure	30,295,273	1,580,765	-	31,876,038
Total accumulated depreciation	<u>46,541,457</u>	<u>2,581,655</u>	<u>-</u>	<u>49,123,112</u>
Total capital assets, being depreciated, net	<u>31,527,214</u>	<u>9,549,185</u>	<u>-</u>	<u>41,076,399</u>
Governmental activities capital assets, net	<u>\$ 42,702,072</u>	<u>\$ 12,820,801</u>	<u>\$ 10,632,967</u>	<u>\$ 44,889,906</u>

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

Governmental activities:	
General government support	\$ 128,780
Public safety	299,438
Transportation	1,239,680
Culture and recreation	209,674
Home and community services	704,083
Total governmental activities	<u>\$ 2,581,655</u>

5. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at December 31, 2023 were as follows:

	General Fund	Sewer Fund	Nonmajor Funds	Total Governmental Funds
Salaries and employee benefits	\$ 452,173	\$ 9,170	\$ -	\$ 461,343
Judgments and claims - current	129,190	-	-	129,190
Other liabilities	-	-	43,355	43,355
Total	<u>\$ 581,363</u>	<u>\$ 9,170</u>	<u>\$ 43,355</u>	<u>\$ 633,888</u>

6. PENSION PLANS

Plan Descriptions and Benefits Provided

New York State and Local Police and Fire Retirement System (“PFRS”) and Employees’ Retirement System (“ERS”)—The City participates in the PFRS and ERS (the “Systems”), cost-sharing multiple employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. The net position of the Systems is 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%) of their salary for the first ten years of membership, and employees who joined on or after January 10, 2010 (ERS) or January 9, 2010 (PFRS), who generally contribute three percent (3%) to three and one half percent (3.5%) of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers’ contributions based on salaries paid during the System’s fiscal year ending March 31.

Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At December 31, 2023, the City reported the following liabilities for its proportionate share of the net pension liability for PFRS and ERS as presented on the next page. The net pension liabilities were measured as of March 31, 2023. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of April 1, 2022, with update procedures used to roll forward the total net pension liability to the measurement date. The City’s proportion of the net pension liability were based on projections of the City’s long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the Systems in reports provided to the City.

	PFRS	ERS
Measurement date	March 31, 2023	March 31, 2023
Net pension liability	\$ 8,955,567	\$ 4,164,112
City's portion of the Plan's total net pension liability	0.1625191%	0.0194185%

For the year ended December 31, 2023, the City recognized pension expense of \$2,543,648 and \$1,392,005, respectively, for PFRS and ERS. At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources as presented below:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	PFRS	ERS	PFRS	ERS
Differences between expected and actual experiences	\$ 875,317	\$ 443,511	\$ -	\$ 116,944
Changes in assumptions	4,364,025	2,022,362	-	22,351
Net difference between projected and actual earnings on pension plan investments	15,832	-	-	24,464
Changes in proportion and differences between the City's contributions and proportionate share of contributions	186,331	109,730	830,230	231,859
City contributions subsequent to the measurement date	1,147,851	447,612	-	-
Total	<u>\$ 6,589,356</u>	<u>\$ 3,023,215</u>	<u>\$ 830,230</u>	<u>\$ 395,618</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 December 31, 2024. 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 December 31,	PFRS	ERS
2024	\$ 786,936	\$ 484,055
2025	(374,323)	(270,442)
2026	2,506,702	832,471
2027	1,566,920	1,133,901
2028	125,040	-

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 presented on the following page.

	PFRS	ERS
Measurement date	March 31, 2023	March 31, 2023
Actuarial valuation date	April 1, 2022	April 1, 2022
Interest rate	5.9%	5.9%
Salary scale	6.2%	4.4%
Decrement tables	April 1, 2015- March 31, 2020	April 1, 2015- March 31, 2020
Inflation rate	2.9%	2.9%
Cost-of-living adjustments	1.5%	1.5%

Annuitant mortality rates are based on April 1, 2015 – March 31, 2020 Systems’ experience with adjustments for mortality improvements based on Society of Actuaries’ Scale MP-2021. The actuarial assumptions used in the April 1, 2022 valuations are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

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 weighting 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:

	PFRS and ERS	
	Target Allocation	Long-Term Expected Real Rate of Return
	March 31, 2023	
Measurement date		
Asset class:		
Domestic equities	32.0 %	4.3 %
International equities	15.0	6.9
Private equity	10.0	7.5
Real estate	9.0	4.6
Opportunistic/absolute return strategies	3.0	5.4
Credit	4.0	5.4
Real assets	3.0	5.8
Fixed income	23.0	1.5
Cash	1.0	0.0
Total	100.0 %	

Discount Rate—The discount rate used to calculate the total pension liabilities was 5.9%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. 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 liability/(asset) calculated using the discount rate of 5.9%, as well as what the City’s proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is one percentage-point lower (4.9%) or one percentage-point higher (6.9%) than the current assumption.

	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
Employer's proportionate share of the net pension liability—PFRS	\$ 18,668,300	\$ 8,955,567	\$ 912,842
Employer's proportionate share of the net pension liability/(asset)—ERS	10,062,874	4,164,112	(764,989)

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

	(Dollars in Thousands)		
	PFRS	ERS	Total
Valuation date	April 1, 2022	April 1, 2022	
Employers' total pension liability	\$ 43,835,333	\$ 232,627,259	\$ 276,462,592
Plan fiduciary net position	38,324,863	211,183,223	249,508,086
Employers' net pension liability	<u>\$ 5,510,470</u>	<u>\$ 21,444,036</u>	<u>\$ 26,954,506</u>
System fiduciary net position as a percentage of total pension liability	87.4%	90.8%	90.3%

7. OTHER POSTEMPLOYMENT BENEFITS (“OPEB”) OBLIGATION

Plan Description—In addition to providing pension benefits, the City provides health insurance coverage and/or payment for values of unused sick leave to eligible retired employees. The various collective bargaining agreements stipulate the employees covered and the percentage of contribution. Contributions by the City may vary according to length of service. The cost of providing postemployment benefits is shared between the City and the retired employee. The cost of retiree health care benefits is recognized as an expenditure/payable as claims are paid.

Employees Covered by Benefits Terms—At December 31, 2022, the valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	250
Active employees	<u>108</u>
Total	<u><u>358</u></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 (“AAL”) under GASB Statement No. 45.

Total OPEB Liability

The City’s total OPEB liability of \$28,325,971 was measured as of September 30, 2022, and was determined by an actuarial valuation as of December 31, 2022.

Actuarial Assumptions and Other Inputs—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 December 31, 2022 actuarial valuation, the entry age normal method, over a level percent of pay was used. The single discount rate changed from 4.40% effective December 31, 2022 to 4.64% effective December 31, 2023. The salary scale changed from 3.53% to 3.42%. Fully generational using scale MP-2021 was used for mortality rates. In order to estimate the change in the cost of healthcare, the actuaries initial healthcare cost trend rate used in 5.10%, while the ultimate healthcare cost trend rate is 3.86%.

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 December 31, 2022	<u>\$ 29,778,007</u>
Changes for the year:	
Service cost	55,675
Interest	1,238,830
Changes of assumptions	(759,536)
Differences between expected and actual experience	(308,549)
Benefit payments	<u>(1,678,456)</u>
Net changes	<u>(1,452,036)</u>
Balance at December 31, 2023	<u>\$ 28,325,971</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 a profound impact on total liabilities. The table below presents the effect of a 1% change in the discount rate assumption would have on the total OPEB liability.

	1% Decrease (3.64%)	Current Discount Rate (4.64%)	1% Increase (5.64%)
Total OPEB liability	\$ 31,737,789	\$ 28,325,971	\$ 25,514,126

Additionally, healthcare costs can be subject to considerable volatility over time. The table below presents the effect on the OPEB liability of a 1% change in the initial (5.10%)/ultimate (3.86%) healthcare cost trend rates.

	1% Decrease (4.10%/2.86%)	Healthcare Cost Trend Rates (5.10%/3.86%)	1% Increase (6.10%/4.86%)
Total OPEB liability	\$ 25,209,832	\$ 28,325,971	\$ 32,064,518

Funding Policy—Authorization for the City to pay retiree health insurance premiums was enacted through a union contract, which was ratified by the City’s Common Council. To be eligible employees must have 20 years of continuous full-time service with the City and been hired prior to 2003. Upon retirement, the City pays 100% of the cost of the medical benefits for life. In addition Retirees are eligible to receive prescription drug copayment reimbursements back to \$3 for all prescriptions. Surviving spouses are eligible to receive benefits at the same rate as retirees. Retirees hired in 2003 and later are not eligible to receive City paid medical benefits.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—The City reports 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 OPEB liability are required to be determined. The following table presents the City’s deferred outflows of resources and deferred inflows of resources at December 31, 2023:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,562,882
Changes of assumptions	-	6,519,470
Estimated net contributions subsequent to measurement date	424,225	-
Total	<u>\$ 424,225</u>	<u>\$ 8,082,352</u>

The City’s benefit payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2024	\$(3,019,293)
2025	(3,019,293)
2026	(1,904,453)
2027	(139,313)

8. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Effective March 1, 1996 the City established a self-insurance program for workers’ compensation claims. The City self-insures for losses up to \$200,000 per incident. The City has obtained outside insurance for claims in excess of that amount. The City currently reports all of its risk management activities in its General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

Total workers’ compensation expenditures of \$1,125,083 were recorded in the General Fund for the year ended December 31, 2023.

At December 31, 2023, the amount of long-term liabilities relating to workers’ compensation was \$1,337,063.

Changes in the reported workers' compensation liability resulted from the following:

Year Ended December 31,	Liability Beginning	Claims and Adjustments	Claim Payments	Liability Ending
2023	\$2,049,171	\$ 412,975	\$1,125,083	\$1,337,063
2022	808,902	1,927,003	686,734	2,049,171
2021	545,491	730,126	466,715	808,902

The City experienced an increase in claim payments related to workers' compensation during the year ended December 31, 2023, due to multiple cases being settled in the current year.

Additionally, the City purchases insurance for: automobile, general and umbrella liability. Automobile insurance is limited to \$1 million per accident. The general liability insurance is limited to \$1 million per occurrence, and an aggregate \$3 million limit for products-completed operations hazards, errors and omissions liability. The umbrella liability insurance includes a \$10,000 policy retention and is limited to \$1 million per occurrence, and an aggregate \$6 million limit.

9. SHORT-TERM DEBT

Liabilities for bond anticipation notes ("BANs") are generally accounted for in the Capital Projects Fund. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs used for assessable improvement projects may be renewed for periods equivalent to the life of the permanent financing provided that annual reductions of principal are made. The following is a summary of the City's short-term debt for the year ended December 31, 2023:

Description	Interest Rate	Maturity Date	Balance 1/1/2023	Issues	Redemptions	Balance 12/31/2023
Capital Projects Fund:						
Various purposes	3.25%	6/1/2023	\$ 5,246,000	\$ -	\$ 5,246,000	\$ -
Various purposes	4.50%	5/30/2024	-	6,564,000	-	6,564,000
Total			<u>\$ 5,246,000</u>	<u>\$ 6,564,000</u>	<u>\$ 5,246,000</u>	<u>\$ 6,564,000</u>

10. LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt and other long-term obligations are reported as 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, landfill post-closure costs, pollution remediation obligation, compensated absences, workers' compensation, other postemployment benefits ("OPEB") obligation, and net pension liability. The serial bonds of the City are secured by its general credit and revenue raising powers, as per State statute.

A summary of changes in the City's long-term debt at December 31, 2023 follows:

	Balance 1/1/2023	Additions	Reductions	Balance 12/31/2023	Due Within One Year
Governmental activities:					
Serial bonds	\$ 18,145,115	\$ 5,592,190	\$ 5,594,370	\$ 18,142,935	\$ 1,508,500
Premium on serial bonds	114,054	-	7,016	107,038	7,016
Bonds payable	18,259,169	5,592,190	5,601,386	18,249,973	1,515,516
Landfill post-closure costs	200,000	-	20,000	180,000	20,000
Pollution remediation obligation	750,000	-	750,000	-	-
Compensated absences	3,321,720	958,386	576,112	3,703,994	185,200
Workers' compensation	2,049,171	412,975	1,125,083	1,337,063	66,853
OPEB obligation	29,778,007	1,294,505	2,746,541	28,325,971	-
Net pension liability *	895,144	12,224,535	-	13,119,679	-
Total governmental activities	\$ 55,253,211	\$ 20,482,591	\$ 10,819,122	\$ 64,916,680	\$ 1,787,569

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

Serial Bonds—The City issues general obligation bonds to provide funds for the acquisition, construction, and renovation of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 8 to 27 years. Principal is paid annually, interest is paid semi-annually and are recorded in the General Fund and Sewer Fund.

EFC Sewer Bonds—On December 7, 2023, the City refinanced its short-term EFC loan payable to long-term debt in the amount of \$3,096,675. The EFC Bond is interest free and matures on December 27, 2052.

The interest free Sewer bond was previously recorded within EFC Phase 7-10 which was refinanced into a new bond in the current year. The previous EFC bond had additional draw down amounts totaling \$2,495,515 throughout the year. This total of \$4,064,458 was then rolled into a new refinancing bond in the amount of \$3,096,675. The difference between the new issuance and previous payoff of \$967,783 was paid to the City in the form of a grant, and therefore, was recorded within State Aid in the City's Capital Projects Fund on the governmental funds.

A default will have occurred if the payment of principal or interest are not paid when due and payable. Upon default in payment in full of the principal or interest on the bonds, a holder of such defaulted bond has a contractual right to sue the City of the amount due thereon. The City does not have any lines of credit.

Principal is paid annually, interest is paid semi-annually; these payments are recorded in the General Fund. A summary of additions and payments for the year ended December 31, 2023, is presented on the following page.

Description	Issue/ Maturity	Original Issue	Interest Rate (%)	Balance 1/1/2023	Additions	Reductions	Balance 12/31/2023
General Fund:							
Public improvement	2014-2033	\$ 5,382,000	2.00%	\$ 2,370,000	\$ -	\$ 325,000	\$ 2,045,000
Public improvement	2018-2029	975,000	2.88%	515,000	-	115,000	400,000
Public improvement	2020-2030	848,000	2.00-2.50%	600,000	-	90,000	510,000
Public improvement	2021-2031	980,000	0.50-1.35%	870,000	-	115,000	755,000
Public improvement (refunding)	2021-2024	240,000	2.00-4.00%	155,000	-	80,000	75,000
Public improvement	2022-2042	4,740,000	3.00-4.00%	4,740,000	-	405,000	4,335,000
Total General Fund				9,250,000	-	1,130,000	8,120,000
Sewer Fund:							
Public improvement	2014-2031	110,000	2.00%	45,000	-	5,000	40,000
Sewer bonds - EFC - Phase 1-4	2016-2045	4,705,812	0.00%	3,781,972	-	140,634	3,641,338
Sewer bonds - EFC - Phase 5-6	2016-2045	2,599,842	0.00%	2,254,200	-	86,700	2,167,500
Sewer bonds - EFC - Phase 7-10	2016-2045	6,743,420	0.00%	1,568,943	2,495,515	4,064,458	-
Public improvement (refunding)	2021-2024	240,000	2.00-4.00%	1,245,000	-	85,000	1,160,000
Sewer bonds - EFC (refunding)	2023-2052	3,096,675	0.00%	-	3,096,675	82,578	3,014,097
Total Sewer Fund				8,895,115	5,592,190	4,464,370	10,022,935
Total government activities				\$ 18,145,115	\$ 5,592,190	\$ 5,594,370	\$ 18,142,935

Premium on Serial Bonds—The City’s premium is being amortized on a straight-line basis over the life of the related bonds. The total unamortized premiums as of December 31, 2023 was \$107,038.

Landfill Post-Closure Costs—State and federal laws and regulations require the City to perform certain maintenance and monitoring functions in addition to remediation work on the City’s landfill site. Both post-closure costs and remediation work are to be paid in the future. The total estimated post-closure care and remediation work cost liability is reported in the City’s government-wide financial statements. The \$180,000 reported as the accrued landfill post-closure care liability at December 31, 2023 represents the cumulative amount reported to date based on 100% capacity used. The amount reported is based on what it would cost to perform all post-closure and remediation work as of December 31, 2023.

Pollution Remediation Obligation—The New York State Department of Environmental Conservation issued an Order on Consent during the fiscal year ended December 31, 2009 requiring that the City remedy sanitary sewer overflows determined harmful to the local water system. The total estimated liability to address the violation was satisfied as of December 31, 2023.

Compensated Absences—As described in Note 1, the City records the value of compensated absences. The annual budgets of the operating funds provide funding for these benefits as they become payable. The liability for compensated absences at December 31, 2023 amounts to \$3,703,994, of which \$185,200 has been included as due within one year. Since payment of compensated absences is dependent upon many factors, the timing of future payments is not readily determinable.

Workers’ Compensation—As explained in Note 8, the estimated liability related to workers’ compensation claims amounted to \$1,337,063 at December 31, 2023.

OPEB Obligation—As explained in Note 7, 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 liability is estimated to be \$28,325,971 as of December 31, 2023.

Net Pension Liability—The City reported a liability for its proportionate share of the net pension liability for the New York State Police and Fire Retirement System and Employees' Retirement System. The net pension liability is estimated to be \$13,119,679 in the governmental activities. Typically, the General Fund has been used to liquidate this liability within the governmental funds. Refer to Note 6 for additional information related to the City's net pension liability.

The following is a maturity schedule of the City's indebtedness:

Year ending December 31,	Serial Bonds	Unamortized Premium	Landfill Post-Closure Costs	Compensated Absences	Workers' Compensation	OPEB Obligation	Net Pension Liability	Total
2024	\$ 1,508,500	\$ 7,016	\$ 20,000	\$ 185,200	\$ 66,853	\$ -	\$ -	\$ 1,787,569
2025	1,412,087	7,016	20,000	-	-	-	-	1,439,103
2026	1,355,675	7,016	20,000	-	-	-	-	1,382,691
2027	1,294,248	7,016	20,000	-	-	-	-	1,321,264
2028	1,152,849	35,080	100,000	-	-	-	-	1,287,929
2029-2033	4,178,057	32,468	-	-	-	-	-	4,210,525
2034-2038	2,947,741	11,426	-	-	-	-	-	2,959,167
2039-2043	2,422,425	-	-	-	-	-	-	2,422,425
2044-2048	1,384,427	-	-	-	-	-	-	1,384,427
2049-2053	486,926	-	-	-	-	-	-	486,926
Thereafter	-	-	-	3,518,794	1,270,210	28,325,971	13,119,679	46,234,654
Total	<u>\$ 18,142,935</u>	<u>\$ 107,038</u>	<u>\$ 180,000</u>	<u>\$ 3,703,994</u>	<u>\$ 1,337,063</u>	<u>\$ 28,325,971</u>	<u>\$ 13,119,679</u>	<u>\$ 64,916,680</u>

Interest requirements on serial bonds are as follows:

Year ending December 31,	Serial Bonds
2024	\$ 240,863
2025	212,307
2026	185,278
2027	191,176
2028	162,786
2029-2033	511,899
2034-2038	220,050
2039-2043	55,400
Total	<u>\$ 1,779,759</u>

11. 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. The chart on the following page is a reconciliation of the City's governmental activities net investment in capital assets.

Capital assets, net of accumulated depreciation	\$ 44,889,906
Less related debt:	
Serial bonds	(18,142,935)
Premium on serial bonds	(107,038)
Bond anticipation notes payable	(6,564,000)
Accounts payable—Capital Projects Fund	(566,358)
Unspent proceeds of debt	6,908,405
Net investment in capital assets	<u>\$ 26,417,980</u>

- ***Restricted Net Position***—This category represents 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 total restricted component of net position is equal to restricted fund balance as detailed below.
- ***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 balance maintained by the City at December 31, 2023 includes:

- ***Prepaid Items***—Represents amounts prepaid to the retirement system that are applicable to future accounting periods. The General Fund and Sewer Fund reported amounts of \$526,821 and \$5,000, respectively, at December 31, 2023.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation. At December 31, 2023, the City reported the following restricted fund balances:

	General Fund	Nonmajor Funds	Total
Insurance reserve	\$ 132,895	\$ -	\$ 132,895
Water surcharges	187,722	-	187,722
Revolving loans	-	8,175	8,175
Historical restoration reserve	-	1,000	1,000
Total restricted fund balance	<u>\$ 320,617</u>	<u>\$ 9,175</u>	<u>\$ 329,792</u>

- ***Restricted for Insurance***—Represents funds established within the General Fund which will be used to pay claims, actions or judgments against the City that results from personal injuries or property damage.
- ***Restricted for Water Surcharges***—Represents funds within the general fund which will be used to pay for expenditures to carry out needs for water services.
- ***Restricted for Revolving Loans***—Represents representing amounts related to the rehabilitation loan program with constraints placed on their use by the United States Department of Housing and Urban Development.
- ***Restricted for Historical Restoration***—Represents funds reserved within the Community Development Fund to be utilized towards historical restoration.

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. At December 31, 2023, the City reported no committed fund balance.

In the fund financial statements, assignments are not legally required segregations, but are subject to a purpose constraint that represents an intended use established by the City Council. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. At December 31, 2023, the City reported the following fund balance assignments:

	Subsequent Year's Expenditures	Workers' Compensation	Health Care	Retirement	Specific Use	Total Assigned
General Fund	\$ 2,730,620	\$ 794,636	\$ 600,000	\$ 600,000	\$ -	\$ 4,725,256
Sewer Fund	-	-	-	-	842,444	842,444
Water Fund	-	-	-	-	6,266	6,266
Nonmajor funds	-	-	-	-	274,316	274,316
Total	<u>\$ 2,730,620</u>	<u>\$ 794,636</u>	<u>\$ 600,000</u>	<u>\$ 600,000</u>	<u>\$ 1,123,026</u>	<u>\$ 5,848,282</u>

- ***Assigned to Subsequent Year's Expenditures***—available fund balance being appropriated to meet expenditure requirements in the 2024 fiscal year.
- ***Assigned to Workers' Compensation***—Represents funds set aside for future workers' compensation claims.
- ***Assigned to Health Care***—Represents funds set aside for future health care costs.
- ***Assigned to Retirement***—Represents funds set aside for future retirement contributions.
- ***Assigned to Specific Use***—Represents fund balance within the special revenue funds that is assigned for a specific purpose. The assignment's purpose relates to each fund's operations and represents amounts within funds that are not restricted or committed.

If the City must use funds for emergency expenditures the City Council shall authorize the Treasurer 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.

12. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are short-term in nature and exist because of temporary advances or payments made on behalf of other funds. All interfund balances are expected to be collected/paid within the subsequent year. Interfund transfers are routine annual events for both the budget and accounting process and are necessary to present funds in their proper fund classification.

Interfund receivables, payables and transfers of the City as of, and for the year ended, December 31, 2023 are shown on the following page.

Fund	Interfund			
	Receivables	Payables	Transfers in	Transfers out
General Fund	\$ 1,220,574	\$ 3,333	\$ 592,722	\$ 232,000
Sewer Fund	2,565	337,235	-	405,000
Water Fund	116	230,854	-	187,722
Capital Projects Fund	1,878	653,711	232,000	-
Total	<u>\$ 1,225,133</u>	<u>\$ 1,225,133</u>	<u>\$ 824,722</u>	<u>\$ 824,722</u>

Transfers are used primarily to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute of budget required to expend them, (2) move cash to fund capital projects, and (3) move residual cash from closed capital projects.

13. LABOR CONTRACTS

Certain City employees are represented by four bargaining units, with the remainder covered by Common Council rules and regulations. The City of Tonawanda Employee Association, the City of Tonawanda Civil Service Employee Association, Uniformed Professional Firefighters and the City of Tonawanda Police Benevolent Association have contracts with the City negotiated through December 31, 2023.

14. COMMITMENTS

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

The City considers encumbrances to be significant for amounts that are encumbered in excess of \$50,000. As of December 31, 2023, the City reported no encumbrances.

15. TAX ABATEMENTS

The City is subject to tax abatements granted by the Erie County Industrial Development Agency ("ECIDA") and the City under New York State private housing finance law. These programs have the stated purpose of increasing business activity and employment in the region. Economic development agreements are entered into by the ECIDA and the City 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 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 ECIDA and the City, the City collected \$97,447 during 2023 in payments in lieu of taxes ("PILOT"), these collections were made in lieu of \$133,505 in property taxes.

16. 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 financial condition or results of operation of the City.

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

Grants—In the normal course of operations, the City receives grant funds from various federal and state agencies. The disbursement of funds received under these programs generally requires compliance with terms and conditions that are specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed expenditures resulting from such audits could become a liability of the City. While the amount of expenditures, if any, which may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

17. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 15, 2024, 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.

- On May 30, 2024, the City issued bond anticipation notes in the amount of \$12,333,000 with an interest rate of 4.5%, which mature on May 29, 2025.

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REQUIRED SUPPLEMENTARY INFORMATION

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

	Year Ended December 31,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Measurement date	March 31, 2023	March 31, 2022	March 31, 2021	March 31, 2020	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	0.1625191%	0.157584%	0.152031%	0.162405%	0.154348%	0.150185%	0.154567%	0.151680%	0.148541%	0.148541%
City's proportionate share of the net pension liability	<u>\$ 8,955,567</u>	<u>\$ 895,144</u>	<u>\$ 2,639,675</u>	<u>\$ 8,680,440</u>	<u>\$ 2,588,515</u>	<u>\$ 1,518,009</u>	<u>\$ 3,203,636</u>	<u>\$ 4,490,921</u>	<u>\$ 408,873</u>	<u>\$ 618,391</u>
City's covered payroll	\$ 5,778,104	\$ 5,608,106	\$ 5,203,249	\$ 5,245,889	\$ 5,163,440	\$ 4,958,301	\$ 4,699,350	\$ 4,686,556	\$ 4,717,326	\$ 4,475,746
City's proportionate share of the net pension liability as a percentage of its covered payroll	155.0%	16.0%	50.7%	165.5%	50.1%	30.6%	68.2%	95.8%	8.7%	13.8%
Plan fiduciary net position as a percentage of the total pension liability	87.4%	98.7%	95.8%	84.9%	95.1%	96.9%	93.5%	90.2%	99.0%	98.5%

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

	Year Ended December 31,									
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,509,445	\$ 1,437,645	\$ 1,358,655	\$ 1,195,754	\$ 1,139,845	\$ 1,100,056	\$ 1,092,343	\$ 1,059,216	\$ 1,055,556	\$ 1,189,680
Contributions in relation to the contractually required contribution	<u>(1,509,445)</u>	<u>(1,437,645)</u>	<u>(1,358,655)</u>	<u>(1,195,754)</u>	<u>(1,139,845)</u>	<u>(1,100,056)</u>	<u>(1,092,343)</u>	<u>(1,059,216)</u>	<u>(1,055,556)</u>	<u>(1,189,680)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 6,067,794	\$ 5,642,780	\$ 5,391,824	\$ 5,220,301	\$ 5,237,806	\$ 5,118,047	\$ 4,882,768	\$ 4,686,557	\$ 4,717,325	\$ 4,469,747
Contributions as a percentage of covered payroll	24.9%	25.5%	25.2%	22.9%	21.8%	21.5%	22.4%	22.6%	22.4%	26.6%

CITY OF TONAWANDA, NEW YORK
Schedule of the City's Proportionate Share of the
Net Pension Liability/(Asset)—Employees' Retirement System
Last Ten Fiscal Years

	Year Ended December 31,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Measurement date	March 31, 2023	March 31, 2022	March 31, 2021	March 31, 2020	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/(asset)	0.0194185%	0.0173593%	0.0171172%	0.0177569%	0.0171516%	0.0156914%	0.0152605%	0.0149760%	0.0152183%	0.0152183%
City's proportionate share of the net pension liability/(asset)	<u>\$ 4,164,112</u>	<u>\$ (1,419,050)</u>	<u>\$ 17,044</u>	<u>\$ 4,702,136</u>	<u>\$ 1,215,245</u>	<u>\$ 506,430</u>	<u>\$ 1,433,908</u>	<u>\$ 2,403,695</u>	<u>\$ 514,112</u>	<u>\$ 687,695</u>
City's covered payroll	\$ 5,020,573	\$ 5,092,198	\$ 4,573,223	\$ 4,627,628	\$ 4,541,364	\$ 4,272,149	\$ 3,990,845	\$ 3,984,585	\$ 4,023,934	\$ 3,808,260
City's proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	82.9%	(27.9%)	0.4%	101.6%	26.8%	11.9%	35.9%	60.3%	12.8%	18.1%
Plan fiduciary net position as a percentage of the total pension liability	90.8%	103.7%	100.0%	86.4%	96.3%	98.2%	94.7%	90.7%	97.9%	97.2%

CITY OF TONAWANDA, NEW YORK
Schedule of the City's Contributions—
Employees' Retirement System
Last Ten Fiscal Years

	Year Ended December 31,									
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 581,334	\$ 568,577	\$ 655,403	\$ 608,944	\$ 590,454	\$ 563,953	\$ 549,781	\$ 552,144	\$ 593,149	\$ 689,653
Contributions in relation to the contractually required contribution	<u>(581,334)</u>	<u>(568,577)</u>	<u>(655,403)</u>	<u>(608,944)</u>	<u>(590,454)</u>	<u>(563,953)</u>	<u>(1,092,343)</u>	<u>(552,144)</u>	<u>(593,149)</u>	<u>(689,653)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 5,208,778	\$ 4,955,210	\$ 4,861,835	\$ 4,565,701	\$ 4,604,304	\$ 4,510,942	\$ 4,155,056	\$ 3,984,587	\$ 4,045,278	\$ 3,808,261
Contributions as a percentage of covered payroll	11.2%	11.5%	13.5%	13.3%	12.8%	12.5%	22.4%	13.9%	14.7%	18.1%

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

	Year Ended December 31,					
	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost	\$ 55,675	\$ 178,281	\$ 170,493	\$ 235,992	\$ 265,985	\$ 310,780
Interest	1,238,830	912,918	972,925	1,221,504	2,321,786	2,420,708
Differences between expected and actual experience	(308,549)	(2,337,877)	53,501	(5,230,894)	(28,370,586)	(5,206,210)
Changes of assumptions	(759,536)	(10,482,783)	1,745,629	1,558,839	11,560,902	(3,656,289)
Benefit payments	(1,678,456)	(1,634,936)	(1,767,927)	(1,950,806)	(2,366,220)	(2,371,737)
Net changes in total OPEB liability	(1,452,036)	(13,364,397)	1,174,621	(4,165,365)	(16,588,133)	(8,502,748)
Total OPEB liability—beginning	29,778,007	43,142,404	41,967,783	46,133,148	62,721,281	71,224,029
Total OPEB liability—ending (a)	<u>\$ 28,325,971</u>	<u>\$ 29,778,007</u>	<u>\$ 43,142,404</u>	<u>\$ 41,967,783</u>	<u>\$ 46,133,148</u>	<u>\$ 62,721,281</u>
Plan Fiduciary Net Position						
Contributions—employer	\$ 1,678,456	\$ 1,634,936	\$ 1,767,927	\$ 1,950,806	\$ 2,366,220	\$ 2,371,737
Benefit payments	(1,678,456)	(1,634,936)	(1,767,927)	(1,950,806)	(2,366,220)	(2,371,737)
Net change in plan fiduciary net position	-	-	-	-	-	-
Plan fiduciary net position—beginning	-	-	-	-	-	-
Plan fiduciary net position—ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Total OPEB Liability—Ending (a) - (b)	<u>\$ 28,325,971</u>	<u>\$ 29,778,007</u>	<u>\$ 43,142,404</u>	<u>\$ 41,967,783</u>	<u>\$ 46,133,148</u>	<u>\$ 62,721,281</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Covered-employee payroll	\$ 8,269,742	\$ 9,787,774	\$ 9,676,912	\$ 9,355,097	\$ 9,063,260	\$ 9,063,260
City's total OPEB liability as a percentage of covered-employee payroll	342.5%	304.2%	445.8%	448.6%	509.0%	692.0%

*Information prior to the year ended December 31, 2018 is not available.

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

CITY OF TONAWANDA, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—General Fund
Year Ended December 31, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
REVENUES				
Real property taxes	\$ 14,562,522	\$ 14,562,522	\$ 14,562,522	\$ -
Other tax items	963,000	963,000	987,949	24,949
Non property tax items	5,845,000	5,845,000	6,611,246	766,246
Departmental income	177,050	177,050	218,012	40,962
Intergovernmental charges	225,000	225,000	271,079	46,079
Use of money and property	9,800	9,800	66,620	56,820
Licenses and permits	159,300	159,300	172,221	12,921
Fines and forfeitures	420,000	420,000	323,901	(96,099)
Sale of property and compensation for loss	433,000	433,000	68,681	(364,319)
Miscellaneous local sources	2,600	5,200	309,396	304,196
State aid	2,921,104	3,005,071	3,035,365	30,294
Federal aid	-	-	110,244	110,244
Total revenues	<u>25,718,376</u>	<u>25,804,943</u>	<u>26,737,236</u>	<u>932,293</u>
EXPENDITURES				
Current:				
General government support	3,066,693	3,067,098	2,542,306	524,792
Public safety	7,762,248	7,763,166	7,645,592	117,574
Transportation	2,521,449	2,535,248	2,088,656	446,592
Culture and recreation	1,569,116	1,569,214	1,423,817	145,397
Home and community services	1,917,825	1,504,575	1,694,314	(189,739)
Employee benefits	8,218,639	8,217,569	7,936,770	280,799
Debt service:				
Principal	1,602,000	1,602,000	1,130,000	472,000
Interest and other fiscal charges	515,406	515,406	552,837	(37,431)
Total expenditures	<u>27,173,376</u>	<u>26,774,276</u>	<u>25,014,292</u>	<u>1,759,984</u>
Excess (deficiency) of revenues over expenditures	<u>(1,455,000)</u>	<u>(969,333)</u>	<u>1,722,944</u>	<u>2,692,277</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	605,000	605,000	592,722	(12,278)
Transfers out	-	-	(232,000)	(232,000)
Total other financing sources (uses)	<u>605,000</u>	<u>605,000</u>	<u>360,722</u>	<u>(244,278)</u>
Net change in fund balance*	(850,000)	(364,333)	2,083,666	2,447,999
Fund balance—beginning	<u>13,217,900</u>	<u>13,217,900</u>	<u>13,217,900</u>	<u>-</u>
Fund balance—ending	<u>\$ 12,367,900</u>	<u>\$ 12,853,567</u>	<u>\$ 15,301,566</u>	<u>\$ 2,447,999</u>

*The net change in fund balance 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 TONAWANDA, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—Sewer Fund
Year Ended December 31, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final
				Budget
REVENUES				
Departmental income	\$ 2,560,839	\$ 2,560,839	\$ 2,383,902	\$ (176,937)
Use of money and property	1,000	1,000	71,361	70,361
Miscellaneous	-	-	9,281	9,281
Total revenues	<u>2,561,839</u>	<u>2,561,839</u>	<u>2,464,544</u>	<u>(97,295)</u>
EXPENDITURES				
Current:				
Home and community services	1,388,105	1,388,105	1,472,741	(84,636)
Employee benefits	91,274	91,274	106,463	(15,189)
Debt service:				
Principal	619,082	619,082	399,912	219,170
Interest and other fiscal charges	58,378	58,378	-	58,378
Total expenditures	<u>2,156,839</u>	<u>2,156,839</u>	<u>1,979,116</u>	<u>177,723</u>
Excess of revenues over expenditures	<u>405,000</u>	<u>405,000</u>	<u>485,428</u>	<u>80,428</u>
OTHER FINANCING USES				
Transfers out	(405,000)	(405,000)	(405,000)	-
Total other financing uses	<u>(405,000)</u>	<u>(405,000)</u>	<u>(405,000)</u>	<u>-</u>
Net change in fund balance	-	-	80,428	80,428
Fund balance—beginning	<u>767,016</u>	<u>767,016</u>	<u>767,016</u>	<u>-</u>
Fund balance—ending	<u>\$ 767,016</u>	<u>\$ 767,016</u>	<u>\$ 847,444</u>	<u>\$ 80,428</u>

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

CITY OF TONAWANDA, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—Water Fund
Year Ended December 31, 2023

	Budgeted Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
REVENUES				
Departmental income	\$ 200,000	\$ 200,000	\$ 187,722	\$ (12,278)
Total revenues	<u>200,000</u>	<u>200,000</u>	<u>187,722</u>	<u>(12,278)</u>
OTHER FINANCING USES				
Transfers out	<u>(200,000)</u>	<u>(200,000)</u>	<u>(187,722)</u>	<u>12,278</u>
Total other financing uses	<u>(200,000)</u>	<u>(200,000)</u>	<u>(187,722)</u>	<u>12,278</u>
Net change in fund balance	-	-	-	-
Fund balance—beginning	<u>6,266</u>	<u>6,266</u>	<u>6,266</u>	<u>-</u>
Fund balance—ending	<u>\$ 6,266</u>	<u>\$ 6,266</u>	<u>\$ 6,266</u>	<u>\$ -</u>

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

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CITY OF TONAWANDA, NEW YORK
Notes to the Required Supplementary Information
Year Ended December 31, 2023

1. OPEB LIABILITY

Changes of Assumptions—The rate used to discount future plan cash flows increased from 4.40% to 4.64% as of December 31, 2023 based on a review of a 20-year high-quality tax-exempt municipal bond index as of each measurement date. The salary scale changed from 3.53% to 3.42% and the actuaries initial healthcare cost trend rate changed from 5.50% to 5.10% and the ultimate healthcare cost trend rate decreased from 4.00% to 3.86%.

2. BUDGETARY INFORMATION

Budgetary Basis of Accounting—Annual budgets are adopted on a basis consistent with generally accepted accounting principles in the United States of America for all governmental funds, with the exception of the Capital Projects Fund, Special Grant Fund and Special Purpose Fund. The Capital Projects Fund, Special Grant Fund, and Special Purpose Fund are appropriated on a project length basis; appropriations are approved through a City Council resolution at the grant/project's inception and lapse upon completion/termination of the grant/project.

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations require the approval of the City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the departmental level. Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Actual results of operations presented in accordance with GAAP and the City's accounting policies do not recognize encumbrances and restricted fund balance as expenditures until the period in which the actual goods or services are received and a liability is incurred.

Exceeding Authorized Appropriations—The City's General Fund appropriations for the year ended December 31, 2023 exceeded the final budget as follows:

- Expenditures within the home and community services exceeded the budget by \$189,739 due to higher personnel costs than anticipated.
- Expenditures within the interest and other fiscal charges exceeded the budget by \$37,431 due to higher interest payments than anticipated.
- Expenditures within the transfers out exceeded the budget by \$232,000 due to unexpected capital project expenditures.

The City's Sewer Fund appropriations for the year ended December 31, 2023 exceeded the adjusted budget as follows:

- Expenditures within home and community services exceeded the budget by \$84,636 due to higher joint project costs than anticipated.
- Expenditures within employee benefits exceeded the budget by \$15,189 due to higher employee benefit costs than anticipated.

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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 City Council
City of Tonawanda, 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, each major fund, and the aggregate remaining fund information of the City of Tonawanda, New York (the "City") as of and for the year ended December 31, 2023, 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 15, 2024. Our report includes an adverse opinion on the reporting entity since the financial statements do not include the financial data for the City's legally separate component unit.

Report on Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items 2023-001 and 2023-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or 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. We consider the deficiency described in the accompanying Schedule of Findings as item 2023-003 to be a significant deficiency.

Report on Compliance and Other Matters

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

The City's Response to Findings

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

Purpose of this Report

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

Drescher & Malecki LLP

October 15, 2024

CITY OF TONAWANDA, NEW YORK
Schedule of Findings
Year Ended December 31, 2023

We consider the deficiencies presented below to be material weaknesses in internal control.

Finding 2023-001—Financial Activities – Component Units

Criteria—GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* modifies certain requirements for inclusion of component units in the financial reporting entity. Additionally, GASB Statement No. 80, *Blending Requirements for Certain Component Units—an Amendment of GASB Statement No. 14*, amends the blending requirements for the financial statement presentation of component units of all state and local governments.

Condition and Context—The City does not include the financial activities of Tonawanda Housing Authority, a legally separate component unit of the City of Tonawanda, New York, in the City’s basic financial statements. In addition, the City has not implemented GASB Statements No. 61 and No. 80 to identify and evaluate other potential component units.

Cause—The City has not implemented GASB Statements No. 61 and No. 80. In addition, the Tonawanda Housing Authority keeps its accounting records and prepares its financial statements on a basis of accounting as required by the U. S. Department of Housing and Urban Development. This basis differs from generally accepted accounting principles.

Effect or Potential Effect—The reporting entity has not been completely evaluated for potential component units. As a result, the independent auditors’ report is modified for such exclusion.

Recommendation—We recommend that the City implement GASB Statements No. 61 and No. 80 and consider potential component units for inclusion and disclosure in its financial statements.

Management’s Response—The City has analyzed the cost/benefit to not include the Tonawanda Housing Authority component unit as it does not have a material impact on the fund financial statements. However, the City will consider implementation of GASB Statements No. 61 and No. 80 in future years.

Finding 2023-002—Financial Accounting System

Criteria—For proper segregation of duties, employees with the ability to post financial data should not have administrator rights to the financial software. Further, the City should have adequate procedures and documentation for adding, modifying and deleting user accounts. Additionally, the general controls for information technology (“IT”) should be documented and address all significant areas within the City’s IT environment.

Condition and Context—Similar to prior years, an employee with the ability to edit financial data currently has administrator rights. In addition, the City does not have formal procedures in place to ensure user accounts are added, modified or removed in a timely and efficient manner. We also noted that the City does not maintain a complete policy manual to address IT general controls such as information security, breach notification policy, backup policy, disaster recovery plan, and IT risk assessments.

Cause—The City does not have formal policies or procedures to periodically assess user rights, adequately document and track user changes, or address the aforementioned IT general controls.

Effect or Potential Effect—Unauthorized users may have access to editing or modifying financial data resulting in an increased risk of fraudulent financial reporting. The absence of a formal information security policy prevents the City from holding employees accountable should they use their computers or laptops for personal business or accessing inappropriate websites. In addition, not having a formal policy regarding financial data increases the risk of misappropriation of this data. The City does not have a formal written backup policy, and although backups are performed, if the employee who performs the backups were to become unavailable for an extended length of time, other employees would not have a written guide to back up the system. The absence of formal information technology risk assessments increases the City's exposure to risk from internal and external information technology risks.

Recommendation—We recommend that the City's IT Department have the rights to create, modify and delete users, but should not be given full administrators rights to prevent the ability to edit financial data. Additionally, we recommend the City review and formalize procedures to include policies for administrator rights, information security, breach notification policy, backup policy, disaster recovery plan, and IT risk assessments.

Management's Response—The City will consider restricting administrator rights to the IT Department. Also, the City created a technology committee to address ongoing IT risks. This comment will be looked into further to determine the feasibility to develop alternative procedures surrounding user accounts and the development of an overall IT general controls policy manual.

We consider the deficiency presented below to be a significant deficiency in internal control.

Finding 2023-003—Segregation of Duties and Crosstraining

Criteria—Key cash functions should have a clear segregation of duties between the collection of cash, deposit of cash, posting to the general and accounts receivable ledgers, disbursement of cash and performance of bank reconciliations.

Condition and Context—Similar to prior years, the same employee has the ability to collect the cash receipts, prepare the deposit, issue checks, perform bank reconciliations and post journal entries to the system. There is no documentation of the review of journal entries by someone independent of the preparer. Further, certain account balances in the trial balance that was provided had not been appropriately adjusted and reconciled. As a result several adjusting journal entries were proposed. Additionally, at December 31, 2023, management has unreconciled items totaling \$7,211 included on the City's Capital Projects Fund bank reconciliation. The result is a potential overstatement of governmental Capital Projects Fund assets and liabilities at December 31, 2023.

Cause—Inadequate segregation of duties over cash functions.

Effect of Potential Effect—The absence of segregation of duties presents the opportunity for the misappropriation of assets and the potential misstatement of the financial statements.

Recommendation—We recommend that the City develop a more structured policy regarding employee job functions to promote segregation of duties. Additionally, the City should establish procedures to facilitate the year-end financial closing in preparation of the audit. These procedures should include certain checklists and analysis procedures to be performed and can be applied on a monthly routine basis as well as to ensure that the financial records are available on a timely basis.

Management's Response—Management continues to evaluate the feasibility of segregating duties within the Treasurer's Office and has implemented procedures in efforts to provide mitigating controls given the limitations present due to staffing.

APPENDIX C

FORMS OF DISCLOSURE UNDERTAKINGS

DISCLOSURE UNDERTAKING FOR THE BONDS

This disclosure undertaking (the “Disclosure Undertaking”) is executed and delivered by the City of Tonawanda, Erie County, New York (the “Issuer”) in connection with the issuance of its [\$2,028,330] Public Improvement Serial Bonds, 2025 (such Bonds, including any interests therein, being collectively referred to herein as the “Security”). The Issuer hereby covenants and agrees as follows:

Section 1. Obligation to Provide Continuing Disclosure. (a) The Issuer hereby undertakes (for the benefit of Security Holders) to provide (or cause to be provided either directly or through a dissemination agent) to EMMA (or any successor thereto) in an electronic format (as prescribed by the MSRB):

- (i) Annual Financial Information (commencing with the fiscal year ending December 31, 2025) relating to such fiscal year, no later than (A) September 30 after the end of each fiscal year, or (B) if Audited Financial Statements are prepared, no later than the last business day of each such succeeding fiscal year (the “Report Date”);
- (ii) if not provided as part of the Annual Financial Information, Audited Financial Statements within 60 days of their receipt, but in no event later than one year after the end of each fiscal year;
- (iii) in a timely manner (not in excess of ten business days after the occurrence of any such event), notice of any of the following events with respect to the Security:
 - (1) Principal and interest payment delinquencies;
 - (2) Non-payment related defaults, if material;
 - (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
 - (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
 - (5) Substitution of credit or liquidity providers, or their failure to perform;
 - (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Security, or other material events affecting the tax status of the Security;
 - (7) Modifications to rights of Security Holders, if material;
 - (8) Bond (or Note) calls, if material, and tender offers;
 - (9) Defeasances;
 - (10) Release, substitution, or sale of property securing repayment of the Security, if material;
 - (11) Rating changes;
 - (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;

Note to paragraph (12): For the purposes of the event identified in paragraph (12) of this section, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or

governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(15) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect Security Holders, if material; and

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(iv) in a timely manner (not in excess of ten business days after the occurrence of such event), notice of a failure to provide by the date set forth in Section 1(a)(i) hereof any Annual Financial Information required by Section 3 hereof.

(b) The Issuer may choose to disseminate other information in addition to the information required as part of this Disclosure Undertaking. Such other information may be disseminated in any manner chosen by the Issuer. If the Issuer disseminates any such additional information, the Issuer shall have no obligation to update such information or include it in any future materials disseminated pursuant to this Disclosure Undertaking.

(c) The Issuer may choose to provide notice of the occurrence of certain other events, in addition to those listed in Section 1(a) above, if the Issuer determines that any such other event is material with respect to the Security; but the Issuer does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

Section 2. Definitions

“Annual Financial Information” means the information specified in Section 3 hereof.

“Audited Financial Statements” means the Issuer’s annual financial statements, prepared in accordance with GAAP for governmental units as prescribed by GASB, which financial statements shall have been audited by such auditor as shall be then required or permitted by the laws of the State of New York.

“EMMA” means the Electronic Municipal Market Access System implemented by the MSRB.

“Financial Information” means financial information and operating data regarding the Issuer that is customarily prepared by the Issuer and made publicly available, which consists of: (A) if prepared, the Audited Financial Statements of the Issuer, or (B) if Audited Financial Statements are not prepared for any given fiscal year, the Issuer’s Annual Financial Report Update Document filed with the State of New York.

“Financial Obligation” means a (A) debt obligation; (B) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B). Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States.

"GASB" means the Governmental Accounting Standards Board, or any successor thereto.

“MSRB” means the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Undertaking.

“Purchaser” means the financial institution referred to in a certain Certificate of Determination that is being delivered by the Issuer in connection with the issuance of the Security.

“Rule 15c2-12” means Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended through the date of this Disclosure Undertaking, including any official interpretations thereof.

“Security Holder” means any registered owner of the Security and any beneficial owner of the Security within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

Section 3. Annual Financial Information. (a) The required Annual Financial Information shall consist of the financial information and operating data for the preceding fiscal year, in a form generally consistent with the information contained or cross-referenced in the Issuer’s final official statement relating to the Security under the headings “THE CITY”, “DEMOGRAPHIC AND STATISTICAL INFORMATION”, “INDEBTEDNESS OF THE CITY”, “FINANCES OF THE CITY”, “REAL PROPERTY TAX INFORMATION” and “LITIGATION” and in Appendices A and B; which Annual Financial Information may, but it is not required to, include audited financial statements.

(b) All or any portion of the Annual Financial Information may be incorporated in the Annual Financial Information by cross reference to any other documents which are (i) available to the public on EMMA or (ii) filed with the Securities and Exchange Commission. If such a document is a final official statement, it must be available on EMMA.

(c) Annual Financial Information for any fiscal year containing any modified operating data or financial information (as contemplated by Section 6(f) hereof) for such fiscal year shall explain, in narrative form, the reasons for such modification and the effect of such modification on the Annual Financial Information being provided for such fiscal year. If a change in accounting principles is included in any such modification, such Annual Financial Information shall present a comparison between the financial statements or information prepared on the basis of the modified accounting principles and those prepared on the basis of the former accounting principles.

Section 4. Remedies. If the Issuer fails to comply with any provision of this Disclosure Undertaking, then any Security Holder may enforce, for the equal benefit and protection of all Security Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Disclosure Undertaking against the Issuer and any of the officers, agents and employees of the Issuer, and may compel the Issuer or any such officers, agents or employees to perform and carry out their duties under this Disclosure Undertaking; provided that the sole and exclusive remedy for breach of this Disclosure Undertaking shall be an action to compel specific performance of the obligations of the Issuer hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances. Failure to comply with any provision of this Disclosure Undertaking shall not constitute an event of default on the Security.

Section 5. Parties in Interest. This Disclosure Undertaking is executed to assist the Purchaser to comply with paragraph (b)(5) of Rule 15c2-12 and is delivered for the benefit of the Security Holders. No other person has any right to enforce the provisions hereof or any other rights hereunder.

Section 6. Amendments. Without the consent of any Security Holders, at any time while this Disclosure Undertaking is outstanding, the Issuer may enter into any amendments or changes to this Disclosure Undertaking for any of the following purposes:

(a) to comply with or conform to any changes to Rule 15c2-12 (whether required or optional);

(b) to add a dissemination agent for the information required to be provided as part of this Disclosure Undertaking and to make any necessary or desirable provisions with respect thereto;

(c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;

(d) to add to the duties of the Issuer for the benefit of the Security Holders, or to surrender any right or power herein conferred upon the Issuer;

(e) to adjust the Report Date if the Issuer changes its fiscal year; provided that such new date shall be within nine months after the end of the new fiscal year and provided further that the period between the final Report Date relating to the former fiscal year and the initial Report Date relating to the new fiscal year shall not exceed one year in duration;

(f) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this Disclosure Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change;

provided that no such action pursuant to this Section 5 shall adversely affect the interests of the Security Holders in any material respect. In making such determination, the Issuer shall rely upon an opinion of nationally recognized bond counsel.

Section 7. Termination. (a) This Disclosure Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Security shall have been paid in full or the Security shall have otherwise been paid or legally defeased in accordance with their terms. Upon any such legal defeasance, the Issuer shall provide notice of such defeasance to EMMA. Such notice shall state whether the Security has been defeased to maturity or to redemption and the timing of such maturity or redemption.

(b) In addition, this Disclosure Undertaking, or any provision hereof, shall be null and void in the event that those portions of Rule 15c2-12 which require this Disclosure Undertaking, or such provision, as the case may be, do not or no longer apply to the Security, whether because such portions of Rule 15c2-12 are invalid, have been repealed, or otherwise.

Section 8. Undertaking to Constitute Written Agreement or Contract. This Disclosure Undertaking shall constitute the written agreement or contract for the benefit of Security Holders, as contemplated under Rule 15c2-12.

Section 9. Governing Law. This Disclosure Undertaking shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

IN WITNESS WHEREOF, I have hereunto set my signature and affixed the seal of the Issuer to this Disclosure Undertaking as of [May 29, 2025].

CITY OF TONAWANDA
ERIE COUNTY, NEW YORK

By: SPECIMEN
City Treasurer

(SEAL)

ATTEST:

SPECIMEN
City Clerk

DISCLOSURE UNDERTAKING FOR THE NOTES

This undertaking to provide notice of certain designated events (the “Disclosure Undertaking”) is executed and delivered by the City of Tonawanda, Erie County, New York (the “Issuer”) in connection with the issuance of its [\$9,876,000] Bond Anticipation Note(s), 2025 (such Note(s), including any interest therein, being collectively referred to herein as the “Security”). The Security has a stated maturity of 18 months or less. The Issuer hereby covenants and agrees as follows:

Section 1. Obligation to Provide Notices of Events. (a) The Issuer hereby undertakes (for the benefit of Security Holders) to provide (or cause to be provided either directly or through a dissemination agent) to EMMA (or any successor thereto) in an electronic format (as prescribed by the MSRB) in a timely manner (not in excess of ten business days after the occurrence of any such event) notice of any of the following events with respect to the Security:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Security, or other material events affecting the tax status of the Security;
- (7) Modifications to rights of Security Holders, if material;
- (8) Bond (or Note) calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Security, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;

Note to paragraph (12): For the purposes of the event identified in paragraph (12) of this section, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(15) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect Security Holders, if material; and

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) The Issuer may choose to disseminate other information in addition to the information required as part of this Disclosure Undertaking. Such other information may be disseminated in any manner chosen by the Issuer. If the Issuer disseminates any such additional information, the Issuer shall have no obligation to update such information or include it in any future materials disseminated pursuant to this Disclosure Undertaking.

(c) The Issuer may choose to provide notice of the occurrence of certain other events, in addition to those listed in Section 1(a) above, if the Issuer determines that any such other event is material with respect to the Security; but the Issuer does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

Section 2. Definitions

"EMMA" means Electronic Municipal Market Access System implemented by the MSRB.

"Financial Obligation" means a (A) debt obligation; (B) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B). Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

"MSRB" means the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereof or to the functions of the MSRB contemplated by this Disclosure Undertaking.

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States.

"Purchaser" means the financial institution referred to in a certain Certificate of Determination that is being delivered by the Issuer in connection with the issuance of the Security.

"Rule 15c2-12" means Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended through the date of this Disclosure Undertaking, including any official interpretations thereof.

"Security Holder" means any registered owner of the Security and any beneficial owner of the Security within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

Section 3. Remedies. If the Issuer fails to comply with any provision of this Disclosure Undertaking, then any Security Holder may enforce, for the equal benefit and protection of all Security Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Disclosure Undertaking against the Issuer and any of the officers, agents and employees of the Issuer, and may compel the Issuer or any such officers, agents or employees to perform and carry out their duties under this Disclosure Undertaking; provided that the sole and exclusive remedy for breach of this Disclosure Undertaking shall be an action to compel specific performance of the obligations of the Issuer hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances. Failure to comply with any provision of this Disclosure Undertaking shall not constitute an event of default on the Security.

Section 4. Parties in Interest. This Disclosure Undertaking is executed to assist the Purchaser to comply with paragraph (b)(5) of Rule 15c2-12 and is delivered for the benefit of the Security Holders. No other person has any right to enforce the provisions hereof or any other rights hereunder.

Section 5. Amendments. Without the consent of any Security Holders, at any time while this Disclosure Undertaking is outstanding, the Issuer may enter into any amendments or changes to this Disclosure Undertaking for any of the following purposes:

- (a) to comply with or conform to any changes to Rule 15c2-12 (whether required or optional);
- (b) to add a dissemination agent for the information required to be provided as part of this Disclosure Undertaking and to make any necessary or desirable provisions with respect thereto;
- (c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;
- (d) to add to the duties of the Issuer for the benefit of the Security Holders, or to surrender any right or power herein conferred upon the Issuer;
- (e) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this Disclosure Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change;

provided that no such action pursuant to this Section 5 shall adversely affect the interests of the Security Holders in any material respect. In making such determination, the Issuer shall rely upon an opinion of nationally recognized bond counsel.

Section 6. Termination. (a) This Disclosure Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Security shall have been paid in full or the Security shall have otherwise been paid or legally defeased in accordance with their terms. Upon any such legal defeasance, the Issuer shall provide notice of such defeasance to EMMA. Such notice shall state whether the Security has been defeased to maturity or to redemption and the timing of such maturity or redemption.

(b) In addition, this Disclosure Undertaking, or any provision hereof, shall be null and void in the event that those portions of Rule 15c2-12 which require this Disclosure Undertaking, or such provision, as the case may be, do not or no longer apply to the Security, whether because such portions of Rule 15c2-12 are invalid, have been repealed, or otherwise.

Section 7. Undertaking to Constitute Written Agreement or Contract. This Disclosure Undertaking shall constitute the written agreement or contract for the benefit of Security Holders, as contemplated under Rule 15c2-12.

Section 8. Governing Law. This Disclosure Undertaking shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

IN WITNESS WHEREOF, I have hereunto set my signature and affixed the seal of the Issuer to this Disclosure Undertaking as of [May 29, 2025].

CITY OF TONAWANDA
ERIE COUNTY, NEW YORK

By: SPECIMEN
City Treasurer

(SEAL)

ATTEST:

SPECIMEN
City Clerk