

**NEW ISSUE
BOND ANTICIPATION NOTES**

**RATINGS: (See “RATINGS” herein)
BOOK-ENTRY ONLY**

In the opinion of Bond Counsel to the City, under existing statutes, regulations, administrative rulings, and court decisions, and assuming continuing compliance by the City with its covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the “Code”), and the accuracy of certain representations made by the City, interest on the Notes is excluded from gross income of the owners thereof for Federal income tax purposes and is not an “item of tax preference” for purposes of the Federal alternative minimum tax imposed on individuals. We observe that interest on 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. Bond Counsel is also of the opinion that under existing statutes interest on the Notes is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). No opinion is expressed regarding other Federal or State tax consequences arising with respect to the Notes. See “TAX MATTERS” herein.

The Notes will be designated by the City as “qualified tax-exempt obligations” pursuant to Section 265(b)(3) of the Code.

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

**\$9,115,000*
Bond Anticipation Notes, 2024
(the “Notes”)**

Date of Issue: Date of Delivery

Due: July 1, 2025

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP*</u>
07/01/2025	\$9,115,000*			

The Notes are general obligations of the City of Lackawanna, Erie County, New York, (the “City”) and will contain a pledge of the faith and credit of the City for the payment of the principal thereof and interest thereon and, unless paid from other sources, the Notes are payable from *ad valorem* taxes which may be levied upon all the taxable real property within the City, subject to certain statutory limitations imposed by Chapter 97 of the Laws of 2011 of the State of New York (see “TAX INFORMATION - Tax Levy Limitation Law” in Appendix A hereto).

The Notes will not be subject to redemption prior to maturity.

The Notes may be issued as registered notes and will be registered in the name of Cede & Co., as nominee of the Depository Trust Company (“DTC” or the “Securities Depository”), in New York, New York, which DTC will act as Securities Depository for the Notes. Individual purchases of such Notes may be made in book-entry form only, in principal amounts of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their ownership interests in the Notes. Principal of and interest on the Notes will be paid in Federal Funds by the City to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the beneficial owners of the Notes as described herein. Transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The City will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. (See “THE NOTES – Book-Entry-Only System” herein.)

The Notes are offered when, as and if issued by the City subject to the respective final approving opinions of Hodgson Russ LLP, Buffalo, New York, Bond Counsel to the City, and certain other conditions. Masterson Advisors LLC has served as Municipal Advisor to the City in connection with the issuance of the Notes. It is expected that delivery of the Notes will be made on or about October 10, 2024 in New York, New York.

THE CITY OF LACKAWANNA DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE (“THE RULE”) 15c2-12, EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH SAID RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE OBLIGATIONS HEREIN DESCRIBED. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER(S) AS MORE FULLY DESCRIBED IN THE NOTICE OF SALE WITH RESPECT TO THE OBLIGATIONS HEREIN DESCRIBED.

* Preliminary, subject to change.

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This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

CITY OFFICIALS

Annette Iafallo
Mayor

CITY COUNCIL

Frederic J. Marrano
President

Amira H. Muflahi
Dean Moretti

Karl Anderson
Kevin R. Surdyke

Pending Hire
Comptroller

Peggy Bigaj Sobol
Assistant Comptroller

Grace Marrano
City Clerk

John P. Gaughan
City Attorney

Bond Counsel

Hodgson Russ LLP
Buffalo, New York

Municipal Advisor

Masterson Advisors LLC
Canton, Massachusetts

No person has been authorized by the City of Lackawanna 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. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. 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 of Lackawanna.

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

\$9,115,000* BOND ANTICIPATION NOTES, 2024

This Official Statement (the “Official Statement”) which includes the cover page and appendices hereto, presents certain information relating to the City of Lackawanna, County of Erie, State of New York (the “City”, “County” and “State”, respectively), in connection with the sale of \$9,115,000* Bond Anticipation Notes, Series 2024 (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 Notes and the proceedings of the City relating thereto are qualified in their entirety by reference to the definitive form of 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 NOTES

Description

The Notes are dated their Date of Delivery and interest and principal of the Notes is due and payable on July 1, 2025. The Notes will not be subject to redemption prior to maturity.

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 fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). DTC will act as securities depository for the Notes. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their ownership interest in the Notes.

Principal of and interest on the Notes will be paid by the City to DTC, which will in turn remit such principal of and interest on to its Participants (defined herein), for subsequent disbursement to the Beneficial Owners (defined herein) of the Notes as described herein. The Notes may be transferred in the manner described on the Notes and as referenced in certain proceedings of the City referred to therein.

The record payment date for the payment of principal of and interest on the Notes is the fifteenth calendar day of the month preceding the payment date.

* Preliminary, subject to change

Nature of the Obligations

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

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, without limitation as to rate or amount, on all taxable real property within the City subject to the statutory limitations imposed by Chapter 97 of the Laws of 2011 of the State of New York (the “Tax Levy Limitation Law”). See “REVENUE SOURCES AND EXPENDITURES – The Tax Levy Limitation Law” herein.

Under the Constitution of the State, the principal of and interest on the Notes will constitute indebtedness contracted by the City, for the payment of which the City is required to pledge its faith and credit, and the State is specifically precluded from restricting the power of the City to levy taxes on real property for the payment of such indebtedness. However, the Tax Levy Limitation Law imposes a statutory limitation on the City’s power to increase its annual tax levy. The amount of such increase is limited by the formulas set forth in the Tax Levy Limitation Law. See “The Tax Levy Limitation Law” herein.

Authority for and Purpose of the Notes

The Notes 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 a bond resolution that was duly adopted by the City Council of the City on September 3, 2024 authorizing the issuance of up to \$15,250,000 of serial bonds for the construction of a new City Hall building. Proceeds of the Notes will provide new money financing for the Project.

Optional Redemption

The Notes will not be subject to redemption prior to maturity.

Book-Entry-Only System

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered Notes registered in the name of Cede & Co. (DTC's partnership nominee). Upon issuance of the Notes, a single fully-registered Note will be issued for each maturity of the Notes, in the aggregate principal amount of such maturity, 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”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each 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 Notes are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all 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 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 Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 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 Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of principal and interest on the Notes will be made to DTC by the City. Redemption proceeds, distributions, and dividend payments on 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 securities 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) or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments 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 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 to DTC.

The information contained in the above 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.

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

THE CITY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION 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 RESPSECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON 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 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.

THE CITY

General Information

The City, with a land area of 5.7 square miles and a population of 19,716 (according to the U.S. Census Bureau), is located in upstate New York in the geographical region known as Western New York. It is situated in Erie County and borders the City of Buffalo on the south.

Various modes of transportation to and from the area are provided by a network of the State and County highways, including the New York State Thruway, Niagara Frontier Metro Bus Lines, the New York Barge Canal, Conrail and major airlines operating out of Buffalo-Niagara International Airport.

Water is supplied to the City by the Erie County Water Authority. The cost is charged by the Authority against the users served.

Sanitary sewer collection, treatment and disposal is provided by the Erie County Sewer District No. 6. The cost is charged by the District against the users served.

Electricity and natural gas are supplied throughout the City by Niagara Mohawk Power Corporation and National Fuel Gas Distribution Corporation, respectively.

Police protection is provided by the City's Police Department. Fire protection is provided by the City's Professional Fire Department.

The City is served by the following commercial banks, which have one or more offices located within the City: Manufacturers and Traders Trust Company and J.P. Morgan Chase, of which is not within the City limits.

Form of Government

The governing bodies of the City are composed of an elected Mayor (executive branch) and five Council persons (legislative branch), four of which represent a ward within the City and the fifth serves at-large, as prescribed by the City Charter. The Mayor is elected for a four-year term and the members of the Common Council are elected for four-year terms, with elections held in November of the odd number years. The positions of the Director of Administration and Finance, City Comptroller, City Clerk, City Attorney and the Department heads are all appointed.

Financial Organization

The City Comptroller, whose responsibility it is to receive, disburse and account for all financial transactions of the City, is the chief fiscal officer of the City.

Employees

The City provides services through approximately 176 full-time and 49 part-time and seasonal City employees, a portion of whom are represented by various unions. The bargaining units, approximate number of members and contract expiration dates are as follows:

Employee Contracts

<u>Contract Bargaining Unit</u>	<u>Number of Members</u>	<u>Expiration Date</u>
Lackawanna Professional Firefighters Association, Inc.	54	07/31/2025
Civil Service Employees Association, Inc.	22	07/31/2025
Lackawanna Police Benevolent Association, Inc.	50	07/31/2025
American Federation of State, County, and Municipal Employees (AFSCME)	32	07/31/2025

Status and Financing of Employee Pension Benefits

All full-time employees and some part-time employees of the City are members of the New York State and Local Employees' Retirement System ("ERS") or the New York State and Local Police and Fire Retirement System ("PFRS"). (Both systems are referred to together hereinafter as the "Retirement Systems" where appropriate.) These Retirement Systems are cost-sharing, multiple public employer retirement systems. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement System and Social Security Law (the "Retirement System Law"). The Retirement System offers 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 ten 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. The Retirement Systems are non-contributory with respect to members hired prior to July 27, 1976. All members hired on or after July 27, 1976 and prior to April 1, 2012 must contribute 3% of gross annual salary toward the cost of retirement programs. Effective October 1, 2000, the 3% contribution is waived for employees who have achieved ten years of service credit. Members hired on or after April 1, 2012 have a variable rate of contribution, based on salary, ranging from 3% to 6%.

Pursuant to Chapter 62 of the Laws of 1989, the City's liability to the ERS and PFRS is accounted for according to accounting principles generally accepted in the United States of America (GAAP). Bills are sent November 15 each year for payment December 15. The December 15 payment covers the 12-month period covering the payment date to the following March 31.

For the three years ended July 31, 2022 through 2024, the City's combined contribution to the ERS and PFRS together were: \$1,742,267 and \$7,542,793, respectively. Said figures are higher than customary since they include contributions for union contract settlements, i.e., back-pay. The City's July 31, 2025 budget appropriates a combined contribution to the ERS and PFRS in the amount of \$4,033,947.

Local Economy

Highmark Stadium (the Current Stadium)

The Current Stadium (aka "Highmark Stadium") is owned by the County and is the home of the Buffalo Bills. Pursuant to a series of agreements that have been entered into among the State, the County and the Bills, the Current Stadium is to be replaced by the New Stadium. It is anticipated that the Bills will begin to play in the New Stadium in the fall of 2026, with the Current Stadium then to be demolished and converted into a parking area. Construction is progressing as planned, and the New Stadium is expected to be completed on schedule.

The County is issuing bonds pursuant to the Constitution and statutes of the State, including, among others, the County Law, the Local Finance Law, and a bond resolution. The New Stadium bond resolution authorizes the issuance of up to \$150,000,000 of serial bonds to finance a portion of the County's \$250,000,000 share of the cost of the construction of a multi-purpose stadium and related infrastructure in Orchard Park, New York (the "New Stadium"). The New Stadium will be the future home of the Buffalo Bills (the "Buffalo Bills" or the "Bills"), a member club of the National Football League (the "NFL"). The Bills have played for over 50 years in a County-owned stadium in Orchard Park (the "Current Stadium"). Pursuant to a series of agreements that have been entered into among the State, the County and the Bills, the Current Stadium is to be replaced by the New Stadium, which will be located directly across the road from the Current Stadium. It is anticipated that the Bills will begin to play in the New Stadium in the fall of 2026, with the Current Stadium then to be demolished and converted into a parking area. The New Stadium has been designed to also host a broad range of other civic, community, athletic, educational, cultural, and commercial activities. Construction of the New Stadium is progressing as planned, and the New Stadium is expected to be completed on schedule, in 2026.

The New Stadium is being developed and constructed pursuant to a Stadium Development and Construction Coordinating Agreement (the "SDCCA"), dated as of March 29, 2023, among Erie County Stadium Corporation (a New York State controlled special-purpose entity and herein referred to as "ECSC"), the County, and Bills Stadium and Events Company, LLC (an affiliate of the Buffalo Bills and herein referred to as "StadCo"), and an array of related documents. The New Stadium is to be constructed by the County and then conveyed to ECSC, with ECSC and StadCo to be the parties to a lease governing the long-term use of the New Stadium.

The County, the State and the Bills executed a lease in 2013 under which the Bills would continue to play nearly all home games at the Current Stadium through July 30, 2023. The Bills had the right to terminate the lease during the seventh year of the lease by paying a termination fee of \$28,363,500, but they did not exercise that right. The prior lease, which was set to expire on July 31, 2023, has been converted to a year-to-year lease. The Current Stadium will continue to be utilized until the construction of the New Stadium is complete.

Under the prior lease, the County has provided working capital, game day, operating and maintenance payments for the Current Stadium. Working capital payments were shared by the County and the State, having started at \$3,000,000 in 2013 and increasing annually with the Consumer Price Index (“CPI”). Game day payments were shared by the County and the State, with the County’s share having started at \$1,818,000 in 2013 and increasing annually with the CPI. Operating payments were shared by the County and the State, with the County’s share having started at \$2,913,000 in 2013 and increasing annually with the CPI. The total cost to the County in 2023 for these payments relating to the Current Stadium was \$7.1 million, and the budgeted total cost for 2024 is \$7.4 million. Upon completion of the New Stadium, a 30-year lease between the Bills and the ECSC will control the operations of the New Stadium. At that point, these working capital, maintenance, game day and operating payments will cease to be annual obligations of the County.

Former Bethlehem Steel Site

During the past ten years, Erie County and New York State have spent over \$50 million to buy land, move rail lines and create road, water and sewer infrastructure at the former Bethlehem Steel site in the City of Lackawanna. The Erie County Industrial Development Agency (“ECIDA”) owns 25% of the complex (now known as Renaissance Commerce Park) and has remediated the land. Since then, the private sector has invested more than \$130 million at the property creating manufacturing and warehouse complexes. Welded Tube of Canada built a \$48 million facility in 2013; TMP Technologies constructed a \$22.7 million factory to make the Mr. Clean Magic Eraser; Sucro Sourcing invested \$35 million to buy and refurbish three existing buildings into a new sugar refinery and storage operation; and announced in June 2024 that it will purchase 10 acres next to its refinery and build a new 126,000 square-foot warehouse and distribution facility; and Total Quality Assurance International has leased 108,000 square feet of Uniland Development Company’s first 150,000-square-foot warehouse, constructed at a cost of \$17 million. Max Advanced Brakes of Markham, Ontario, has signed a long-term lease with Uniland to occupy 42,000 square feet in the recently opened warehouse. Uniland built a second warehouse on the site at a cost of \$20 million. Uniland has leased 65,000 square feet of the 150,000 square foot building to KPM Exceptional, a regional distributor of outdoor power equipment. Uniland is currently in negotiations to buy a third site from ECIDA and will build a third warehouse totaling 150,000 square feet.

In May 2024, the ECIDA issued a request for proposals for developers to purchase and redevelop 23.73 acres at the former Bethlehem Steel site. The ECIDA is seeking large light-manufacturing projects or light manufacturers that need a big industrial parcel, and that would benefit from the rail, port and highway access at the business park, as well as incentives such as state brownfield tax credits, an Opportunity Zone designation and low-cost hydropower. A designated developer would have up to 12 months from signing a contract to find a light-industrial or manufacturing user to occupy the building, and then up to 18 months after closing to build.

Tecumseh Redevelopment, which owns most of the property that has not been purchased by the ECIDA, has committed to spending \$69 million over the next 10 years to remediate 489 acres to allow for new construction. At the Port of Buffalo, adjacent to the site, operator New Enterprise Stone & Lime Co. has 14 tenants on site, including: Castaloo USA, CDI Investigations, Compass Minerals, Cryptalo Ltd., Engineered Mix, Ferrous Manufacturing Inc., Linta Design and Manufacturing Corp., NESL Redi-Mix, Powers Coke & Coal, Rybo Marine, Southside Precast, the U.S. Army Corps of Engineers and WS Services LLC.

FINANCIAL FACTORS

Budgetary Procedure

On the first day of April in each year, department heads are required to submit their tentative departmental budgets to the Mayor. The tentative departmental budgets include proposed expenditures and the proposed means of financing for all funds except the Capital Projects fund. The Mayor then adjusts these tentative departmental budgets and formulates a proposed budget, which must be submitted to the City Council on or before May 10th. Public hearings are conducted to obtain taxpayer comments. The City Council has the power to delete, reduce or add items to the proposed budget, and it must adopt a budget on or before June 10th. The affirmative vote of three councilmen is necessary for the Council to adopt a budget. The Mayor then has ten days to veto any provision within the Council's adopted budget that changes the Mayor's proposed budget, and the Council then has thirty days to override the Mayor's veto. Four affirmative votes of the Council are required to override Mayoral vetoes. All revisions that alter appropriations must be approved by the City Council. Expenditures may not legally exceed budgeted appropriations at the activity level.

Independent Audit

The City retains an independent certified public accounting firm for a continuous independent audit of all financial transactions of the City. The financial affairs of the City are also subject to annual audits by the State Comptroller. Set forth in Appendix A to the Preliminary Official Statement is the City's general purpose financial statements for the year ended July 31, 2023.

The City complies with Uniform System of Accounts for Cities as prescribed for cities in New York State by the State Comptroller. The System differs from accounting principles generally accepted in the United States of America as prescribed by the American Institute of Certified Public Accountants' Industry Audit Guide, "Audits of State and local Governmental Units", and codified in Government Accounting, Auditing and Financial Reporting (GAAFR), published by the Governmental Accounting Standards Board (GASB).

State Aid

The City receives substantial financial assistance from the State. In its 2023 fiscal year, approximately 21.16% of the revenues of the City were in the form of State aid. If the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the City, in this year or future years, the City may be affected by a delay in the receipt of State aid until sufficient State taxes have been received by the State to make State aid payments. Additionally, if the State should not adopt its budget in a timely manner, municipalities and school districts in the State, including the City, may be affected by a delay in the payment of State aid.

The State is not constitutionally obligated to maintain or continue State aid to the City. No assurance can be given that present aid levels will be maintained in the future. State budgetary restrictions which eliminate or substantially reduce State aid could have an adverse effect upon the City, requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures. (See also "Market Factors").

Summary of Financial Results

The following tables provide historical summary results for the City's General Fund.

General Fund - Balance Sheet					
	General Fund				
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
ASSETS					
Cash Receivables	\$18,638,289	\$20,172,936	\$18,191,024	\$13,976,185	\$12,193,458
- Taxes	1,735,842	1,666,668	1,313,481	1,034,368	893,425
- Accounts	72,001	101,510	84,320	128,200	125,318
- State and Federal	7,914	63,794	24,569	111,051	82,951
Due From Other Funds	1,386,990	655,792	131,368	186,311	671,252
Prepaid Expenses	226,056	225,330	197,826	175,627	174,567
Due from Other Governments	1,395,638	1,236,058	1,240,194	952,543	1,030,350
Property Acquired for Taxes	612,825	748,760	746,760	765,687	775,128
	<u>\$24,075,555</u>	<u>\$24,870,848</u>	<u>\$21,929,542</u>	<u>\$17,329,972</u>	<u>\$15,946,449</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Current Liabilities					
- Accounts Payable	\$185,869	\$133,871	\$278,145	\$ 189,680	\$244,518
- Accrued Liabilities	384,742	283,758	618,521	557,919	301,583
- Due to Other Funds	6,389,926	2,198,974	410,295	0	632
- Due to Other Governments	139,048	96,500	86,554	565,121	165,482
- Deferred Revenues	6,765,521	6,823,539	6,528,167	5,058,707	6,119,274
- Other Liabilities*	1,579,878	1,846,195	905,020	0	0
- Pension Obligations	1,170,779	998,122	1,052,784	936,179	999,128
	<u>\$16,615,763</u>	<u>\$12,380,959</u>	<u>\$9,879,486</u>	<u>\$ 7,307,606</u>	<u>\$ 7,830,617</u>
Net Assets:					
Restricted for:					
- Narcotics Forfeiture	\$250,876	\$165,625	\$ 51,922	\$ 94,505	\$ 58,995
- Asset Forfeiture	44,809	42,746	42,728	57,723	59,564
- Assigned Amount of the City's Fund Balance	1,650,000	1,668,531	1,741,899	1,100,083	1,245,949
- Employee Benefits	1,027,370	1,027,370	1,027,371	592,370	692,370
- Liability Insurance	200,000	200,000	200,000	200,000	200,000
- Workers' Compensation	137,410	137,410	137,410	137,410	137,410
- Prepaid Expenses	226,056	225,330	197,826	175,627	174,567
- Unreserved Undesignated	3,923,271	9,022,877	8,650,900	7,664,648	5,546,977
	<u>\$7,459,792</u>	<u>\$12,489,889</u>	<u>\$12,050,056</u>	<u>\$10,022,366</u>	<u>\$ 8,115,832</u>
	<u>\$24,075,555</u>	<u>\$24,870,848</u>	<u>\$21,929,542</u>	<u>\$17,329,972</u>	<u>\$15,946,449</u>

*Other liabilities = American Rescue Plan Funds

General Fund – Statement of Revenue, Expenses & Changes in Fund Balances

	General Fund				
	2023	2022	2021	2020	2019
Revenues					
- Real Property Taxes	\$12,805,276	\$12,357,430	\$12,627,763	\$11, 857,095	\$11,899,855
- Real Property Tax Items	993,043	681,430	538,921	552,760	690,479
- Non-property tax Items	8,557,051	8,123,368	7,154,026	6,422,134	6,264,231
- Departmental Income	291,814	216,982	195,716	178,924	222,079
- Use of Money and Property	447,016	108,605	89,377	147,001	184,839
- Licenses and Permits	176,207	120,983	123,665	94,251	38,008
- Fines and Forfeitures	441,325	291,017	293,525	288,595	354,135
- Sale of Property and Compensation for Loss	258,159	458,841	165,052	654,631	695,993
- Miscellaneous	310,371	59,097	136,263	10,498	221,353
- State Aid	6,610,003	6,761,984	6,601,644	7,136,402	6,770,005
- Federal Aid	350,246	175,466	248,645	119,814	75,159
	\$31,240,511	\$29,355,203	\$28,174,597	\$27,462,105	\$27,416,136
Expenditures					
Current					
- General Government Support	\$2,739,818	\$2,742,087	\$ 2,481,646	\$ 2,453,784	\$ 2,594,874
- Public Safety	12,346,160	12,012,092	10,327,128	10,302,122	10,098,010
- Transportation	4,705,052	2,901,696	2,228,251	2,467,015	2,233,502
- Culture and Recreation	641,966	576,772	342,523	482,236	571,755
- Home and Community Services	46,181	27,909	48,900	42,873	40,000
- Employee Benefits	9,326,751	9,143,482	9,116,515	9,058,943	9,077,965
Debt Service					
- Principal	576,310	541,035	530,765	505,000	690,000
- Interest	188,960	124,535	162,056	169,863	188,293
	\$30,571,198	\$28,069,608	\$25,237,784	\$25,481,836	\$25,494,399
Excess (Deficiency) of Revenues Over Expenditures	\$669,313	\$1,285,595	\$2,936,813	\$1,980,269	\$1,921,737
Other Sources and (Uses):					
- Transfers from Other Funds		237,315	685,312	487,621	-
- Transfers to Other Funds	(5,699,410)	(1,083,077)	(1,594,435)	(561,356)	(3,195,000)
	(\$5,669,410)	(\$845,762)	(\$909,123)	(\$73,735)	(\$3,195,000)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(5,030,097)	\$439,833	\$2,027,690	\$1,906,534	(\$1,273,263)
Fund Balance at Beginning of Year	12,489,889	12,050,056	10,022,366	8,115,832	9,389,095
Fund Balance at End of Year	\$7,459,792	\$12,489,889	\$12,050,056	\$10,022,366	\$ 8,115,832
State Revenues (% of total revenues)	21.16%	23.04%	23.43%	25.99%	24.69%

Other Information

The statutory authority for the power to spend money for the object or purpose, or to accomplish the object or purpose for which the Notes are to be issued is the City Charter and Local Finance Law. The procedure for the validation of the Notes provided in Title 6 of Article 2 of the Local Finance Law, has been complied with. No principal or interest upon any obligation of the City is past due. The fiscal year of the City is from August 1 to July 31.

Investment Policy

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 and 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 provision of and subject to the limitation of Section 10 of the GML.

The City may also temporarily invest moneys in: (1) obligations of the United States of America; (2) 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; (3) obligations of the State of New York; (4) with the approval of the New York State Comptroller, in tax anticipation notes or revenue anticipation notes issued by any municipality, school district, or district corporation, other than those notes issued by the City; (5) certificates of participation issued by political subdivisions of the State pursuant to Section 109-b(10) of the GML; (6) obligations of a New York public benefit corporation which are made lawful investments for municipalities pursuant to the enabling statute of such public benefit corporation; or (7) in the case of moneys held in certain reserve funds established by the City pursuant to law, in obligations of the City.

All of the foregoing instruments and 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 instruments and investments 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 in Section 10 of the GML.

The City Council 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.

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Building Permits

The following table sets forth information regarding building permits issued by the City:

Fiscal Year Ended July 31	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
One and two family residential:					
Number of permits	6	7	8	15	2
Estimated Value	\$ 495,000	\$ 966,500	\$666,000	\$626,226	\$104,000
New retail/commercial/industrial:					
Number of permits	0	9	7	3	12
Estimated Value	\$ 0	\$15,925,000	\$137,246,00	\$2,388,000	\$19,408,330
Other:					
Number of permits	375	486	692	627	682
Estimated Value	\$ 3,141,636	\$ 6,368,116	\$29,263,571	\$28,934,645	\$16,808,244
Yearly total:					
Number of Permits	381	502	707	645	696
Estimated value	\$ 3,636,636	\$23,259,616	\$167,175,57	\$3,014,226	36,320,574

TAX INFORMATION

Valuations and Tax Data

Taxable Assessed and Full Valuations

Fiscal year ended July 31:	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Taxable assessed valuation	\$474,467,750	\$479,431,549	\$740,161,935	\$745,358,621	\$759,550,576
Equalization Rate	79.00%	75.00%	100%	99.00%	90.00%
Full Valuation	\$600,592,089	\$639,242,064	\$740,161,935	\$752,887,496	\$843,945,084

Fiscal year ended July 31:	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Homestead	\$18.28	\$18.58	-	-	-
Non-Homestead	\$42.33	\$42.10	-	-	-
Unified Rate*	-	-	\$17.15	\$16.75	\$16.75

Tax Collection Record

Fiscal year ended July 31:	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Real Property Tax Levy	\$11,820,726	\$11,985,449	\$12,695,884	\$12,484,757	\$12,722,472
Exemption Removals	42,304	48,845	56,628	40,583	64,055
Special Assessments	10,000	6,880	5,727	38,132	46,558
Total Tax Levy	\$11,873,030	\$12,041,174	\$12,758,239	\$12,563,472	\$12,833,085
Uncollected end of Year ⁽¹⁾	\$421,118	\$506,492	\$557,805	\$546,429.08	\$513,836.82
Percent Collected	96.45%	95.79%	95.65%	95.65%	95.99%

(1) The City holds tax sales annually. See "Tax collection Procedures" below.

*The City unified the tax rate for YE 7/31/22

Tax Collection Procedures

Taxes are levied on August 1st and are payable in two installments on August 31st and January 31st. The first installment is equal to one-half of the current year levy. The second installment is equal to the difference between the tax levied and assessed for the current year and the amount of the first installment. Late payments carry a penalty of 2% for each month.

The City collects its own taxes through the City Treasurer, and is responsible for the collection of its delinquent taxes. The City holds its annual tax sale in November and any taxes not sold are bought by the City as tax liens. The City is responsible for the School District taxes reaching two years delinquency.

Ten Largest Assessed Valuations — Assessment Roll for 2023

<u>Ten Largest Assessed Valuations*</u>		
<u>Owner</u>	<u>Type</u>	<u>Assessment</u>
Lackawanna City School District (a)	Education	\$24,791,000
Niagara Mohawk Power Corp	Utility	\$20,083,537
Time Release Properties – 6 Dona St. (b)	Manufacturing	\$15,090,000
Lackawanna Municipal Housing (a)	Housing	\$14,039,160
Tecumseh Development (b)	Industrial Redevelopment	\$10,700,000
ArcelorMittal USA	Windmills	\$10,470,000
Uniland Dev – 8 Dona St. (b)	Warehouse	\$10,109,000
Uniland Dev – 2 Steelworkers Way (b)	Warehouse	\$10,109,000
City of Lackawanna (a)	Government	\$9,950,300
L.H.H.D Fund Corp	Housing	\$9,292,210
Total Assessed Value		<u>\$134,634,207</u>

- * Includes applicable franchise assessments for utilities as determined by the Office of Real Property Services. Subject to assessment ceiling as determined by the Office of Real Property Services.
- (a) Exempt from general municipal taxes.
- (b) Related to Bethlehem Steel Redevelopment Site, including Renaissance Commerce Park

Constitutional Tax Margin

The following is the computation of the Constitutional Tax margin for the fiscal years ending July 31, 2021, July 31, 2022 and July 31, 2023.

	<u>7/31/2023</u>	<u>7/31/2022</u>	<u>7/31/2021</u>
Five Year average full value	<u>\$715,344,845</u>	<u>\$666,007,446</u>	<u>\$636,159,550</u>
Tax Limit - 2%	\$14,306,897	\$13,320,149	\$12,723,191
Add: Exclusion from Limit	<u>\$1,491,771</u>	<u>\$ 1,168,495</u>	<u>\$ 851,823</u>
Maximum Taxing Power	\$15,798,668	\$14,488,644	\$13,575,014
Less: Total Levy	<u>\$12,870,898</u>	<u>\$12,484,757</u>	<u>\$12,752,512</u>
Constitutional Tax Margin	<u>\$2,927,770</u>	<u>\$2,003,887</u>	<u>\$ 822,502</u>
% Exhausted	<u>75.54%</u>	<u>84.96%</u>	<u>93.54%</u>

TAX LEVY LIMITATION LAW

Chapter 97 of the Laws of 2011, as amended, (the “Tax Levy Limitation Law”) applies to all local governments, including school districts (with the exception of New York City, the counties comprising New York City and the Big 5 City School Districts (Buffalo, Rochester, Syracuse, Yonkers and New York). It also applies to independent special districts and to town and county improvement districts as part of their parent municipalities’ tax levies.

The Tax Levy Limitation Law restricts, among other things, the amount of real property taxes (including assessments of certain special improvement districts) that may be levied by or on behalf of a municipality in a particular year, beginning with fiscal years commencing on or after January 1, 2012. Pursuant to the Tax Levy Limitation Law, the tax levy of a municipality cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the consumer price index (“CPI”), over the amount of the prior year’s tax levy. Certain adjustments would be permitted for taxable real property full valuation increases or changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A municipality may exceed the tax levy limitation for the coming fiscal year only if the governing body of such municipality first enacts, by at least a sixty percent vote of the total voting strength of the board, a local law (resolution in the case of fire districts and certain special districts) to override such limitation for such coming fiscal year only. There are permissible exceptions to the tax levy limitation provided in the Tax Levy Limitation Law, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees’ Retirement System, the Police and Fire Retirement System, and the Teachers’ Retirement System. Municipalities are also permitted to carry forward a certain portion of their unused levy limitation from a prior year. Each municipality prior to adoption of each fiscal year budget must submit for review to the State Comptroller any information that is necessary in the calculation of its tax levy for each fiscal year.

The Tax Levy Limitation Law does not contain an exception from the levy limitation for the payment of debt service on either outstanding general obligation debt of municipalities or such debt incurred after the effective date of the tax levy limitation provisions.

Article 8 Section 2 of the State Constitution requires every issuer of general obligation bonds and notes in the State to pledge its faith and credit for the payment of the principal thereof and the interest thereon. This has been interpreted by the Court of Appeals, the State’s highest court, in *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), as follows:

“A pledge of the city’s faith and credit is both a commitment to pay and a commitment of the city’s revenue generating powers to produce the funds to pay. Hence, an obligation containing a pledge of the City’s “faith and credit” is secured by a promise both to pay and to use in good faith the city’s general revenue powers to produce sufficient funds to pay the principal and interest of the obligation as it becomes due. That is why both words, “faith” and “credit”, are used and they are not tautological. That is what the words say and that is what courts have held they mean.”

Article 8 Section 12 of the State Constitution specifically provides as follows:

“It shall be the duty of the legislature, subject to the provisions of this constitution, to restrict the power of taxation, assessment, borrowing money, contracting indebtedness, and loaning the credit of counties, cities, towns and villages, so as to prevent abuses in taxation and assessments and in contracting of indebtedness by them. Nothing in this article shall be construed to prevent the legislature from further restricting the powers herein specified of any county, city, town, village or school district to contract indebtedness or to levy taxes on real estate. The legislature shall not, however, restrict the power to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted.”

On the relationship of the Article 8 Section 2 requirement to pledge the faith and credit and the Article 8 Section 12 protection of the levy of real property taxes to pay debt service on bonds subject to the general obligation pledge, the Court of Appeals in the *Flushing National Bank* case stated:

“So, too, although the Legislature is given the duty to restrict municipalities in order to prevent abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the city’s power to levy taxes on real estate for the payment of interest on or principal of indebtedness previously contracted....While phrased in permissive language, these provisions, when read together with the requirement of the pledge of faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded.”

In addition, the Court of Appeals in the *Flushing National Bank* case has held that the payment of debt service on outstanding general obligation bonds and takes precedence over fiscal emergencies and the police power of municipalities.

Therefore, while the Tax Levy Limitation Law may constrict an issuer’s power to levy real property taxes for the payment of debt service on debt contracted after the effective date of said Tax Levy Limitation Law, it is clear that no statute is able (1) to limit an issuer’s pledge of its faith and credit to the payment of any of its general obligation indebtedness or (2) to limit an issuer’s levy of real property taxes to pay debt service on general obligation debt contracted prior to the effective date of the Tax Levy Limitation Law. Whether the Constitution grants a municipality authority to treat debt service payments as a constitutional exception to such statutory tax levy limitation outside of any statutorily determined tax levy amount is not clear.

It is possible that the Tax Levy Limitation Law will be subject to judicial review to resolve the constitutional issues raised by its adoption. Although courts in New York have historically been protective of the rights of holders of general obligation debt of political subdivisions, the outcome of any such legal challenge cannot be predicted.

CITY INDEBTEDNESS

Constitutional Requirements

The New York State Constitution limits 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 Notes include the following:

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to paid within three fiscal 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 a determination is made to issue indebtedness with substantially level or declining annual debt service, in which case, debt service for any year shall not exceed the lowest amount of annual debt service in any prior year by more than the greater of five percent or ten thousand dollars. 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 amortization and redemption of its serial bonds and such required annual installments on its notes.

Debt Limit. The City has the power to contract indebtedness for any City purpose so long as the principal amount thereof, subject to certain limited exceptions, shall not exceed seven per centum of the average full valuation of taxable real estate of the City and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash appropriations for current debt service. The constitutional method for determining full valuation is calculated by taking the assessed valuation of taxable real estate as shown upon the latest completed assessment roll and dividing the same by the equalization rate as determined by the State Office

of Real Property Services. The State Legislature is required to prescribe the manner by which such ration shall be determined. Average full valuation is determined by taking the sum of the full valuation of the last complete assessment roll and the four preceding assessment rolls and dividing such sum by five.

Pursuant to Article VIII of the State Constitution and Title 9 of Article 2 of the Local Finance Law, the debt limit of the City is calculated by taking 7% of the latest five-year average of the full valuation of all taxable real property.

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 Local Finance Law subject, of course, to the provisions set forth above. The power to spend money, however, generally derives from another law, including specifically the City Charter and the General Municipal Law.

Pursuant to the Local Finance Law and its Charter, the City authorizes the issuance of bonds or notes by the adoption of an ordinance approved by at least two-thirds of the members of the City Council, the finance board of the City. Customarily, the City Council has delegated to the City Comptroller, as chief fiscal officer of the City, the power to sell bond or notes in anticipation of selling bonds.

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 for an object or purpose for which the City is not authorized to expend money, or

(b) the provisions of 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 publication of the notice; or
2. such obligations are authorized in violation of the provisions of the Constitution of New York.

It is the policy of the City to comply with this estoppel procedure. It is a procedure that is recommended by Bond Counsel to the City, but is not an absolute legal requirement.

Each ordinance usually authorizes the construction, acquisition or installment of the object or purpose to be financed. It sets forth the plan of financing and specifies the maximum maturity of the Bonds/Notes subject to the legal (Constitution, Local Finance Law and case law restrictions relating to the period of probable usefulness with respect thereto. The City has authorized Notes in anticipation of a bond offering to finance the cost to construct a New City Hall, as the current City Hall is outdated, in various states of disrepair, decaying, damaged and broken.

Statutory law in New York permits bond anticipation 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 of such notes and provided that such renewals do not exceed five years beyond the original date of borrowing. (See "Payment and Maturity" under "Constitutional Requirements" herein.) In general, the Local Finance Law contains provisions providing the City with power to issue certain other short-term general obligation indebtedness including revenue and tax anticipation notes, deficiency notes and budget and capital notes (see "Details of Outstanding Indebtedness" herein).

Debt Outstanding End of Fiscal Year

Fiscal year ended July 31:	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Bonds	\$5,020,000	\$4,515,000	\$3,995,000	\$4,495,000	\$3,930,000
Bond Anticipation Notes	0	0	0	0	0
Other Long-Term Debt	<u>0</u>	<u>0</u>	<u>264,234</u>	<u>253,200</u>	<u>241,890</u>
Total	<u>\$5,020,000</u>	<u>\$4,515,000</u>	<u>\$4,259,234</u>	<u>\$4,748,200</u>	<u>\$4,171,890</u>

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the City as of July 31, 2023.

<u>Details of Outstanding Debts</u>	<u>Serial Bonds</u>	<u>Other Long Term Debt</u>	<u>Total</u>
Balance Outstanding July 31, 2022	\$4,495,000	\$253,200	\$4,748,200
Principal Issued through July 31, 2023	0	0	0
Principal Redeemed through July 31, 2023	<u>565,000</u>	<u>11,310</u>	<u>576,310</u>
Balance Outstanding July 31, 2023	\$3,930,000	\$241,890	\$4,171,890

All Budgeted 2022-2023 bond and note payments have been made.

Debt Statement Summary

The following is the Debt Limit and Net Debt-Contracting Margin of the City as of July 31, 2023.

Debt Limit and Debt Contracting Margins

Five Year average full value	<u>\$715,344,845</u>
Debt Limit - 7%	\$50,074,139
Inclusions:	
Bonds	\$3,930,000
Other Long-Term Debt	<u>241,890</u>
Total Inclusions	\$4,171,890
Exclusions:	
Appropriations ⁽¹⁾	<u>\$0.00</u>
Total New Indebtedness Subject to Debt Limit	<u>\$4,171,890</u>
Net Debt-Contracting Margin	<u>\$45,902,249</u>
% Exhausted	<u>9.09%</u>

(1) Budgeted appropriations are automatically excluded pursuant to provisions of the New York State Constitution and Section 136 of the Local Finance law.

Remedies Upon Default

Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate or 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 Notes in the event of a default in the payment of the principal of or interest on 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 Federal Bankruptcy Code allows public bodies recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.50 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.

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 of the payment of such obligations.

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State Legislature authorizing any city, 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 been declared with respect to the City.

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 estimated gross outstanding indebtedness (bonds and notes) of such political subdivisions, based on unverified information furnished by the respective entities concerned, is as follows:

Unit	Overlapping Indebtedness				
	<u>As of June 30, 2023</u>				
	<u>Gross</u>		Net	Approx. %	Allocable Net
	<u>Indebtedness</u>	<u>Exclusions</u>	<u>Indebtedness</u>	<u>Applicable</u>	<u>Indebtedness</u>
County of Erie	\$345,859,257	\$77,591,583	\$268,257,574	1.3631%	\$3,656,737
Lackawanna City School District	\$0	\$0	\$30,203,550	100.00%	<u>\$30,203,550</u>
				Total	<u>\$33,860,287</u>

Debt Ratios

The following table sets forth certain ratios relating to the City's indebtedness as of June 30, 2023.

	As of June 30, 2023		
	Amount of Indebtedness	Per Capita^(a)	Percentage of Full Valuation^(b)
Gross Direct Indebtedness ^(c)	\$4,171,890	212	0.49%
Net Direct Indebtedness ^(c)	4,171,890	212	0.49%
Gross Direct Plus Net Overlapping Indebtedness ^(d)	38,032,017	1,928	4.51%
Net Direct Plus Net Overlapping Indebtedness ^(d)	38,032,177	1,928	4.51%

(a) The City's 2020 population is 19,716. (See "Population" herein.)

(b) The City's full valuation of taxable real estate for 2023 is \$843,945,084. (See "Valuation and Tax Data" herein.)

(c) See "Debt Statement Summary" herein.

(d) The City's estimated applicable share of net underlying indebtedness is \$33,860,287. (See "Overlapping Indebtedness," herein.)

Debt Service Schedule

The following table sets forth the debt service requirements for all currently outstanding bonds on a fiscal year basis through fiscal year 2037.

Fiscal Year	Principal	Interest	Total Fiscal Year Debt Service
2024	590,000	151,550	741,550
2025	610,000	126,075	736,075
2026	635,000	99,525	734,525
2027	650,000	72,025	722,025
2028	675,000	42,375	717,375
2029	75,000	21,975	96,975
2030	80,000	19,650	99,650
2031	80,000	17,250	97,250
2032	80,000	14,850	94,850
2033	85,000	12,375	97,375
2034	90,000	9,750	99,750
2035	90,000	7,050	97,050
2036	95,000	4,275	99,275
2037	95,000	1,425	96,425
Total	\$3,930,000	\$600,150	\$4,530,150

Other Obligations

Other than the projects being financed by the Notes, the City has no other bond resolutions outstanding.

ECONOMIC AND DEMOGRAPHIC DATA

Major Employers

The majority of the residents are engaged in industry, commerce and professions in the City, as well as in the Buffalo metropolitan area. Some of the major employers located in the City, by type of business and the approximate number of employees, are as follows:

Name of Employer	Type of Business	Approx. Number of Employees
Our Lady of Victory (“OLV”) Organizations (various - combined)	Religious/Education/Human Svcs	1,050
Port of Buffalo (various - combined)	Industrial/Commerce	300
City of Lackawanna	Government	225
Kenworth Industries	Logistics/Transportation	225
Lackawanna City School District	Education	210
Global Charter School	Education	176
TMP Technologies	Industrial/Manufacturing	160
Empire Building Diagnostics	Commercial Demolition/Remediation	105
Premium Coffee/Queen City Foods	Food/Beverage Production/Distribution/Sales	100
Hazmat Environmental Group	Industrial	100
Welded Tube	Industrial	100
Iroquois Corporation	Industrial	99
Sucro Sourcing/SweetLife	Sugar Refinery/Packaging/Distribution	75

Please Note: *There has been a shift in the composition of the City of Lackawanna’s major employers, as listed in this Report, with a greater emphasis on commercial and industrial employers versus the non-for-profit sector. This is a direct result of the City’s increased economic development/marketing efforts in recent years, which has attracted a significant number of new businesses, revenues and jobs.*

Income

The following table presents per capita money income for the City, the County and the State.

	Per Capita Income		
	<u>2020</u>	<u>2021</u>	<u>2022</u>
City	\$22,308	\$24,186	26,033
County	\$35,050	\$36,506	39,703
State	\$40,898	\$43,078	47,173

Source: US Census Bureau

Unemployment Rate Statistics

The following tables provide information concerning employment and unemployment for the County and the State.

Civilian Labor Force (Thousands)

	<u>2021</u>	<u>2022</u>	<u>2023</u>
County	440	443	449
State	9,533	9,595	9,717

Source: New York State Department of Labor Local Area Unemployment Statistics Program

Yearly Average Unemployment Rates

<u>Year</u>	<u>County</u>	<u>State</u>
2021	5.5%	7.1%
2022	3.7%	4.3%
2023	3.8%	4.2%

Source: New York State Department of Labor Local Area Unemployment Statistics Program

Monthly Unemployment Rates (%)

<u>Month</u>	<u>County</u>	<u>State</u>
July 2022	3.9%	4.4%
August 2022	4.0%	4.3%
September 2022	3.3%	3.7%
October 2022	3.1%	3.7%
November 2022	3.3%	3.8%
December 2022	3.4%	3.9%
January 2023	4.1%	4.5%
February 2023	4.2%	4.6%
March 2023	3.7%	4.1%
April 2023	3.0%	3.6%
May 2023	3.3%	3.9%
June 2023	3.5%	4.1%
July 2023	3.7%	4.2%

Source: New York State Department of Labor Local Area Unemployment Statistics Program

Population

	<u>City</u>	<u>County</u>	<u>State</u>
1980	22,701	1,015,472	17,557,288
1990	20,585	968,584	17,990,778
2000	19,064	950,265	18,976,457
2010	18,141	919,040	19,378,102
2020	19,716	954,236	20,201,249

Source: U.S. Census

MARKET FACTORS

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 City's control. There can be no assurance that adverse events in the State and any jurisdictions in the County, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market price for 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 borrows, and the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

The City is dependent in part on financial assistance from the State. However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes and revenues in order to pay State aid to municipalities and school districts in the State, including the City, in this year or future years, the City may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the City. In several recent years, including the present fiscal year, the City has received delayed payments of State aid which resulted from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts, and consequent delay in State borrowing to finance such appropriations. (See also "State Aid")

LITIGATION

The City is subject to a number of lawsuits in the ordinary conduct of its affairs, but also has insurance to assist it in its defense of most claims. The City does not believe, however, that such suits, individually or in the aggregate, are likely to have any material adverse effect on the financial condition of the City.

TAX MATTERS

In the opinion of Hodgson Russ LLP, Bond Counsel to the City, based on existing statutes, regulations, administrative rulings and court decisions, and assuming compliance by the City with certain covenants and the accuracy of certain representations, interest on the Notes is excluded from gross income for Federal income tax purposes and is not an "item of tax preference" for purposes of Federal alternative minimum tax on individuals.

The Internal Revenue Code of 1986, as amended (the "Code"), imposes various limitations, conditions and other requirements which must be met at and subsequent to the respective dates of issue of the Notes in order that interest on the Notes will be and remain excluded from gross income for Federal income tax purposes. Included among these requirements are restrictions on the investment and use of proceeds of the Notes and in certain

circumstances, payment of amounts in respect of such proceeds to the United States. Failure to comply with the requirement of the Code may cause interest on the Notes to be includable in gross income for purposes of Federal income tax, possibly from the respective dates of issuance thereof. The City has covenanted to comply with certain procedures and it has made certain representations and certifications, designed to assure satisfaction of the requirements of the Code in respect to the Notes. The opinion of Bond Counsel assumes compliance with such covenants and the accuracy, in all material respects, of such representations and certifications.

Prospective purchasers of the Notes should be aware that ownership of the Notes, and the accrual or receipt of interest thereon, 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 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 of their ownership of the Notes and their accrual or receipt of interest thereon. Bond Counsel expresses no opinion regarding any such collateral Federal income tax consequences.

The Notes will be designated or deemed designated by the City as “qualified tax-exempt obligations” within the meaning of, and pursuant to, Section 265(b)(3) of the Code.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Notes will be subject to the respective final approving opinion of Hodgson Russ, Buffalo, New York, Bond Counsel to the City. Such legal opinion will state that in the opinion of Bond Counsel (i) 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, all the taxable real property within which is subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, to pay the Notes and interest thereon, subject to the statutory limits of Chapter 97 of the Laws of 2011 of the State of New York, as amended (See “TAX INFORMATION – Tax Levy Limitation Law” in Appendix A hereto); provided, however, that the enforceability (but not the validity) of such Notes may be limited by any applicable existing or future bankruptcy, insolvency or other law (State or Federal) affecting the enforcement of creditors' rights.

Such legal opinions will also state that (i) in rendering the opinions expressed therein, Bond Counsel has assumed the accuracy and truthfulness of all public records, documents and proceedings examined by Bond Counsel which have been executed or certified by public officials acting within the scope of their official capacities, and has not verified the accuracy or truthfulness thereof, and Bond Counsel also has assumed the accuracy of the signatures appearing upon such public records, documents and proceedings and such certifications; (ii) the scope of Bond Counsel's engagement in relation to the issuance of the Notes, as applicable, has extended solely to the examination of the facts and law incident 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 Notes as the same become due and payable; (iv) reference should be made to the Official Statement for factual information which, in the judgment of the City, would materially affect the ability of the City to pay such principal and interest; and (v) while Bond Counsel has participated in the preparation of the Official Statement, Bond Counsel has not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, no opinion is expressed by Bond Counsel as to whether the City, in connection with the sale of such 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.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of Rule 15c2-12 (the “Rule”), as the same may be amended or officially interpreted from time to time, promulgated by the Securities and Exchange Commission (the “Commission”), the City has agreed to provide, or cause to be provided,

- (i) during each fiscal year in which the Notes are outstanding, to the Electronic Municipal Market Access (“EMMA”) system of the Municipal Securities Rulemaking Board (“MSRB”), or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule certain annual financial information and operating data for the preceding fiscal year, in a form generally consistent with the information contained or cross-referenced under the headings: “THE CITY”, “FINANCIAL FACTORS”, “TAX INFORMATION”, “CITY INDEBTEDNESS”, “LITIGATION”, and a copy of the audited financial statement (prepared in accordance with generally accepted accounting principles in effect at the time of the audit) for the preceding fiscal year, if any; such information, data and audit, if any, will be so provided on or prior to the later of either the end of the sixth month of each fiscal year or, if audited financial statements are prepared, sixty days following receipt by the City of audited financial statements for the preceding fiscal year, but, in no event, not later than the last business day of each fiscal year.
- (ii) in a timely manner, not in excess of ten (10) business days after the occurrence of the event, to the MSRB or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, notice of the occurrence of any of the following events with respect to the Notes:
 - (a) principal and interest payment delinquencies
 - (b) non-payment related defaults, if material
 - (c) unscheduled draws on debt service reserves reflecting financial difficulties
 - (d) in the case of credit enhancement, if any, provided in connection with the issuance of the Notes, unscheduled draws on credit enhancements reflecting financial difficulties
 - (e) substitution of credit or liquidity providers, or their failure to perform
 - (f) 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 Notes, or other material events affecting the tax- status of the Notes
 - (g) modifications to rights of Security Holders, if material
 - (h) bond (or note) calls, if material and tender offers
 - (i) defeasances
 - (j) release, substitution, or sale of property securing repayment of the Notes, if material
 - (k) rating changes
 - (l) bankruptcy, insolvency, receivership or similar event of the City
 - (m) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, 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

- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material
- (o) incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material
- (p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties

Event (c) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers dated September 19, 1995. However, event (c) is not applicable, since no “debt service reserves” will be established for the Notes.

With respect to event (d) the City does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Notes.

The City may from time to time choose to provide notice of the occurrence of certain other events in addition to those listed above, if the City determines that any such other event is material with respect to the Notes; but the City does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

- (iii) in a timely manner, to the MSRB or any other facility designated or authorized by the commissioner to receive Reports pursuant to the Rule, notice of its failure to provide the aforescribed annual financial information and operating data and such audited financial statement, if any, on or before the date specified.

The Annual Information and the Material Event Notices, if any, will be filed with the Municipal Securities Rulemaking Board and its Electronic Municipal Market Access system for municipal securities disclosures.

The City reserves the right to terminate its obligations to provide the aforescribed annual financial information and operating data and such audited financial statement, if any, and notices of material events, as set forth above, if and when the City no longer remains an obligated person with respect to the Notes within the meaning of the Rule. The City acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the holders of the Notes (including holders of beneficial interests in the Notes). The right of holders of the Notes to enforce the provisions of the undertaking will be limited to a right to obtain specific enforcement of the City's obligations under its continuing disclosure undertaking and any failure by the City to comply with the provisions of the undertaking will neither be a default with respect to the Notes nor entitle any holder of the Notes to recover monetary damages.

The City reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the City; provided that, the City agrees that any such modification will be done in a manner consistent with the Rule.

A Continuing Disclosure Undertaking Certificate to this effect shall be provided to the purchaser at closing.

The City failed to file financial statements for the fiscal years ended July 31, 2022 and July 31, 2023 in a timely fashion. Such delay was attributable to a major city-wide implementation of a new financial system.

SALE AT COMPETITIVE BIDDING

The Notes will be awarded pursuant to electronic competitive bidding to be held via PARITY® on September 24, 2024, unless such date is postponed as described in the Notice of Sale contained in Appendix B to this Preliminary Official Statement. This Preliminary Official Statement has been deemed final as of its date by the Acting Comptroller in accordance with the meaning and requirements of Rule 15c2-12, except for the omission of certain pricing and other information permitted to be omitted pursuant to the Rule. After the Notes have been awarded, the City will complete the Official Statement which will include, amount, other matters, the identity of the winning bidder and the managers of the syndicate, if any, submitting the winning bid, the expected selling compensation to underwriters of the Notes and other information on the interest rate and offering prices or yields of the Notes, as supplied by the winning bidder.

RATINGS

The City received a credit rating of “MIG 1” from Moody’s Investors Service Inc. (“Moody’s”).

Such ratings reflect only the view of such organization and an explanation of the significance of such ratings may be obtained from: Moody's Investors Service, Inc., 7 World Financial Center 250 Greenwich Street, New York, New York 10007, (212) 553-0300. There is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn by such rating agency, if in its judgment, circumstances so warrant. A revision or withdrawal of such ratings may have an effect on the market price of the Notes. See “MARKET FACTORS” herein.

MUNICIPAL ADVISOR

Masterson Advisors LLC ("Masterson Advisors") is employed as Municipal Advisor to the City in connection with the issuance of the Notes. The Municipal Advisor's fee for services rendered with respect to the sale of the Notes is contingent upon the issuance and delivery of the Notes. Masterson Advisors, in its capacity as Municipal Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the Federal income tax status of the Notes, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Municipal Advisor to the City has provided the following sentence for inclusion in this Preliminary Official Statement. The Municipal Advisor has reviewed the information in this Preliminary Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Municipal Advisor does not guarantee the accuracy or completeness of such information.

MISCELLANEOUS

Any statements made in the Preliminary Official Statement which involve matters of opinion or estimates in good faith, whether or not expressly stated, are represented to be opinions or estimates in good faith. No assurance can be given, however, that the fact will materialize as so opined or estimated. Neither this Preliminary Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the holders of the Notes.

Hodgson Russ LLP has not participated in the preparation of the demographic, financial or statistical data contained in this Official Statement, nor verified the accuracy, completeness or fairness thereof, and, accordingly, expresses no opinion with respect thereto.

Additional information may be obtained upon request from the office of the Assistant Comptroller – Peggy Bigaj-Sobol at (716) 827-6485, or from the City's Financial Advisor, Masterson Advisors, at (646) 483-4941.

CITY OF LACKAWANNA, NEW YORK

By: _____:
Peggy Bigaj Sobol
Assistant Comptroller

Dated: September __, 2024

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APPENDIX A - FINANCIAL STATEMENTS OF THE CITY

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CITY OF LACKAWANNA, NEW YORK

Basic Financial Statements
Supplementary Information and
Independent Auditors' Report

July 31, 2023

CITY OF LACKAWANNA, NEW YORK

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CITY OF LACKAWANNA, NEW YORK

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of the City Council
City of Lackawanna, New York

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of July 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 16, 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 the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
August 16, 2024

CITY OF LACKAWANNA, NEW YORK

Management's Discussion and Analysis

July 31, 2023

Our discussion and analysis of the City's financial performance provides an overview of the City's financial activities for the fiscal year ended July 31, 2023. Please read it in conjunction with the City's basic financial statements.

FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of resources of the City exceeded assets and deferred outflows of resources at the close of the 2023 fiscal year by \$54,196,875 (net position). Of this amount, \$4,733,922 is net investment in capital assets, \$11,189,761 is restricted for specific purposes (restricted net position) and the remaining balance is a deficit of \$70,120,558 in unrestricted net position.
- The government's total net position increased by \$2,733,697.
- As of July 31, 2023, the City's governmental funds reported combined fund balances of \$16,663,343, a decrease of \$555,022 from the prior year. Of the combined fund balances \$3,596,979, or 21.6% is available to meet the City's current and future needs (unassigned fund balance).
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$3,923,271 or 52.6% of total General Fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts - Management's Discussion and Analysis (this section), and the Basic Financial Statements.

Basic Financial Statements

Governmental-wide financial statements are two statements 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 City assets, deferred outflows of resources, liabilities and deferred 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 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, revenue and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (i.e., unallocated taxes and earned but unused vacation leave).

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

Both of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities). The governmental activities of the City include general government, public safety, transportation, economic assistance and opportunity, culture and recreation, home and community services, interest and fiscal charges and depreciation.

Fund financial statements are groupings of related accounts that are 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 finance related legal compliance. All funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary 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 funds financial statements focus on near-term inflows and outflows of spendable resources, as well as, balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a City'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 governmental-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains four individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenue, expenditures and changes in fund balances for the General Fund, the Refuse Fund, the Special Grant Fund and the Capital Projects Fund.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds are used to account for business-type activities and include enterprise funds and internal service funds. Internal service funds account for activity that provides goods or services to other funds on a cost-reimbursement basis. The City only reports one internal service fund.

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

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs. The City has one fiduciary fund, the Custodial Fund, which is used to account for funds held by the City as agent for other governments.

Notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. In the case of the City, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$54,196,875 at the close of the most recent fiscal year.

Summary of Net Position

	<u>2023</u>	<u>2022</u>	<u>Percentage Change</u>
Assets:			
Current assets	\$ 29,633,412	29,686,213	(0.2%)
Net pension asset, proportionate share	-	1,018,096	(100.0%)
Capital assets, net of depreciation	<u>9,150,904</u>	<u>11,089,988</u>	(17.5%)
Total assets	<u>38,784,316</u>	<u>41,794,297</u>	(7.2%)
Deferred outflows of resources	<u>15,786,409</u>	<u>21,987,377</u>	(28.2%)
Liabilities:			
Current liabilities	5,505,353	5,006,859	10.0%
Long-term liabilities	<u>79,558,786</u>	<u>74,284,419</u>	7.1%
Total liabilities	<u>85,064,139</u>	<u>79,291,278</u>	7.3%
Deferred inflows of resources:			
Deferred revenues	6,015,650	5,921,538	1.6%
Deferred inflows	<u>17,687,811</u>	<u>35,499,430</u>	(50.2%)
Total deferred inflows of resources	<u>23,703,461</u>	<u>41,420,968</u>	(42.8%)
Net position (deficit):			
Net investment in capital assets	4,733,922	6,051,485	(21.8%)
Restricted	11,189,761	6,279,320	78.2%
Unrestricted (deficit)	<u>(70,120,558)</u>	<u>(69,261,377)</u>	1.2%
Total net position (deficit)	\$ <u>(54,196,875)</u>	<u>(56,930,572)</u>	(4.8%)

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

Net investment in capital assets of \$4,733,922 represents its investment in capital assets (e.g. land, buildings, improvements, infrastructure, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position of \$11,189,761 represents resources that are subject either to external restrictions or constrained by law through constitutional provisions of enabling legislation.

Net position not classified as invested in capital assets or restricted is considered unrestricted and available to meet the City's ongoing obligations. At July 31, 2023, this was a deficit of \$70,120,558.

Governmental activities increased the City's net position by \$2,733,697. The following table indicates the change in net position for governmental activities:

Summary of City of Lackawanna's Change in Net Position

	<u>2023</u>	<u>2022</u>	<u>Percentage Change</u>
Revenue:			
Program revenue:			
Charges for services	\$ 2,315,473	2,317,030	(0.1%)
Operating grants and contributions	402,041	227,158	77.0%
Capital grants and contributions	932,984	476,402	95.8%
General revenue:			
Real property taxes	12,735,913	12,713,342	0.2%
Real property tax items	993,043	681,430	45.7%
Non-property tax items	8,557,051	8,123,368	5.3%
Use of money and property	451,325	108,730	315.1%
Licenses and permits	176,207	120,983	45.6%
Fines and forfeitures	441,325	291,017	51.6%
Sale of property and compensation for loss	258,159	458,841	(43.7%)
State aid	6,536,951	6,674,938	(2.1%)
Miscellaneous	<u>542,821</u>	<u>135,631</u>	300.2%
Total revenue	<u>34,343,293</u>	<u>32,328,870</u>	6.2%

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

	<u>2023</u>	<u>2022</u>	<u>Percentage Change</u>
Expenses:			
General government support	\$ 4,340,565	3,413,495	27.2%
Public safety	16,587,919	14,268,008	16.3%
Transportation	7,148,311	6,417,493	11.4%
Culture and recreation	898,225	783,420	14.7%
Home and community services	2,487,554	2,378,249	4.6%
Interest	<u>147,022</u>	<u>118,735</u>	23.8%
Total expenses	<u>31,609,596</u>	<u>27,379,400</u>	15.5%
Change in net position	2,733,697	4,949,470	(44.8%)
Net position (deficit) at beginning of year	(56,930,572)	(61,880,042)	(8.0%)
Net position (deficit) at end of year	\$ (54,196,875)	(56,930,572)	(4.8%)

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental funds - The governmental functions are contained in the General, Refuse, Special Grant and Capital Project 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 spending at the end of the fiscal year.

At July 31, 2023, the City's governmental funds reported combined fund balances of \$16,663,343, a decrease of \$555,022 from the prior year. Approximately 21.6% of the combined fund balances, \$3,596,979, constitutes unassigned fund balance, which is available to meet the City's current and future operational and capital needs. The remainder of fund balance is nonspendable, restricted, committed or assigned to indicate that it is not available for new spending because it has already been devoted to a specific purpose. Restricted fund balance in the General Fund consisted of (1) \$1,027,370 restricted for employee benefits; (2) \$200,000 restricted for possible uninsured lawsuits; (3) \$137,410 reserved for future workers' compensation claims; (4) \$44,809 restricted for asset forfeiture activities; and (5) \$250,876 restricted for narcotic forfeiture activities. The make-up of fund balances by fund is addressed in note 1 to the financial statements.

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

The General Fund is the chief operating fund of the City. At July 31, 2023, unassigned fund balance of the General Fund was \$3,923,271, while total fund balance was \$7,459,792. As a measure of General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 12.8% of total fund expenditures, while total fund balance represents 24.4% of that same amount.

General Fund revenue totaled \$31,240,511 for the year ended July 31, 2023, which represents an increase of 6.4% over the year ended July 31, 2022.

The following table presents General Fund revenue from various sources, as well as increases or decreases from the prior year:

	<u>2023</u>	<u>Percent of Total</u>	<u>2022</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
Revenue:					
Real property taxes	\$ 12,805,276	41.0%	12,357,430	447,846	3.6%
Real property tax items	993,043	3.2%	681,430	311,613	45.7%
Non-property tax items	8,557,051	27.4%	8,123,368	433,683	5.3%
Departmental income	291,814	0.9%	216,982	74,832	34.5%
Use of money and property	447,016	1.4%	108,605	338,411	311.6%
Licenses and permits	176,207	0.6%	120,983	55,224	45.6%
Fines and forfeitures	441,325	1.4%	291,017	150,308	51.6%
Sale of property and compensation for loss	258,159	0.8%	458,841	(200,682)	(43.7%)
Miscellaneous	310,371	1.0%	59,097	251,274	425.2%
State aid	6,610,003	21.2%	6,761,984	(151,981)	(2.2%)
Federal aid	350,246	1.1%	175,466	174,780	99.6%
Total revenue	<u>\$ 31,240,511</u>	<u>100%</u>	<u>29,355,203</u>	<u>1,885,308</u>	6.4%

The following provides an explanation of revenue by source that changed significantly over the prior year:

- Real property taxes increased due to an increase in the property tax levy.
- Real property tax items increased from interest on property tax collections.
- Non-property tax items increased due to increased sales tax distributions from the County.
- Use of money and property increased due to interest from higher interest rates.

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

The following table presents General Fund expenditures, by function, compared to prior year amounts:

	<u>2023</u>	<u>Percent of Total</u>	<u>2022</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
General governmental support	\$ 2,739,818	9.0%	2,742,087	(2,269)	(0.1%)
Public safety	12,346,160	40.4%	12,012,092	334,068	2.8%
Transportation	4,705,052	15.4%	2,901,696	1,803,356	62.1%
Culture and recreation	641,966	2.1%	576,772	65,194	11.3%
Home and community services	46,181	0.2%	27,909	18,272	65.5%
Employee benefits	9,326,751	30.5%	9,143,482	183,269	2.0%
Debt service:					
Principal	576,310	1.9%	541,035	35,275	6.5%
Interest	<u>188,960</u>	<u>0.5%</u>	<u>124,535</u>	<u>64,425</u>	51.7%
Total expenditures	<u>\$ 30,571,198</u>	<u>100%</u>	<u>28,069,608</u>	<u>2,501,590</u>	8.9%

The following provides an explanation of the expenditures by function that changed significantly over the prior year:

- Public safety increased primarily due to increased personnel costs and equipment costs.
- Transportation increased primarily due to winter storm related costs.

The table below summarizes the changes in fund balance of the City's governmental funds:

	<u>General</u>	<u>Refuse</u>	<u>Special Grant</u>	<u>Capital Projects</u>	<u>Total</u>
Fund balance at July 31, 2021	\$ 12,050,056	332,983	15	3,502,002	15,885,056
Revenue	29,355,203	1,960,916	-	508,100	31,824,219
Expenditures	(28,069,608)	(2,426,482)	-	(1,305,577)	(31,801,667)
Other financing sources (uses)	<u>(845,762)</u>	<u>154,875</u>	<u>-</u>	<u>2,001,644</u>	<u>1,310,757</u>
Fund balance at July 31, 2022	12,489,889	22,292	15	4,706,169	17,218,365
Revenue	31,240,511	2,034,115	-	963,798	34,238,424
Expenditures	(30,571,198)	(2,396,161)	-	(1,826,087)	(34,793,446)
Other financing sources (uses)	<u>(5,699,410)</u>	<u>13,994</u>	<u>-</u>	<u>5,685,416</u>	<u>-</u>
Fund (deficit) balance at July 31, 2023	<u>\$ 7,459,792</u>	<u>(325,760)</u>	<u>15</u>	<u>9,529,296</u>	<u>16,663,343</u>

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

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an increase of \$9,251,323 in appropriations and can be briefly summarized as follows:

- General government support was increased by \$252,426.
- Public safety was increased by \$899,233.
- Transportation was increased by \$2,313,378.
- Culture and recreation was increased by \$13,333.
- Employee benefits was reduced by \$1,246,662.
- Transfers to other funds was increased by \$7,019,615.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental activities as of July 31, 2023, amounted to \$9,150,904 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings, and equipment.

Capital assets, net of depreciation, are presented below:

	<u>2023</u>	<u>2022</u>
Land	\$ 428,919	428,919
Construction in progress	-	190,302
Buildings and improvements	2,842,010	2,786,452
Machinery and equipment	1,858,771	2,077,172
Infrastructure	<u>4,021,204</u>	<u>5,607,143</u>
Total	\$ <u>9,150,904</u>	<u>11,089,988</u>

Debt - Bonds and BANs payable

At July 31, 2023, the City had total bonds payable outstanding of \$3,930,000 as compared to \$4,495,000 in the prior year. The City's retirement of bonded debt amounted to \$565,000. The City did not have any bond anticipation notes outstanding at July 31, 2023.

As of November 21, 2023, the City's general obligation debt rating from Moody's was A1.

Additional information on the City's long-term debt can be found in the notes to financial statements.

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

Request for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. 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 Comptroller, 714 Ridge Road, Lackawanna, New York 14218.

CITY OF LACKAWANNA, NEW YORK
Statement of Net Position
July 31, 2023

	<u>Governmental Activities</u>
Assets:	
Current assets:	
Cash and equivalents	\$ 25,248,768
Taxes receivable, net	1,735,842
Accounts receivable	405,837
Property acquired for taxes	612,825
State and Federal aid receivable	7,914
Due from other governments	1,395,638
Prepaid expenses	<u>226,588</u>
Total current assets	29,633,412
Capital assets, net of depreciation	<u>9,150,904</u>
Total assets	<u>38,784,316</u>
Deferred outflows of resources:	
Loss on refunding	24,115
Pensions	10,208,879
OPEB	<u>5,553,415</u>
Total deferred outflows of resources	<u>15,786,409</u>
Liabilities:	
Current liabilities:	
Accounts payable	231,362
Accrued liabilities	421,570
Accrued interest on obligations	62,140
Due to other governments	140,308
Due to custodial fund	1,202,759
Other liabilities	1,579,878
Bonds payable	635,211
Loan payable	11,593
Pension obligations	<u>1,220,532</u>
Total current liabilities	<u>5,505,353</u>
Noncurrent liabilities:	
Bonds payable, net of current portion	3,539,881
Loan payable, net of current portion	230,297
Compensated absences	3,409,486
Retirement system payable	270,163
Workers' compensation liability	2,221,691
Total OPEB liability	54,914,062
Net pension liabilities, proportionate share	<u>14,973,206</u>
Total noncurrent liabilities	<u>79,558,786</u>
Total liabilities	<u>85,064,139</u>
Deferred inflows of resources:	
Deferred revenue	6,015,650
Pensions	625,964
OPEB	<u>17,061,847</u>
Total deferred inflows of resources	<u>23,703,461</u>
Net position (deficit):	
Net investment in capital assets	4,733,922
Restricted	11,189,761
Unrestricted (deficit)	<u>(70,120,558)</u>
Total net position (deficit)	<u>\$ (54,196,875)</u>

See accompanying notes to financial statements.

CITY OF LACKAWANNA, NEW YORK
Statement of Activities
Year ended July 31, 2023

<u>Functions</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net Revenue (Expense) and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	
Governmental activities:					
General government support	\$ 4,340,565	100,420	292,124	-	(3,948,021)
Public safety	16,587,919	177,565	106,368	420,059	(15,883,927)
Transportation	7,148,311	-	-	21,257	(7,127,054)
Culture and recreation	898,225	2,144	1,039	25,176	(869,866)
Home and community services	2,487,554	2,035,344	2,510	466,492	16,792
Interest	<u>147,022</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(147,022)</u>
Total governmental activities	<u>\$ 31,609,596</u>	<u>2,315,473</u>	<u>402,041</u>	<u>932,984</u>	<u>(27,959,098)</u>
General revenue:					
Taxes:					
Real property taxes					12,735,913
Real property tax items					993,043
Non-property tax items					8,557,051
Use of money and property					451,325
Licenses and permits					176,207
Fines and forfeitures					441,325
Sale of property and compensation for loss					258,159
State aid					6,536,951
Miscellaneous					<u>542,821</u>
Total general revenue					<u>30,692,795</u>
Change in net position					2,733,697
Net position (deficit) at beginning of year					<u>(56,930,572)</u>
Net position (deficit) at end of year					<u>\$(54,196,875)</u>

See accompanying notes to financial statements.

CITY OF LACKAWANNA, NEW YORK
Balance Sheet - Governmental Funds
July 31, 2023

	General Fund	Refuse Fund	Special Grant Fund	Capital Projects Fund	Total Governmental Funds
<u>Assets</u>					
Cash and equivalents	\$18,638,289	174,604	23	6,396,714	25,209,630
Taxes receivable, net	1,735,842	-	-	-	1,735,842
Accounts receivable	72,001	333,836	-	-	405,837
Property acquired for taxes	612,825	-	-	-	612,825
State and federal aid receivable	7,914	-	-	-	7,914
Due from other funds	1,386,990	709,735	-	4,289,237	6,385,962
Due from other governments	1,395,638	-	-	-	1,395,638
Prepaid expenditures	226,056	532	-	-	226,588
Total assets	<u>\$24,075,555</u>	<u>1,218,707</u>	<u>23</u>	<u>10,685,951</u>	<u>35,980,236</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>					
Liabilities:					
Accounts payable	185,869	45,493	-	-	231,362
Accrued liabilities	384,742	36,828	-	-	421,570
Due to other funds	6,389,926	1,089,256	8	74,227	7,553,417
Due to other governments	139,048	-	-	1,260	140,308
Other liabilities	1,579,878	-	-	-	1,579,878
Pension obligations	1,170,779	49,753	-	-	1,220,532
Total liabilities	<u>9,850,242</u>	<u>1,221,330</u>	<u>8</u>	<u>75,487</u>	<u>11,147,067</u>
Deferred inflows of resources - deferred revenue	<u>6,765,521</u>	<u>323,137</u>	<u>-</u>	<u>1,081,168</u>	<u>8,169,826</u>
Fund balances:					
Nonspendable	226,056	532	-	-	226,588
Restricted	1,660,465	-	-	9,529,296	11,189,761
Assigned	1,650,000	-	15	-	1,650,015
Unassigned	3,923,271	(326,292)	-	-	3,596,979
Total fund balances	<u>7,459,792</u>	<u>(325,760)</u>	<u>15</u>	<u>9,529,296</u>	<u>16,663,343</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$24,075,555</u>	<u>1,218,707</u>	<u>23</u>	<u>10,685,951</u>	<u>35,980,236</u>

See accompanying notes to financial statements.

CITY OF LACKAWANNA, NEW YORK
Reconciliation of Balance Sheet - Governmental Funds
to the Statement of Net Position
July 31, 2023

Total governmental fund balances	\$ 16,663,343
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets, net of disposals	70,528,013
Accumulated depreciation	(61,377,109)
Accrued interest on long-term debt.	(62,140)
The internal service fund is not reported as a governmental fund but included in the statement of net position.	3,834
Long-term liabilities are not due and payable in the current period, and therefore, not reported as liabilities in the funds.	
Bonds payable	(4,175,092)
Loan payable	(241,890)
Compensated absences	(3,409,486)
Retirement system payable	(270,163)
Workers' compensation liability	(2,221,691)
Total OPEB liability	(54,914,062)
Net pension liabilities - proportionate share	(14,973,206)
Deferred outflows and inflows related to long-term items are not available, or due and payable in the current period, and therefore, not reported in the funds.	
Deferred outflows related - loss on refunding	24,115
Deferred outflows related - pensions	10,208,879
Deferred outflows related - OPEB	5,553,415
Deferred inflows of resources - deferred revenue	2,154,176
Deferred inflows of resources - pensions	(625,964)
Deferred inflows of resources - OPEB	<u>(17,061,847)</u>
Net position - governmental activities	<u><u>\$(54,196,875)</u></u>

See accompanying notes to financial statements.

CITY OF LACKAWANNA, NEW YORK
Statement of Revenue, Expenditures and Changes in Fund Balances -
Governmental Funds
Year ended July 31, 2023

	General <u>Fund</u>	Refuse <u>Fund</u>	Special Grant <u>Fund</u>	Capital Projects <u>Fund</u>	Total Governmental <u>Funds</u>
Revenue:					
Real property taxes	\$ 12,805,276	-	-	-	12,805,276
Real property tax items	993,043	-	-	-	993,043
Non-property tax items	8,557,051	-	-	-	8,557,051
Departmental income	291,814	2,023,659	-	-	2,315,473
Use of money and property	447,016	4,081	-	-	451,097
Licenses and permits	176,207	-	-	-	176,207
Fines and forfeitures	441,325	-	-	-	441,325
Sale of property and compensation for loss	258,159	-	-	-	258,159
Miscellaneous	310,371	6,375	-	52,071	368,817
State aid	6,610,003	-	-	491,668	7,101,671
Federal aid	350,246	-	-	420,059	770,305
	<u>31,240,511</u>	<u>2,034,115</u>	<u>-</u>	<u>963,798</u>	<u>34,238,424</u>
Expenditures:					
General government support	2,739,818	-	-	541,819	3,281,637
Public safety	12,346,160	-	-	469,177	12,815,337
Transportation	4,705,052	-	-	608,867	5,313,919
Culture and recreation	641,966	-	-	161,224	803,190
Home and community services	46,181	1,857,713	-	45,000	1,948,894
Employee benefits	9,326,751	538,448	-	-	9,865,199
Debt service:					
Principal	576,310	-	-	-	576,310
Interest	188,960	-	-	-	188,960
	<u>30,571,198</u>	<u>2,396,161</u>	<u>-</u>	<u>1,826,087</u>	<u>34,793,446</u>
Excess (deficiency) of revenue over expenditures	<u>669,313</u>	<u>(362,046)</u>	<u>-</u>	<u>(862,289)</u>	<u>(555,022)</u>
Other financing sources (uses):					
Transfers from other funds	-	13,994	-	5,685,416	5,699,410
Transfers to other funds	<u>(5,699,410)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,699,410)</u>
	<u>(5,699,410)</u>	<u>13,994</u>	<u>-</u>	<u>5,685,416</u>	<u>-</u>
Excess (deficiency) of revenue over expenditures and other financing sources (uses)	(5,030,097)	(348,052)	-	4,823,127	(555,022)
Fund balances at beginning of year	<u>12,489,889</u>	<u>22,292</u>	<u>15</u>	<u>4,706,169</u>	<u>17,218,365</u>
Fund balances (deficit) at end of year	<u>\$ 7,459,792</u>	<u>(325,760)</u>	<u>15</u>	<u>9,529,296</u>	<u>16,663,343</u>

See accompanying notes to financial statements.

CITY OF LACKAWANNA, NEW YORK
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances -
Governmental Funds to the Statement of Activities
Year ended July 31, 2023

Net change in fund balances	\$ (555,022)
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of certain assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Capital assets, net of disposals	423,635
Accumulated depreciation	(2,362,719)
Changes in deferred outflows of resources are recognized on the statement of activities but not in the governmental funds.	
Loss on refunding	(5,359)
Pensions	(1,076,475)
OPEB	(5,119,134)
Changes in self-insured workers' compensation liability are not reflected in the governmental funds.	
	30,889
The repayment of principal of long-term debt consumes current financial resources of governmental funds. However, in the statement of activities, it is reflected as a reduction of debt.	
	621,521
Interest on debt is accrued in the statement of activities, but not in the governmental funds.	
	2,086
Changes in the internal service fund are not reflected in the governmental funds.	
	2,175
Changes in compensated absences are not reflected in the governmental funds.	
	313,690
Changes in the retirement system liability are not reflected in the governmental funds.	
	141,398
The net changes in the net pension asset/liability are recorded in the statement of activities but not in the governmental funds.	
Change in proportionate share of net pension asset	(1,018,096)
Change in proportionate share of net pension liabilities	(13,709,459)
Total OPEB liability increases long-term liabilities in the statement of net position and the change is reflected in the statement of activities, but does not effect the governmental funds.	
	7,302,311
Changes in deferred inflows of resources in the statement of activities do not provide current financial resources and are not reported in the governmental funds.	
Deferred revenue	(69,363)
Pensions	13,894,957
OPEB	3,916,662
Change in net position - governmental activities	<u>\$ 2,733,697</u>

See accompanying notes to financial statements.

CITY OF LACKAWANNA, NEW YORK
Statement of Proprietary Net Position - Internal Service Fund
July 31, 2023

	<u>Dental Benefit Fund</u>
<u>Assets</u>	
Cash and equivalents	\$ 39,138
Due from other funds	<u>188,202</u>
Total assets	<u>227,340</u>
 <u>Liabilities</u>	
Due to other funds	<u>223,506</u>
 <u>Net Position</u>	
Net position	<u><u>\$ 3,834</u></u>

See accompanying notes to financial statements.

CITY OF LACKAWANNA, NEW YORK
Statement of Changes in Proprietary Net Position - Internal Service Fund
Year ended July 31, 2023

	Dental Benefit <u>Fund</u>
Operating revenue - charges for services	\$ <u>174,004</u>
Operating expenses:	
Administrative expenses	27,956
Employee benefits	<u>144,101</u>
Total operating expenses	<u>172,057</u>
Operating gain	1,947
Non-operating revenue interest income	<u>228</u>
Change in net position	2,175
Net position at beginning of year	<u>1,659</u>
Net position at end of year	<u><u>\$ 3,834</u></u>

See accompanying notes to financial statements.

CITY OF LACKAWANNA, NEW YORK
Statement of Proprietary Cash Flows - Internal Service Fund
Year ended July 31, 2023

	<u>Dental Benefit Fund</u>
Cash flows from operating activities:	
Contributions to program	\$ 130,000
Payments of benefits	(144,101)
Payments for operating expenses	<u>(30,472)</u>
Net cash used in operating activities	(44,573)
Cash flows from investing activities - interest income	<u>228</u>
Net decrease in cash and equivalents	(44,345)
Cash and equivalents at beginning of year	<u>83,483</u>
Cash and equivalents at end of year	<u><u>\$ 39,138</u></u>
Reconciliation of operating gain to net cash used in operating activities:	
Operating gain	1,947
Adjustments to reconcile operating gain to net cash used in operating activities - changes in:	
Due from other funds	(44,004)
Accounts payable	<u>(2,516)</u>
Net cash used in operating activities	<u><u>\$ (44,573)</u></u>

See accompanying notes to financial statements.

CITY OF LACKAWANNA, NEW YORK
Statement of Fiduciary Net Position
Custodial Fund
July 31, 2023

	Custodial <u>Fund</u>
Assets - due from other funds	\$ <u>1,202,759</u>
Liabilities - due to other governments	<u>1,202,759</u>
Net position	\$ <u><u> -</u></u>

See accompanying notes to financial statements.

CITY OF LACKAWANNA, NEW YORK
Statement of Changes in Fiduciary Net Position
Custodial Fund
Year ended July 31, 2023

	<u>Custodial Fund</u>
Additions:	
Interest on school taxes	\$ 141,535
School taxes	8,107,234
County taxes	<u>8,039,218</u>
Total additions	<u>16,287,987</u>
Deductions:	
Interest on school taxes	141,535
School taxes	8,107,234
County taxes	<u>8,039,218</u>
Total deductions	<u>16,287,987</u>
Change in net position	-
Fiduciary net position at beginning of year	<u>-</u>
Fiduciary net position at end of year	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

CITY OF LACKAWANNA, NEW YORK

Notes to Financial Statements

July 31, 2023

(1) Summary of Significant Accounting Policies

The City of Lackawanna, New York's (the City) financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP and used by the City in preparing its government-wide and fund financial statements are discussed below.

(a) Financial Reporting Entity

The City was incorporated in 1909, under the provisions of the State of New York. The City operates under a Charter form of government and the City Council is the legislative body responsible for overall operations of the City. The Mayor serves as Chief Executive Officer and the City Comptroller serves as the Chief Fiscal Officer of the City.

The City provides the following basic services: general government support, police protection and law enforcement, fire protection, safety inspection, highway maintenance, culture and recreation programs, street lighting and refuse collection.

(b) Government-Wide Financial and Fund Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effects of inter-fund activity have been removed from these statements. Government activities are normally supported by taxes and intergovernmental revenue.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenue are reported instead as general revenue.

Separate financial statements are provided for governmental funds, the proprietary fund and the fiduciary fund, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

(c) Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement focus is the determination of what is expressed in reporting an entity's financial performance and position, (i.e., expenditures or expenses). A particular measurement focus is accomplished both by considering what resources will be measured and the basis of accounting.

CITY OF LACKAWANNA, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(c) Measurement Focus, Basis of Accounting and Financial Statement Presentation, Continued

Basis of accounting refers to when revenue, expenditures/expenses, and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to timing of the measurements made, regardless of the measurement focus.

Accrual Basis - Under the accrual basis of accounting, revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Modified Accrual Basis - Under this basis of accounting, revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Revenue from federal, state, or other grants designated for specific City expenditure is recognized when the related expenditures are incurred.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due and expenditures for inventory-type items and for prepayments (except retirement) are recognized at the time of the disbursements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Property taxes are recognized as revenue in the year for which they are levied. Charges for services and participant assessments are recognized as revenue in the year for which services are provided. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Property taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

CITY OF LACKAWANNA, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(c) Measurement Focus, Basis of Accounting and Financial Statement Presentation, Continued

The City reports the following major governmental funds:

General Fund - The principal operating fund that includes all operations not required to be recorded in other funds.

Special Grant Fund - Used to account for federal and state operating grants earmarked for specific programs, so that the grantor accounting and reporting requirements can be satisfied.

Refuse Fund - Used to account for financial resources to be used for refuse collection services provided to taxpayers by the City.

Capital Projects Fund - Used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The City reports the following proprietary fund type that is used to account for its internal service fund:

Dental Benefits Fund - Used to account for the City's self-insured dental plan that provides dental insurance for City employees.

Additionally, the City reports the following fiduciary fund type that is used to account for assets held by the City in a custodial capacity:

Custodial Fund - Used to account for money and property received and held in the capacity of custodian or agent.

Government-wide financial statements apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. General revenue are those that cannot be associated directly with program activities.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF LACKAWANNA, NEW YORK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(d) Property Tax Revenue Recognition

The City-wide property tax is levied by the City Council (the Council) effective August 1 of the year the taxes are recognizable as revenue. Property tax is only recognized as revenue in the year for which the levy is made, and to the extent that such taxes are received within the reporting period or sixty days thereafter in the fund financial statements.

Delinquent property taxes not collected at year-end (excluding collections in the 60-day subsequent period) are recorded as deferred revenue in the fund financial statements. The portion of delinquent property taxes for all prior year's estimated to be uncollectible at July 31, 2023, amounted to \$94,668. This amount has been recorded as an allowance against the property taxes receivable account.

(e) Budgets and Budgetary Data

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

- (1) On the first day of April in each year, department heads are required to submit their tentative departmental budgets to the Mayor. The tentative departmental budgets include proposed expenditures and the proposed means of financing for all funds except the Capital Projects Fund. The Mayor then adjusts these tentative departmental budgets and formulates a proposed budget, which must be submitted to the Council on or before May 10th.
- (2) Public hearings are conducted to obtain taxpayer comments.
- (3) The Council has the power to delete, reduce or add items to the proposed budget, and they must adopt a budget on or before June 10th. The affirmative vote of three councilmen is necessary for the Council to adopt a budget.
- (4) The Mayor then has ten days to veto any provision within the Council's adopted budget that changes the Mayor's proposed budget, and the Council then has thirty days to override the Mayor's veto. Four affirmative votes of the Council are required to override Mayoral vetoes.
- (5) At any time within the last three months of the budget year: (a) the Council may, by resolution, transfer any portion of an unencumbered appropriation balance from one department to another; and (b) the Director of the Department of Administration and Finance, with the approval of the Mayor, may transfer any portion of an unencumbered appropriation balance between the same general classifications of expenditures within any department.

CITY OF LACKAWANNA, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(e) Budgets and Budgetary Data, Continued

- (6) Annual appropriated budgets are adopted and employed for control of the General Fund minimally detailed to the department and account level. This budget is adopted on a basis consistent with GAAP, except that encumbrances are reported as budgetary expenditures in the year of incurrence of commitment to purchase, as well as in the year of expenditure if the expenditure occurs in a fiscal year subsequent to the commitment in the General Fund. All unencumbered appropriations lapse at the end of the fiscal year. Budgetary comparisons presented in this report are on the budgetary basis, and represent the budget as modified. Annual appropriated budgets are not employed for the Special Grant Fund.
- (7) Capital Projects 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.
- (8) At August 1, the amount of encumbrances carried forward from the prior year are reestablished as budgeted appropriations and expenditures.

Expenditures within the General Fund may not legally exceed the amount appropriated for such accounts or sub-accounts within an administrative unit. During the year, supplementary appropriations were necessary.

Individual governmental fund comparisons of budgetary and actual data at the legal level of control established by the adopted budget (i.e., minimally the department and account level) are not presented in this report for the General Fund due to the excessive detail involved. However, a separate budgetary comparison report is available which contains this information.

(f) Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in all City funds. Outstanding encumbrances at year end, exclusive of grant-related commitments, are presented for GAAP reporting purposes as reservations of fund balances, and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

(g) Investments

The City had no investments outstanding at July 31, 2023.

(h) Advances to Other Funds

In the fund financial statements, as of July 31, 2023, there are no non-current portions of inter-fund loans receivable.

CITY OF LACKAWANNA, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(i) Capital Assets

Capital assets which include property, plant, equipment, and infrastructure assets (e.g. streets) are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost equal to or greater than \$25,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives.

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	20 - 40 years
Infrastructure	40 years
Machinery and equipment	5 - 20 years

When capital assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period in the government-wide statements. Amortization is reflected in income for the period in the government-wide statements. Amortization of capital leases is computed using the straight-line method over the lease term or the estimated useful lives of the assets, whichever is shorter. Maintenance and repairs are charged to expense as incurred; significant renewals and betterments are capitalized.

(j) Judgments and Claims

Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred, the amount of loss can be reasonably estimated, and the estimated amount of loss exceeds insurance coverage.

(k) Retirement Plans

The City provides retirement benefits for substantially all of its full-time and those part-time employees who elect to participate, through contributions to the New York State and Local Employees' Retirement System (ERS) and New York State and Local Police and Fire Retirement System (PFRS). These retirement systems are noncontributory except for employees who joined their respective system after July 27, 1976 and must contribute a percentage of their annual salary.

The member contributions are deducted by the City from the employees' paychecks and are sent currently to the systems. The retirement systems computes the cost of retirement benefits based on their respective fiscal years - April 1 - March 31.

CITY OF LACKAWANNA, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(l) Compensated Absences

City employees are granted vacation and sick leave and earn compensatory absences in varying amounts. In the event of termination, an employee is entitled to payment for accumulated vacation and personal leave. In the event of retirement, an employee is entitled to payment for accumulated vacation and sick leave and unused compensatory absences at various rates subject to certain maximum limitations.

Compensated absences for governmental fund type employees are reported as a fund liability and expenditure in the government-wide financial statements. The compensated absences liability for the City at July 31, 2023, totaled \$3,409,486. Payment of compensated absences recorded in the government-wide financial statements is dependent on many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payment of compensated absences when such payments become due.

(m) Postemployment Benefits

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. Health care benefits and survivors benefits are provided through insurance companies whose premiums are based on the benefits paid during the year. These benefits terminate upon death of the retired employee. The City recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid. During the 2022-2023 fiscal year, \$1,903,930 was paid on behalf of 162 retirees and recorded as an expenditure in the General Fund.

(n) Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Actual results could differ from these estimates.

(o) Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred inflows of resources reflects an increase in net position that applies to future periods. The City will not recognize the related revenue until a future event occurs. Governmental fund revenue is not recognized until available (collected not later than 60 days after the end of the fiscal year) under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, uncollected property taxes and refuse receivables are deferred in the governmental funds balance sheet. Note 13 details the changes in deferred inflows of resources from modified accrual basis to accrual basis.

CITY OF LACKAWANNA, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(p) Net Position/Fund Balance

In the government-wide statements there are three classes of net position:

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.

Restricted Net Position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This category represents net position of the City not restricted for any project or other purpose.

In the governmental funds statements there are five classifications of fund balance:

Nonspendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance at July 31, 2023 was \$226,588.

Restricted - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or law or regulations of other governments; or imposed by law through constitutional provisions of enabling legislation. The City has established the following restricted fund balances:

Reserved for Employee Benefits - representing resources that must be used for employee benefit payments that will be made in future periods.

Reserved for Liability Insurance - representing resources that must be used for liability insurance payments that will be made in future periods.

Reserved for Workers' Compensation - representing resources that must be used for workers' compensation payments that will be made in future periods.

Reserved for Asset/Narcotics Forfeiture - representing resources from asset/narcotics forfeitures that must be used to pay costs associated with pursuing narcotics related crimes.

CITY OF LACKAWANNA, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(p) Net Position/Fund Balance, Continued

Restricted fund balance at July 31, 2023 includes the following:

General Fund:

Employee benefits	\$ 1,027,370
Liability insurance	200,000
Workers' compensation	137,410
Asset forfeiture	44,809
Narcotics forfeiture	<u>250,876</u>
Total General Fund	1,660,465
Capital Projects Fund	<u>9,529,296</u>
Total Restricted Funds	<u>\$ 11,189,761</u>

Committed - Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authorities. The City has no committed fund balances as of July 31, 2023.

Assigned - Includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Assigned fund balance in the General Fund at July 31, 2023, consists of \$1,650,000 for the subsequent year's budget. For funds other than the General Fund, any amounts that do not meet the definition of the above classifications are deemed to be assigned, which consists of \$1,650,000 for the subsequent year budget, and \$15 of fund balance in the Special Grant Fund.

Unassigned - Includes all other General Fund fund balance that does not meet the definition of the above four classifications and are deemed to be available for general use by the City. Also included are deficits in other funds of which there is a deficit of \$326,292 in the Refuse Fund.

(q) Order of Use of Fund Balance

The City's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balance. In the General Fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

CITY OF LACKAWANNA, NEW YORK
Notes to Financial Statements, Continued

(2) Reporting on Budgetary Basis

The City reports its budgetary status with the actual data including encumbrances as charges against budget appropriations. In addition, budgetary comparison information is not presented for certain Special Revenue Funds because they are not considered part of the City's annual budgetary plan. Accordingly, the budgetary status does not include the activity of the Special Grant Fund. The Special Grant Fund had no encumbrances at the beginning or at the end of the year.

Budgetary control of the General Fund is minimally exercised at the department and account level. There were no excesses of expenditures/expenses over appropriations at the established control level.

(3) Cash and Investments

The City's investment policies are governed by state statutes. City monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. The City Comptroller is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit in an amount equal to at least 102% of the amount of all deposits not covered by the FDIC. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and school districts.

The bank balances at July 31, 2023, consists of:

Petty Cash	\$ 1,000
Deposits:	
Demand deposits	24,599,361
Time deposits	<u>1,515,982</u>
Total	<u>\$ 26,116,343</u>

Deposits at July 31, 2023, were entirely covered by the FDIC or by collateral held by the City's custodial bank in the City's name.

CITY OF LACKAWANNA, NEW YORK
Notes to Financial Statements, Continued

(4) Property Taxes

The City-wide property tax is levied by the City Council effective August 1st of the year the taxes are recognizable as revenue. Taxes are payable in two installments, on August 31st and January 31st. The first installment is equal to one-half of the current year levy. The second installment is equal to the difference between the tax levied and assessed for the current year and the amount of the first installment.

At July 31, 2023, the total real property tax receivables of \$1,930,510 are offset by an allowance for uncollectible taxes of \$94,668 in the fund financial statements.

The City is responsible for School District taxes after reaching two years delinquency.

State law limits the amount of taxes that the City may levy. For the City's fiscal year ending July 31, 2023, the City had a constitutional tax margin of \$2,927,770.

(5) Receivables - State and Federal Aid

State and Federal Aid receivables accrued by the City at July 31, 2023, include the following:

General Fund:	
State Aid - School Lunch Program	\$ 2,510
Federal Aid:	
Bulletproof Vest Partnership Program	484
Safe Streets Grant	<u>4,920</u>
Total State and Federal Aid receivable	\$ <u>7,914</u>

(6) Due from Other Governments

Other government receivables accrued by the City at July 31, 2023, include the following:

General Fund - County of Erie - sales tax	\$ <u>1,395,638</u>
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CITY OF LACKAWANNA, NEW YORK
Notes to Financial Statements, Continued

(7) Capital Assets

The following is a summary of changes in the capital assets:

	Balance July 1, <u>2022</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	Balance July 31, <u>2023</u>
Capital assets not being depreciated:				
Land	\$ 428,919	-	-	428,919
Construction in progress	<u>190,302</u>	-	<u>(190,302)</u>	-
Total capital assets not being depreciated	<u>619,221</u>	-	<u>(190,302)</u>	<u>428,919</u>
Capital assets being depreciated:				
Buildings and improvements	14,852,786	-	190,302	15,043,088
Machinery and equipment	10,124,738	295,429	(88,276)	10,331,891
Infrastructure	<u>44,571,090</u>	<u>153,025</u>	-	<u>44,724,115</u>
Total capital assets being depreciated	69,548,614	448,454	102,026	70,099,094
Total accumulated depreciation	<u>(59,077,847)</u>	<u>(2,362,719)</u>	<u>63,457</u>	<u>(61,377,109)</u>
Total assets being depreciated, net	<u>10,470,767</u>	<u>(1,914,265)</u>	<u>165,483</u>	<u>8,721,985</u>
Total capital assets, net	\$ <u>11,089,988</u>	<u>(1,914,265)</u>	<u>(24,819)</u>	<u>9,150,904</u>

Depreciation was charged to governmental activities as follows:

General government support	\$ 56,126
Public safety	216,854
Transportation	1,804,663
Culture and recreation	128,171
Home and community services	<u>156,905</u>
	\$ <u>2,362,719</u>

(8) Short-term Debt

The City may issue revenue anticipation notes (RAN's) and tax anticipation notes (TAN's), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RAN's and TAN's represent a liability that will be extinguished by the use of expendable, available resources of the fund. The City had no outstanding RAN's or TAN's at July 31, 2023.

CITY OF LACKAWANNA, NEW YORK
Notes to Financial Statements, Continued

(8) Short-term Debt, Continued

Liabilities for bond anticipation notes (BAN's) are generally accounted for in the Capital Projects Funds. Principal payments on BAN's must be made annually. State law generally requires that BAN's issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BAN's issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated reductions of principal are made on an annual basis. The City had no outstanding BAN's at July 31, 2023.

(9) Long-term Debt

Long-term liability balances and activity for the year ended July 31, 2023 is as follows:

	Balance July 31, <u>2022</u>	<u>Increase</u>	<u>Decrease</u>	Balance July 31, <u>2023</u>
Serial bonds	\$ 4,785,303	-	610,211	4,175,092
Loan payable	253,200	-	11,310	241,890
Compensated absences	3,723,176	-	313,690	3,409,486
Retirement system liability	411,561	-	141,398	270,163
Worker's compensation liability	2,252,580	-	30,889	2,221,691
Total OPEB liability	62,216,373	-	7,302,311	54,914,062
Net pension liability(ies) - proportionate share	<u>1,263,747</u>	<u>13,709,459</u>	<u>-</u>	<u>14,973,206</u>
Total	\$ <u>74,905,940</u>	<u>13,709,459</u>	<u>8,409,809</u>	<u>80,205,590</u>

Additions and deletions to compensated absences and self-insured workers' compensation liability are shown net.

(a) Bonded Indebtedness

The following is a summary of serial bond transactions of the City for the year ended July 31, 2023:

<u>Description</u>	<u>Original Issue Date</u>	<u>Final Maturity Date</u>	<u>Interest Rate</u>	<u>Balance 7/31/2022</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance 7/31/2023</u>	<u>Due within one year</u>
Capital Improvements	8/28/2013	3/1/2028	3.00%	\$ 1,285,000	-	215,000	1,070,000	215,000
Capital Improvements	2/23/2022	11/1/2036	3.00%	1,170,000	-	55,000	1,115,000	65,000
General Obligation	2/23/2022	11/1/2027	5.00%	<u>2,040,000</u>	<u>-</u>	<u>295,000</u>	<u>1,745,000</u>	<u>310,000</u>
Total bonds				4,495,000	-	565,000	3,930,000	590,000
Bond premiums				<u>290,303</u>	<u>-</u>	<u>45,211</u>	<u>245,092</u>	<u>45,211</u>
Total bonded indebtedness				\$ <u>4,785,303</u>	<u>-</u>	<u>610,211</u>	<u>4,175,092</u>	<u>635,211</u>

CITY OF LACKAWANNA, NEW YORK
Notes to Financial Statements, Continued

(9) Long-term Debt, Continued

(a) Bonded Indebtedness, Continued

The following is a summary of maturity of bonded indebtedness:

<u>Year Ending July 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 590,000	151,550	741,550
2025	610,000	126,075	736,075
2026	635,000	99,525	734,525
2027	650,000	72,025	722,025
2028	675,000	42,375	717,375
2029 - 2033	400,000	86,100	486,100
2034 - 2037	<u>370,000</u>	<u>22,500</u>	<u>392,500</u>
	\$ <u>3,930,000</u>	<u>600,150</u>	<u>4,530,150</u>

In the event of 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. 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 Federal Bankruptcy Code allows public bodies records to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.50 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.

(b) Loan Payable

The City received an Emergency Services Loan in the original amount of \$275,000 from New York State Division of Homeland Security and Emergency Services to assist in the purchase of a firetruck. Principle and interest is due annually in the amount of \$17,640 and carries an interest rate of 2.50%. The balance outstanding at July 31, 2023 was \$241,890.

CITY OF LACKAWANNA, NEW YORK
Notes to Financial Statements, Continued

(9) Long-term Debt, Continued

(b) Loan Payable, Continued

The following is a summary of maturity of the loan payable:

<u>Year Ending July 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 11,593	6,047	17,640
2025	11,883	5,757	17,640
2026	12,180	5,460	17,640
2027	12,485	5,156	17,641
2028	12,797	4,843	17,640
2029 - 2033	68,946	19,253	88,199
2034 - 2038	78,005	10,196	88,201
2039 - 2040	<u>34,001</u>	<u>1,278</u>	<u>35,279</u>
	\$ <u>241,890</u>	<u>57,990</u>	<u>299,880</u>

In the event that the Lender determined that the City has failed to comply with the material terms and conditions of this Agreement Lender may declare City in default. Upon such default, Lender may, at its option, without notice of demand, declare the entire unpaid principal balance due and payable immediately. Such sums may be offset against any other monies payable to City by the State of New York. Lender shall not be responsible for any costs arising from the termination of this Agreement.

(c) Other Long-term Obligations

The value of compensated absences recorded in the government-wide financial statements at July 31, 2023, for governmental activities is \$3,409,486. This amount represents the value of accumulated sick and personal days for current City employees.

The City contributes to the ERS and PFRS. The Retirement System Liability is the result of the Contribution Stabilization Program which allows the City to pay a retirement bill over a number of years. The value of the retirement system liability remaining for governmental activities is \$270,163.

The value of the self-insured workers' compensation liability in the government-wide financial statements at July 31, 2023 for governmental activities is \$2,221,691. The City uses a service agent to administer the self-insured workers' compensation program. Claims incurred and claims paid during the year amounted to \$790,358 and \$821,247, respectively. The City purchases commercial insurance to limit liability to \$1,000,000 per each occurrence with a retention of \$750,000.

Net pension liabilities - proportionate share represents the City's proportionate share of its liabilities at July 31, 2023 amounting to \$14,973,206 relating to ERS and PFRS. More information can be found in note 10.

The City's total other postemployment benefit (OPEB) liability at July 31, 2023 amounted to \$54,914,062. More information on this amount can be found in note 11.

CITY OF LACKAWANNA, NEW YORK
Notes to Financial Statements, Continued

(10) Pension Plans

(a) New York State and Local Retirement Systems

Plan Description and Benefits Provided

The City participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS) which are collectively referred to as the New York State and Local Retirement System (the System). The System is a cost-sharing, multiple-employer defined benefit pension plan. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four-year term. Obligations of employers and employees to contribute and benefits to employees are governed by 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 State statute.

The City also participates in the Public Employees' Group Life Insurance Plan, which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found at www.osc.state.ny.us/retirement/publications or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

Funding Policy

The System is noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute between 3% and 6% of their salary for their entire length of service. Under the authority of the NYSRSSL, 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.

CITY OF LACKAWANNA, NEW YORK
Notes to Financial Statements, Continued

(10) Pension Plans, Continued

(a) New York State and Local Retirement Systems, Continued

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

At July 31, 2023, the City reported a liability of \$3,036,243 and \$11,936,963 for its proportionate share of the net ERS and PFRS pension liabilities, respectively. The total net pension liabilities were measured as of March 31, 2023, and the total pension liabilities used to calculate each net pension liability was determined by an actuarial valuation as of April 1, 2022. The City's proportion of each net pension liability was based on projections of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating members, actuarially determined.

At March 31, 2023, the City's proportionate share of the net ERS liability was 0.0141495%, and 0.216632% of the net PFRS liability. The City's proportionate share of the net ERS liability and the net PFRS liability increased (decreased) 0.0016915 and (0.0058500), respectively, from the March 31, 2022 measurement date.

For the year ended July 31, 2023, the City recognized pension expense of \$1,705,898 for ERS, and \$3,640,688 for PFRS in the statement of activities. At July 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>ERS</u>		<u>PFRS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 323,384	85,269	1,166,718	-
Changes of assumptions	1,474,595	16,297	5,816,851	-
Net difference between projected and actual investment earnings on pension plan investments	-	17,838	21,103	-
Changes in proportion and differences between the City's contributions and proportionate share of contributions	107,212	28,476	219,883	478,084
City's contributions subsequent to the measurement date	<u>176,242</u>	<u>-</u>	<u>902,891</u>	<u>-</u>
Total	\$ <u>2,081,433</u>	<u>147,880</u>	<u>8,127,446</u>	<u>478,084</u>

CITY OF LACKAWANNA, NEW YORK
Notes to Financial Statements, Continued

(10) Pension Plans, Continued

(a) New York State and Local Retirement Systems, Continued

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized a reduction of the net pension liabilities in the year ending July 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:

<u>Year ending July 31,</u>	<u>ERS</u>	<u>PFRS</u>
2024	\$ 416,484	1,251,916
2025	(146,378)	(332,515)
2026	641,153	3,509,390
2027	846,052	2,143,638
2028	<u>-</u>	<u>174,042</u>
	\$ <u>1,757,311</u>	<u>6,746,471</u>

Actuarial Assumptions

The total pension liability for the March 31, 2023 measurement date was determined by using an actuarial valuation as of April 1, 2022, with update procedures used to roll forward the total pension liability to March 31, 2023. The actuarial valuation for ERS and PFRS used the following actuarial assumptions:

Inflation	2.9%
Salary increases	4.4% in ERS, 6.2% in PFRS
Investment rate of return (net of investment expense, including inflation)	5.9%
Cost of living adjustments	1.5%

Annuitant mortality rates are based on April 1, 2015 - March 31, 2020 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2020. The previous actuarial valuation as of April 1, 2021 used the same assumptions to measure the total pension liability.

The actuarial assumptions used in the April 1, 2022 valuation are based on the results of an actuarial experience study for the period April 1, 2015 - March 31, 2020.

CITY OF LACKAWANNA, NEW YORK
Notes to Financial Statements, Continued

(10) Pension Plans, Continued

(a) New York State and Local Retirement Systems, Continued
Actuarial Assumptions, Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected 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 the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized as follows:

	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Asset type:		
Domestic equity	32%	4.30%
International equity	15%	6.85%
Private equity	10%	7.50%
Real estate	9%	4.60%
Opportunistic/ARS portfolio	3%	5.38%
Credit	4%	5.43%
Real assets	3%	5.84%
Fixed income	23%	1.50%
Cash	<u>1%</u>	0.00%
	<u>100%</u>	

* The real rate of return is net of the long-term inflation assumption of 2.50%.

Discount Rate

The discount rate used to calculate the total pension liability was 5.9%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon these assumptions, the System's 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 Liabilities to the Discount Rate

The following presents the City's proportionate share of each net pension liability calculated using the discount rate of 5.9%, as well as what the City's proportionate share of each net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.9%) or 1-percentage point higher (6.9%) than the current rate:

CITY OF LACKAWANNA, NEW YORK
Notes to Financial Statements, Continued

(10) Pension Plans, Continued

(a) New York State and Local Retirement Systems, Continued

	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
City's proportionate share of the net ERS pension asset (liability)	\$ (7,337,297)	(3,036,243)	577,788
City's proportionate share of the net PFRS pension asset (liability)	(24,883,158)	(11,936,963)	(1,216,736)
	\$ (32,220,455)	(14,973,206)	(638,948)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2023 were as follows:

	<u>Dollars in Millions</u>		
	<u>ERS</u>	<u>PFRS</u>	<u>Total</u>
Employers' total pension liability	\$ (232,627)	(43,835)	(276,462)
Fiduciary net position	<u>211,183</u>	<u>38,325</u>	<u>249,508</u>
Employers' net pension liability	\$ <u>(21,444)</u>	<u>(5,510)</u>	<u>(26,954)</u>
Ratio of fiduciary net position to the employers' total pension liability	90.78%	87.43%	90.25%

(11) Other Postemployment Benefits (OPEB)

Plan Description

The City's defined benefit OPEB plan provides OPEB for all permanent full-time general and public safety employees of the City. The plan is a single-employer defined benefit OPEB plan administered by the City. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the City Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided

The City provides healthcare benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the districts offices and are available upon request.

CITY OF LACKAWANNA, NEW YORK
Notes to Financial Statements, Continued

(11) Other Postemployment Benefits, Continued

Employees Covered by Benefit Terms

At July 31, 2023, the following employees were covered by the benefit terms:

Active plan participants	166
Retired and surviving spouses	161
Retiree spouses covered	<u>92</u>
Total	<u>419</u>

Total OPEB Liability

The City's total OPEB liability of \$54,914,062 was measured as of April 30, 2023 and was determined by an actuarial valuation as of April 30, 2022 with update procedures to roll forward the total OPEB liability to the measurement date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the April 30, 2023 measurement was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Long-term bond rate	3.77%
Rate of compensation increases	3.52%
Discount rate	3.77%
Healthcare cost trend rate	5.50%, decreasing to ultimate trend rate of 4.00%

The discount rate was based on a blending of the investment rate of return and the long-term bond rate using expected plan benefit payments.

Mortality rates were based on the Mortality Improvement Scale MP-2021, fully generational.

Changes in the Total OPEB Liability

Total OPEB liability as of July 31, 2022	\$ 62,216,373
Changes for the year:	
Service cost	1,501,289
Interest on total OPEB liability	2,100,899
Difference between expected and actual experience	(5,520,412)
Changes of assumptions or other inputs	(3,096,218)
Benefit payments	<u>(2,287,869)</u>
Total changes	<u>(7,302,311)</u>
Total OPEB liability as of July 31, 2023	\$ <u>54,914,062</u>

CITY OF LACKAWANNA, NEW YORK
Notes to Financial Statements, Continued

(11) Other Postemployment Benefits, Continued

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.77%) or 1-percentage point higher (4.77%) than the current discount rate:

	1% Decrease (2.77%)	Discount Rate (3.77%)	1% Increase (4.77%)
Total OPEB liability	\$ <u>62,999,746</u>	<u>54,914,062</u>	<u>48,352,886</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Costs Trend Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (4.50% - 3.00%)	Current Trend Rate (5.50% - 4.00%)	1% Increase (6.50% - 5.00%)
Total OPEB liability	\$ <u>47,636,652</u>	<u>54,914,062</u>	<u>64,087,230</u>

For the year ended July 31, 2023, the City recognized OPEB expense of \$(3,807,771). At July 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,385,439	7,112,240
Changes of assumptions or other inputs	1,589,723	9,949,607
Contributions subsequent to the measurement date	<u>578,253</u>	<u>-</u>
Total	\$ <u>5,553,415</u>	<u>17,061,847</u>

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

<u>Year ending</u>	
2024	\$ (4,772,640)
2025	(2,825,279)
2026	(1,107,486)
2027	(1,107,486)
2028	(1,149,886)
Thereafter	<u>(1,123,908)</u>
	\$ <u>(12,086,685)</u>

CITY OF LACKAWANNA, NEW YORK
Notes to Financial Statements, Continued

(12) Interfund Receivables, Payables and Transfers

The following is a summary of amounts due from and due to other funds as of July 31, 2023:

	Amount <u>receivable</u>	Amount <u>payable</u>	<u>Transfers in</u>	<u>Transfers out</u>
General fund	\$ 1,386,990	6,389,926	-	5,699,410
Refuse fund	709,735	1,089,256	13,994	-
Special grant	-	8	-	-
Capital projects fund	4,289,237	74,227	5,685,416	-
Dental benefit fund	188,202	223,506	-	-
Custodial fund	<u>1,202,759</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	\$ <u>7,776,923</u>	<u>7,776,923</u>	<u>5,699,410</u>	<u>5,699,410</u>

(13) Deferred Inflows of Resources

Certain revenues have been deferred in the fund and/or governmental activities statements as the revenue relates to future reporting periods:

	Governmental activities statement of <u>net position</u>	Balance sheet governmental <u>funds</u>
Tax revenue	\$ -	2,154,176
State aid	4,600,000	4,600,000
Grants	897,491	897,491
User fees - refuse	323,137	323,137
Contractual	195,022	195,022
Pensions	625,964	-
OPEB	<u>17,061,847</u>	<u>-</u>
	\$ <u>23,703,461</u>	<u>8,169,826</u>

(14) Contingencies

The City is named as a defendant in various lawsuits and claims. At July 31, 2023, those matters either cannot be estimated due to early stages of the filing or are immaterial for disclosure purposes.

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

CITY OF LACKAWANNA, NEW YORK
Notes to Financial Statements, Continued

(15) Subsequent Events

Management has evaluated events through the date of the report, which is the date the financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly addressed in these financial statements.

(16) Accounting Standards Issued But Not Yet Implemented

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

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

Statement No. 102 - Certain Risk Disclosures. Effective for the fiscal years beginning after June 15, 2024.

Statement No. 103 - Financial Reporting Model Improvements. Effective for fiscal years beginning after June 15, 2025.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LACKAWANNA, NEW YORK
Required Supplementary Information
Schedule of Revenue, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund
Year ended July 31, 2023

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenue:				
Real property taxes	\$12,806,843	12,806,843	12,805,276	(1,567)
Real property tax items	533,063	533,063	993,043	459,980
Non-property tax items	6,958,034	6,958,034	8,557,051	1,599,017
Departmental income	389,664	422,164	291,814	(130,350)
Use of money and property	112,061	112,061	447,016	334,955
Licenses and permits	153,748	153,748	176,207	22,459
Fines and forfeitures	242,683	242,683	441,325	198,642
Sale of property and compensation for loss	904,184	948,862	258,159	(690,703)
Miscellaneous	8,611	10,565	310,371	299,806
State aid	6,537,720	6,537,720	6,610,003	72,283
Federal aid	69,613	69,613	350,246	280,633
Total revenue	<u>28,716,224</u>	<u>28,795,356</u>	<u>31,240,511</u>	<u>2,445,155</u>
Expenditures:				
General government support	2,747,813	3,000,239	2,739,818	260,421
Public safety	12,177,986	13,077,219	12,346,160	731,059
Transportation	2,917,990	5,231,368	4,705,052	526,316
Culture and recreation	760,237	773,570	641,966	131,604
Home and community services	50,000	50,000	46,181	3,819
Employee benefits	10,813,332	9,566,670	9,326,751	239,919
Debt service:				
Principal	576,311	576,311	576,310	1
Interest	188,960	188,960	188,960	-
Total expenditures	<u>30,232,629</u>	<u>32,464,337</u>	<u>30,571,198</u>	<u>1,893,139</u>
Excess (deficiency) of revenue over expenditures	(1,516,405)	(3,668,981)	669,313	4,338,294
Other financing uses - operating transfers out	-	(7,019,615)	(5,699,410)	1,320,205
Excess (deficiency) of revenue over expenditures and other financing uses	(1,516,405)	(10,688,596)	(5,030,097)	5,658,499
Fund balance at beginning of year	<u>12,489,889</u>	<u>12,489,889</u>	<u>12,489,889</u>	-
Fund balance at end of year	<u>\$ 10,973,484</u>	<u>1,801,293</u>	<u>7,459,792</u>	<u>5,658,499</u>

CITY OF LACKAWANNA, NEW YORK
 Required Supplementary Information
 Schedule of City's Proportionate Share of the Net Pension Asset/Liability
 Year ended July 31, 2023

<u>ERS</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
The City's proportion of the net pension asset (liability)	0.0141495%	0.0124544%	0.0122962%	0.0128118%	0.0126578%	0.0139677%	0.0133157%	0.0137573%
The City's proportionate share of the net pension asset (liability)	\$ (3,036,243)	1,018,096	(12,244)	(3,392,626)	(896,841)	(450,801)	(1,251,176)	(2,178,881)
The City's covered payroll	\$ 4,405,422	3,576,868	3,792,513	3,679,440	3,424,202	3,462,942	3,650,821	3,556,411
The City's proportionate share of the net pension asset (liability) as a percentage of covered payroll	68.92%	28.46%	0.32%	92.20%	26.19%	13.02%	34.27%	61.27%
Plan fiduciary net position as a percentage of the total pension liability	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%
 <u>PFRS</u>								
The City's proportion of the net pension asset (liability)	0.2166232%	0.2224732%	0.2184996%	0.2051925%	0.2227669%	0.2133836%	0.2158040%	0.2180314%
The City's proportionate share of the net pension asset (liability)	\$(11,936,963)	(1,263,747)	(3,793,757)	(10,967,412)	(3,735,942)	(2,156,789)	(4,472,866)	(6,455,445)
The City's covered payroll	\$ 8,211,059	8,481,629	7,845,654	7,808,938	7,920,582	7,793,700	7,352,610	7,204,108
The City's proportionate share of the net pension asset (liability) as a percentage of covered payroll	145.38%	14.90%	48.35%	140.45%	47.17%	27.67%	60.83%	89.61%
Plan fiduciary net position as a percentage of the total pension liability	87.43%	98.66%	95.79%	84.86%	95.09%	96.93%	93.50%	90.20%

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

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

CITY OF LACKAWANNA, NEW YORK
Required Supplementary Information
Schedule of City's Pension Contributions
Year ended July 31, 2023

<u>ERS</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 633,423	601,776	574,603	558,587	536,876	528,506	551,111	691,383
Contribution in relation to the contractually required contribution	<u>633,423</u>	<u>601,776</u>	<u>574,603</u>	<u>558,587</u>	<u>536,876</u>	<u>528,506</u>	<u>551,111</u>	<u>691,383</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$4,405,422	3,576,868	3,792,513	3,679,440	3,424,202	3,462,942	3,650,821	3,556,411
Contribution as a percentage of covered payroll	14.38%	16.82%	15.15%	15.18%	15.68%	15.26%	15.10%	19.44%
 <u>PFRS</u>								
Contractually required contribution	\$2,271,350	2,468,607	1,938,298	1,855,672	1,797,126	1,832,206	1,703,226	1,369,841
Contribution in relation to the contractually required contribution	<u>2,271,350</u>	<u>2,468,607</u>	<u>1,938,298</u>	<u>1,855,672</u>	<u>1,797,126</u>	<u>1,832,206</u>	<u>1,703,226</u>	<u>1,369,841</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$8,211,059	8,481,629	7,845,654	7,808,938	7,920,582	7,793,700	7,352,610	7,204,108
Contribution as a percentage of covered payroll	27.66%	29.11%	24.71%	23.76%	22.69%	23.51%	23.16%	19.01%

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

CITY OF LACKAWANNA, NEW YORK
 Required Supplementary Information
 Schedule of Changes in the City's Total OPEB Liability and Related Ratios
 July 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability:						
Service cost	\$ 1,501,289	2,097,988	1,873,459	2,286,239	1,471,700	1,380,729
Interest on total OPEB liability	2,100,899	1,505,643	2,156,441	2,731,011	2,609,036	2,377,170
Changes in benefit terms	-	(3,393)	-	-	-	897,951
Differences between expected and actual experience	(5,520,412)	2,622,251	(14,351,334)	(16,034,056)	(4,322,303)	3,765,675
Changes of assumptions or other inputs	(3,096,218)	(12,929,011)	9,538,334	6,046,995	12,935,303	102,349
Benefit payments	<u>(2,287,869)</u>	<u>(2,271,257)</u>	<u>(2,289,413)</u>	<u>(2,309,982)</u>	<u>(2,192,836)</u>	<u>(1,976,294)</u>
Net change in total OPEB liability	(7,302,311)	(8,977,779)	(3,072,513)	(7,279,793)	10,500,900	6,547,580
Total OPEB liability - beginning	<u>62,216,373</u>	<u>71,194,152</u>	<u>74,266,665</u>	<u>81,546,458</u>	<u>71,045,558</u>	<u>64,497,978</u>
Total OPEB liability - ending	<u>\$54,914,062</u>	<u>62,216,373</u>	<u>71,194,152</u>	<u>74,266,665</u>	<u>81,546,458</u>	<u>71,045,558</u>
Covered payroll	<u>\$10,819,950</u>	<u>9,845,826</u>	<u>9,518,393</u>	<u>9,897,666</u>	<u>9,588,903</u>	<u>9,309,615</u>
Total OPEB liability as a percentage of covered payroll	507.5%	631.9%	748.0%	750.3%	850.4%	763.1%

Note to schedule:

Changes in assumptions - Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
3.77%	3.42%	2.12%	2.92%	3.35%	3.71%

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

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

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

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

We have audited, in accordance with the 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 Lackawanna, New York (the City), as of and for the year ended July 31, 2023, and the related notes to financial statements which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 16, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We identified a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards which is described in the accompanying schedule of findings and responses as item 2023-002.

City's Responses to Findings

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

Purpose of this Report

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

EFPR Group, CPAs, PLLC

Williamsville, New York
August 16, 2024

CITY OF LACKAWANNA, NEW YORK

Federal Grant Compliance Audit

July 31, 2023

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Lackawanna, New York's (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended July 31, 2023. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended July 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-003 to be a material weakness.

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

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

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

EFPR Group, CPAs, PLLC

Williamsville, New York
August 16, 2024

CITY OF LACKAWANNA, NEW YORK
Schedule of Expenditures of Federal Awards
Year ended July 31, 2023

<u>Federal Grantor/Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Pass-through Grantor and Number</u>	<u>Expenditures</u>	<u>Expenditures to Subrecipients</u>
U.S. Department of Housing and Urban Development- Passed through the County of Erie, New York - CDBG - Entitlement Grants Cluster - Community Development Block Grants/Entitlement - Grants	14.218	N/A	\$ 200,000	-
U.S. Department of Justice:				
Bulletproof Vest Partnership Program	16.607	N/A	1,939	-
Public Safety Partnership and Community Policing Grants	16.710	N/A	21,257	-
Equitable Sharing Program	16.922	NY0140200	34,926	-
Total U.S. Department of Justice			<u>58,122</u>	-
U.S. Department of Treasury - COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	292,124	-
U.S. Department of Homeland Security - Assistance to Firefighters Grant	97.044	EMW-2021-FG1326	220,059	-
Total Expenditures of Federal Awards			<u>\$ 770,305</u>	-

See accompanying notes to schedule of expenditures of federal awards.

CITY OF LACKAWANNA, NEW YORK
Notes to Schedule of Expenditures of Federal Awards
July 31, 2023

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Lackawanna, New York (the City) under programs of the Federal government for the year ended July 31, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position and changes in financial position of the City.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement.

Matching costs (the City's share of certain program costs) are not included in the reported expenditures.

The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the City's financial reporting system.

(3) Indirect Costs

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

(4) Subrecipients

No amounts were provided to subrecipients.

CITY OF LACKAWANNA, NEW YORK
 Schedule of Findings and Questioned Costs
 Year ended July 31, 2023

Part I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

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

Internal control over financial reporting:

- 1. Material weakness(es) identified? Yes No
- 2. Significant deficiency(ies) identified? Yes None reported
- 3. Noncompliance material to financial statements noted? Yes No

Federal Awards:

Internal control over major programs:

- 4. Material weakness(es) identified? Yes No
- 5. Significant deficiency(ies) identified? Yes None reported

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

- 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) (Uniform Guidance)? Yes No
- 7. The City's major programs audited were:

Name of Federal Programs

<u>Name of Federal Programs</u>	<u>Assistance Listing Number</u>
CDBG - Entitlement Grants Cluster - Community Development Block Grants/Entitlement Grants	14.218
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027
8. Dollar threshold used to distinguish between Type A and Type B programs.	\$750,000
9. Auditee qualified as low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Part II - FINANCIAL STATEMENT FINDINGS SECTION

See pages 60 and 61.

Part III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

See page 62.

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

Part II - FINANCIAL STATEMENT FINDINGS SECTION

Finding - 2023-001: Maintenance of Accounting Records

Criteria - Management is responsible for adopting accounting policies and for establishing and maintaining internal control that will, among other things, initiate, record, process, and report transactions (as well as events and conditions) in accordance with accounting principles generally accepted in the United States of America.

Condition - The financial records of the City, prior to audit, were materially misstated as of July 31, 2023.

Cause - The material misstatements resulted from a lack of internal controls over financial reporting.

Effect - Material adjusting journal entries were required by Management after the fiscal year end to correct misstatements in the general ledger. Additionally, a number of general ledger accounts had not been reconciled twelve months after year end. This caused significant delays in required financial reporting.

Recommendation - We recommend that the City have an internal control assessment performed to evaluate and test the operational effectiveness and design of the current internal control structure to determine if there are any inefficiencies or issues with the current structure.

Views of Responsible Officials and Planned Corrective Actions - See accompanying Corrective Action Plan provided by management on page 64.

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

Finding - 2023-002: Required Financial Reporting

Criteria - General Municipal Law (GML) §30 requires every municipal corporation (county, city, and village) to annually make a report of its financial condition to the Office of the New York State Comptroller (OSC). The report shall be made and certified by the chief fiscal officer. The City has up to 120 days after the close of the fiscal year to file their Annual Financial Report (AFR). This is a firm deadline; there is no longer any flexibility given to OSC to extend the filing date beyond this period.

Condition - The City did not file their AFR report with OSC within the timeframe as required by GML §30.

Cause - Material adjusting journal entries were required by Management after the year end to correct misstatements in the general ledger. Additionally, a number of general ledger accounts had not been reconciled twelve months after year end.

Effect - The City was not in compliance with GML §30.

Recommendation - We recommend that the City develop a process to reconcile general ledger accounts in a timely manner so as to be able to meet financial reporting as required by OSC.

Views of Responsible Officials and Planned Corrective Actions - See accompanying Corrective Action Plan provided by management on page 64.

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

Part III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

Finding - 2023-003: Federal Reporting

Criteria - Management is responsible for establishing and maintaining effective internal controls and accounting policies to complete accounting records timely to allow correction of audited financial statements to facilitate timely filing of the Data Collection Form.

Condition - The Data Collection Form for the year ended July 31, 2023 was not filed with the Federal Audit Clearinghouse within nine months after year end.

Cause - The late filing resulted from a changes in the accounting department leading to late completion of the audited financial statements and timely submission of the Data Collection Form with the Federal Audit Clearing House.

Effect - The Data Collection Form for the year ended July 31, 2023 was not filed with the Federal Audit Clearinghouse within nine months after year end.

Questioned Costs - None identified.

Recommendation - The City should establish accounting procedures to complete the timely submission of the Data Collection Form.

Views of Responsible Officials and Planned Corrective Actions - See accompanying Corrective Action Plan provided by management on page 64.

CITY OF LACKAWANNA, NEW YORK

Status of Prior Audit Findings

Year ended July 31, 2023

2022-001: Maintenance of Accounting Records

Condition - The financial statements of the City, prior to audit, were materially misstated as of July 31, 2022.

Status - Repeated in 2023 as finding 2023-001.

2022-002: Required Financial Reporting

Condition - The City did not file their AUD report with OSC within the timeframe required by GML §30.

Status - Repeated in 2023 as finding 2023-002.

CITY OF LACKAWANNA, NEW YORK
Corrective Action Plan
Year ended July 31, 2023

Name of Auditee: City of Lackawanna, New York

Name of Audit Firm: EFPR Group, CPAs, PLLC

Period Covered by the Audit: Year ended July 31, 2023

CAP Prepared by: Annette Iafallo, Mayor

Phone: (716) 827-6464

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

(1) Finding 2023-001

Management's Response

In April of 2024 - the City Comptroller resigned. The City of Lackawanna hired CFO and Outsourced Accounting Services to complete the work needed to proceed with the 2022-2023 audit and prepare the records for the close of the 2023-2024 fiscal year on time with appropriate reconciliations, while also assessing the internal controls and making recommendations for changes, if necessary. Management expects that the internal control recommendations and the preparation of the financial statements to be done in the normal course at the beginning of October 2024, when all the revenues for 2024 have been received and recorded to the applicable fiscal year.

Estimated Completion Date - October 1, 2024.

(2) Finding 2023-002

Management's Response

It is management's understanding that if the regular timing of the audit procedures are restored to the fall of 2024 that the required financial reporting deadlines for FY 2023-2024 will be met within their prescribed timeframe.

Estimated Completion Date - October 31, 2024.

(3) Finding 2023-003

Management's Response

The process that is being established currently, since April 2024, will result in a resumption of on time filing within the prescribed timeframes for Fiscal Year 2023-2024 and beyond.

Estimated Completion Date - April 30, 2025.

APPENDIX B – NOTICE OF SALE

CITY OF LACKAWANNA
ERIE COUNTY, NEW YORK

(the "City")

\$9,115,000* BOND ANTICIPATION NOTES, 2024

(the "Notes")

NOTICE OF COMPETITIVE NOTE SALE

SEALED PROPOSALS via BiDCOMP/PARITY® Electronic Bid Submission System ("BiDCOMP/PARITY"®) or, at the option of bidders, proposals delivered via facsimile transmission, will be received by the undersigned Assistant City Comptroller of the City of Lackawanna, Erie County, New York (the "City") at the Massachusetts office of Masterson Advisors LLC (the "Municipal Advisor"), Telephone No. (646) 483-4941, Fax: (713) 814-0551 on Tuesday, September 24, 2024, until 11:00 A.M., (Eastern Time) (the "Sale Date"), at which time and place they will be publicly opened and announced, for the purchase, in federal funds, at not less than par and accrued interest of \$9,115,000* Bond Anticipation Notes, 2024 (the "Notes"), to be dated their Date of Delivery and interest and principal of the Notes is due and payable on July 1, 2025. Such interest, calculated on a 30-day month and 360-day year basis, will be payable to the registered owners of the Notes as shown on the registration books of the City as of the close of business on the Record Date, being the fifteenth calendar day of the month preceding the payment date of the Notes.

The aggregate principal amount of the Notes, the purchase price thereof and the principal amount is subject to change depending upon the actual interest rate bid and the successful bidder's initial reoffering yield, in order to (i) meet the requirements of New York Local Finance Law and (ii) ensure the Notes comply with applicable Federal tax law provisions. Accordingly, the City reserves the right, after selecting the lowest bidder, to decrease the size of the issue and/or adjust the par amount of the Notes to the extent necessary to satisfy such requirements. The successful bidder may neither withdraw nor modify its bid as a result of any such post-bid adjustment. Any such adjustment shall be conclusive, shall be promptly communicated to the successful bidder, and shall be binding upon the successful bidder. The Notes, as adjusted, will bear interest at the same interest rate as specified for that maturity in the Proposal for Notes submitted by the successful bidder for the Notes, and must have the same initial reoffering yield as thereafter specified by such bidder. Notwithstanding any post-bid adjustment and, provided the City will receive at the time of delivery of such Notes an amount at least equal to the par amount (as the same may have been adjusted) of the Notes, the City will hold constant, the successful bidder's underwriting spread with respect to such Notes. However, the award shall be made to the bidder whose bid produces the lowest net interest cost rate solely on the basis of the Notes offered, without taking into account any adjustment in the amount of the Notes pursuant to this paragraph.

The Notes will NOT be subject to redemption prior to maturity.

Unless all bids are rejected, the Notes will be awarded and sold to the bidder complying with terms of this Notice of Competitive Note Sale ("Notice of Sale") and offering to purchase the Notes at the lowest net interest cost. The City reserves the right to reject any or all bids, and any bid not complying with this Notice of Competitive Note Sale will be rejected.

*Preliminary Subject to Change

CHANGES TO TERMS OF SALE —THE CITY RESERVES THE RIGHT TO CHANGE THE TIME AND/OR DATE FOR THE OPENING OF BIDS. NOTICE OF ANY SUCH CHANGE SHALL BE PROVIDED NOT LESS THAN ONE (1) HOUR PRIOR TO THE TIME SET FORTH ABOVE FOR THE OPENING OF BIDS VIA BiDCOMP/PARITY®

The Notes will be designated as "qualified tax-exempt obligations" pursuant to Section 265(B)(3) of the Internal Revenue Code of 1986, as amended (the Code).

The Notes will be 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 a pursuant to a bond resolution that was adopted by the City Council of the City on September 3, 2024, authorizing a capital improvements project at the City Hall, as more particularly described in the accompanying Official Statement for the Notes. Proceeds of the Notes will provide new money financing for the Project.

The Notes are general obligations of the City. There is no limitation, either as to rate or amount, upon *ad valorem* taxes upon taxable real property in the City which may be required to pay the Notes and the interest thereon, subject to applicable statutory limitations, including those limitations imposed pursuant to Chapter 97 of the Laws of 2011 of the State of New York. The City will pledge its faith and credit for the payment of the principal of the Notes and the interest thereon. The State Constitution provides that if at any time the appropriating authorities fail to make the required appropriations for the annual debt service on the Notes and certain other obligations of the City, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied for such purposes, and also that the fiscal officer of the City may be required to set apart and apply such revenues as aforesaid at the suit of any holder of such obligations.

BOOK-ENTRY-ONLY SYSTEM - The timely delivery of all proposals submitted by facsimile transmission (FAX) must be in legible and completed form, signed by an authorized representative of the bidder, and shall be the sole responsibility of the bidder. The City shall not be responsible for any errors and/or delays in transmission and/or receipt of such bids, mechanical or technical failures or disruptions, or any omissions or irregularities in any bids submitted in such manner.

The Notes will be issued in the form of fully registered Notes, in denominations corresponding to the aggregate principal amounts due at maturity. As a condition to delivery of the Notes, the successful bidder will be required to cause such Note certificates to be (i) registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC") which will act as securities depository for the Notes, and (ii) deposited with DTC to be held in trust until maturity. DTC is an automated depository for securities and clearinghouse for securities transactions and will be responsible for establishing and maintaining a book-entry system for recording the ownership interests of its participants, which include certain banks, trust companies and securities dealers, and the transfer of the interests among its participants. The DTC participants will be responsible for establishing and maintaining records with respect to the beneficial ownership interests of individual purchasers in the Notes. Individual purchases of beneficial ownership interests in the Notes may only be made through book entries made on the books and records of DTC (or a successor depository) and its participants, in the denominations of \$5,000 or integral multiples thereof. Principal of and interest on the Notes will be payable by the City or its agent by wire transfer in Federal Funds to DTC or its nominee as registered owner of the Notes. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The City will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

In the event (a) DTC determines not to continue to act as securities depository for the Notes or (b) the City determines that continuation of the book-entry system of evidence and transfer of ownership of the Notes would adversely affect the interests of the beneficial owners of the Notes, the City will discontinue the book-entry system with DTC. If the City fails to identify another qualified securities depository to replace DTC, the City will deliver replacement Notes in the form of fully registered certificates.

CUSIP NUMBERS — A CUSIP number will be applied for with respect to the Notes, but the City will assume no obligation for the assignment or printing of such numbers on the Notes or for the correctness of such numbers, and neither the failure to print such numbers on any Note nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and make payment for the Notes. All expenses in relation to the printing of CUSIP number on the Notes shall be paid for by the purchaser.

RATINGS — Moody's Investors Service, Inc. has assigned ratings of "MIG 1", respectively, to the Notes.

TYPES OF BIDS AND INTEREST RATES — Proposals must be for all the offering. No bid for less than the full offering will be considered and no bifurcated coupons for the maturity. Unless all bids are rejected the Notes will be awarded to the bidder offering to purchase the Notes at the lowest net interest cost. Bidders are required to submit unconditional bids specifying the rate of interest and premium, at which the bidder will purchase all the Notes. Interest rates shall be bid in multiples of one-eighth (1/8) or one-twentieth (1/20) of one percent (1%).

The City reserves the right to reject any and all bids and to waive any irregularity or informality with respect to any bid. The City further reserves the right to postpone the sale to another time and date in its sole discretion for any reason, including internet difficulties. The City will use its best efforts to notify prospective bidders in a timely manner of any need for a postponement.

ELECTRONIC BIDDING PROCEDURE — Each proposal must be submitted electronically via Parity or via facsimile transmission in accordance with this Notice of Sale. No other form of electronic bidding service nor telephone proposals will be accepted. No proposal will be accepted after the time for receiving proposals specified above. Bidders submitting proposals via facsimile must use the "Proposal for Notes" form attached hereto. Once the proposals are communicated electronically via Parity or via facsimile transmission to the City, each bid will constitute an irrevocable offer to purchase the Notes pursuant to the terms therein provided.

Prospective bidders wishing to submit electronic bids via Parity must be contracted customers of Parity. Prospective bidders who do not have a contract with Parity must call (212) 849-5021 to become a customer. By submitting an electronic bid for the Notes, a bidder represents and warrants to the City that such bidder's bid for the purchase of the Notes is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the bidder to a legal, valid and enforceable contract for the purchase of the Notes.

Each prospective bidder who wishes to submit electronic bids shall be solely responsible to register to bid via Parity. Each qualified prospective bidder shall be solely responsible to make necessary arrangements to access Parity for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the City nor Parity shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure such access to any qualified prospective bidder, and neither the City nor Parity shall be responsible for a bidder's failure to register to bid or for proper operation of; or have any liability for any delays or interruptions of, or any damages caused by Parity. The City is using Parity as a communications mechanism, and not as the City's agent, to conduct

the electronic bidding for the City's Notes. The City is not bound by any advice or determination of Parity as to whether any bid complies with the terms of this Notice of Sale. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via Parity are the sole responsibility of the bidders, and the City is not responsible, directly or indirectly, for any such costs or expenses. If a prospective bidder encounters any difficulty in registering to bid, or submitting or modifying a bid for the Notes, it should telephone Parity and notify the Municipal Advisor (provided that the City shall have no obligation to take any action whatsoever upon receipt of such notice).

If any provisions of this Notice of Sale shall conflict with information provided by Parity, as approved provider of electronic bidding services, the provisions of this Notice of Sale shall control. Further, information about Parity, including any fee charged, may be obtained from Parity at 212-849-5021. The time maintained by Parity shall constitute the official time with respect to all bids submitted

BASIS FOR AWARD — Unless all bids are rejected, the Notes will be awarded and sold to the bidder complying with the terms of sale and offering to purchase the Notes at the lowest net interest cost. Award of bids will be made on behalf of the City prior to 1:00 p.m. Eastern time on the sale date. Upon such award, such successful bidder shall advise the City of the Initial Reoffering Price (as hereinafter defined) of the Notes. Such Initial Reoffering Price, among other things, will be used by the City to calculate the Final Amount. A GOOD FAITH DEPOSIT WILL NOT BE REQUIRED.

Award of the Notes will be made without taking into consideration any adjustment to be made to the installments of principal or any reduction in the aggregate principal amount of the Notes to be made to ensure compliance with New York State Local Finance Law or applicable Federal tax law restrictions.

The Notes will be delivered in Jersey City, New Jersey (through the facilities of DTC) or at such other place as may be agreed with the purchaser on or about October 10, 2024. The purchase price of the Notes, in accordance with the purchaser's bid, shall be paid in Federal Funds or other funds available for immediate credit on such delivery date.

As a condition to a purchaser's obligation to accept delivery of and pay for the Notes, such purchaser will be furnished, without cost, the following, dated as of the date of the delivery of and payment for the Notes: (i) a certificate of the Assistant City Comptroller certifying that (a) as of the date of the Official Statement furnished by the City in relation to the Notes, the Official Statement did not contain any untrue statements of material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, subject to the condition that while information in the Official Statement obtained from sources other than the City is not guaranteed as to accuracy, completeness or fairness, the Assistant City Comptroller has no reason to believe and does not believe that such information is materially inaccurate or misleading, and (b) to the Assistant City Comptroller's knowledge, since the date of the Official Statement, there have been no material transactions not in the ordinary course of affairs entered into by the City and no material adverse changes in the general affairs of the City or in its financial condition as shown in the Official Statement other than as disclosed in or contemplated by the Official Statement; (ii) a closing certificate, constituting a receipt for the Note proceeds and a signature certificate, which will include a statement that no litigation is pending, or to the knowledge of the signers, threatened affecting the Notes; (iii) a tax certificate and a nonarbitrage certificate executed on behalf of the City which will include, among other things, covenants, relating to compliance with the Code, with the owners of the Notes that the City will, among other things, (a) take all actions on its part necessary to cause interest on the Notes not to be includable in the gross income of the owners thereof for federal income tax purposes, including without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Notes and investment earnings thereon, making required payments to the federal government, if any, and maintaining books and records in a specified manner, where

appropriate, and (b) refrain from taking any action which would cause interest on the Notes to be includable in the gross income of the owners thereof for federal income tax purposes, including, without limitation, refraining from spending the proceeds of the Notes and investment earnings thereon on certain specified purposes, and; (iv) the approving opinion of Bond Counsel to the effect that the Notes are valid and legally binding general obligations of the City for which the City has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the City is subject to the levy of ad valorem real property taxes to pay the Notes 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). We observe that interest on 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. Reference is made to the Official Statement for additional details under the heading: Inflation Reduction Act of 2022. Further reference should be made to the Official Statement for a description of the scope of Bond Counsel's engagement in relation to the issuance of the Notes and the matters covered by such legal opinion.

By submitting a bid, each bidder is certifying that its bid is a firm offer to purchase the Notes, is a good faith offer which the bidder believes reflects current market conditions, and is not a "courtesy bid" being submitted for the purpose of assisting in meeting the competitive sale requirements relating to the establishment of the "issue price" of the Notes pursuant to United States Treasury Regulation 1.148-1(f)(3)(i), including the requirement that bids be received from at least three (3) underwriters (as defined below) of municipal Notes who have established industry reputations for underwriting new issuances of municipal Notes (the "Competitive Sale Requirements"). The Municipal Advisor will advise the winning bidder if the Competitive Sale Requirements were met, at the same time it notifies the winning bidder of the award of the Notes. **Bids will not be subject to cancellation in the event that the Competitive Sale Requirements are not satisfied.**

The winning bidder shall, within one (1) hour after being notified of the award of the Notes, advise the Municipal Advisor by electronic transmission of the reasonably expected initial public offering price or yield of each maturity of the Notes (the "Initial Reoffering Prices") as of the date of the award.

By submitting a bid, each bidder (unless such bidder would be purchasing the Notes for its own account and not with a view to distribution or resale to the public, as defined below) represents that it has an established industry reputation for underwriting new issuances of municipal Notes and agrees that if it is the winning bidder and if the Competitive Sale Requirements are not met, it will with respect the Notes, elect and satisfy either option (1) or option (2) described below.

(1) Hold the Price. The winning bidder:

(a) will make a bona fide offering to the public of all of the Notes at the Initial Reoffering Price and provide the City and Bond Counsel with reasonable supporting documentation, such as a copy of the pricing wire or equivalent communication, the form of which is acceptable to Bond Counsel,

(b) will neither offer nor sell to any person any Notes at a price that is higher, or a yield that is lower, than the Initial Reoffering Price until the earlier of (i) the date on which the winning bidder has sold to the public at least ten percent of such maturity of the Notes at a price that is no higher, or a yield that is no lower, than the Initial Reoffering Price or (ii) the close of business on the 5th business day after the date of the award of the Notes, and

(c) has or will include within any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the winning bidder is a party) relating to the initial sale of the Notes to the public, together with the related pricing wires, language obligating each underwriter to comply with the limitations on the sale of each maturity of the Notes as set forth above.

(2) Follow the Price. The winning bidder:

- (a) will make a bona fide offering to the public of all of the Notes at the Initial Reoffering Price and provide the City and Bond Counsel with reasonable supporting documentation, such as a copy of the pricing wire or equivalent communication, the form of which is acceptable to Bond Counsel,
- (b) will report to the City and Bond Counsel information regarding the actual prices at which at least ten percent of the Notes have been sold to the public
- (c) will provide the City and Bond Counsel with reasonable supporting documentation or certifications of such sale prices the form of which is acceptable to Bond Counsel. This reporting requirement, which may extend beyond the closing date of the Notes, will continue until such date that ten percent of the Notes has been sold to the public, and
- (d) has or will include within any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the winning bidder is a party) relating to the initial sale of the Notes to the public, together with the related pricing wires, language obligating each underwriter to comply with the reporting requirement described above.

Regardless of whether or not the Competitive Sale Requirements were met, the winning bidder shall submit to the City and Bond Counsel a certificate (the "Issue Price Certificate"), satisfactory to Bond Counsel, prior to the delivery of the Notes stating the applicable facts as described above. The form of Issue Price Certificate is available by contacting Bond Counsel or the Municipal Advisor.

If the winning bidder has purchased the Notes for its own account and not with a view to distribution or resale to the public, then, whether or not the Competitive Sale Requirements were met, the Issue Price Certificate will recite such facts and identify the price or prices at which the purchase of the Notes was made.

For purposes of this Notice, the "public" does not include the winning bidder or any person that agrees pursuant to a written contract with the winning bidder to participate in the initial sale of the Notes to the public (such as a retail distribution agreement between a national lead underwriter and a regional firm under which the regional firm participates in the initial sale of the Notes to the public). In making the representations described above, the winning bidder must reflect the effect on the offering prices of any "derivative products" (e.g., a tender option) used by the bidder in connection with the initial sale of any of the Notes.

NOTE INSURANCE — In the event that the successful bidder has on its own obtained a commitment for a municipal note insurance policy or other credit enhancement with respect to all or a portion of the Notes, the City shall indicate in the Final Official Statement that the successful bidder has informed the City the Notes are expected to be covered by credit enhancement. The purchase of any such credit enhancement shall be at the sole option and expense of the successful bidder. The City will also indicate within the Final Official Statement that further information concerning such potential credit enhancement may be obtained through the successful bidder. The City reserves the right not to include the identity of the potential credit enhancer or other information with respect to the potential credit enhancer in the Final Official Statement. The City will require as a condition of providing any information in the Final Official Statement or the Notes regarding any credit enhancement on the Notes that the provider of the credit enhancement must undertake to provide notice to the City of any change in the credit ratings associated with the credit enhancement provider that could have an effect on the ratings of the Notes.

CONTINUING DISCLOSURE AGREEMENT —In order to assist bidders in complying with Rule 15c2-12 and as part of the City's contractual obligation arising from its acceptance of each successful

bidder's proposal, at the time of the delivery of the Notes the City will provide an executed copy of its "Undertaking to Provide Continuing Disclosure." Said Undertaking will constitute a written agreement or contract of the City for the benefit of holders of and owners of beneficial interests in the Notes, to provide to the Electronic Municipal Market Access ("EMMA") System implemented by the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of such Board contemplated by such Undertaking, the annual financial information and timely notice of the occurrence of certain events, as enumerated in said Rule 15c2-12 (see "CONTINUING DISCLOSURE UNDERTAKING" in the Official Statement).

The City will provide the final Official Statement via electronic transmission with respect to the Notes (the "Official Statement") to the successful bidder within five (5) business days following receipt of a written request therefor made to the City and its Municipal Advisor. Such request may specify the applicable (a) offering price(s), (b) selling compensation, (c) rating(s), (d) credit enhancement and (e) identity and complete name of such bidder and any participating underwriters, and if so, the Official Statement will be modified or supplemented by the information so specified. Neither the City nor its Municipal Advisor shall be liable in any manner for any delay, inaccuracy, or omission on the part of the successful bidder with respect to such request, nor shall the City's failure, as a result thereof, to provide the Official Statement (whether or not modified or supplemented) within the above time period, constitute cause for a failure or refusal by such bidder to accept delivery of and pay for the Notes in accordance with the terms hereof.

Copies of the Notice of Sale and Official Statement may be obtained upon request from the offices of Masterson Advisors LLC., telephone number (646) 483-4941.

The City's contact information is as follows: Peggy Bigaj-Sobol, Assistant City Comptroller at 714 Ridge Road, Room #305, Lackawanna, New York 14218, telephone: 716.827.6485, Fax: (716) 827-6482 [email: pbigajsobol@lackny.com](mailto:pbigajsobol@lackny.com).

September 18, 2024
Lackawanna, New York

Peggy Bigaj-Sobol
Assistant City Comptroller

**PROPOSAL FOR \$9,115,000 BOND ANTICIPATION NOTES, 2024
City of Lackawanna, Erie County, New York**

Peggy Bigaj-Sobol, Assistant City Comptroller
City of Lackawanna
c/o Masterson Advisors LLC.
3 Greenway Plaza
Suite 1100
Houston, Texas 77046
Telephone: (646) 483-4941
Fax: (714) 814-0581

Sale Date: September 24, 2024
11:00 A.M., Eastern Time

Dated: October 10, 2024

Maturity Date: July 1, 2025

Dear Ms. Bigaj-Sobol:

For the **\$9,115,000 Bond Anticipation Notes, 2024 (the "Notes")** of the City of Lackawanna, Erie County, New York, that are the subject of the annexed Notice of Competitive Note Sale, which is hereby made a part of this bid, we will pay \$9,115,000* plus a premium of \$_____ and accrued interest from dated date to date of delivery, provided that the Notes maturing as set forth below shall bear interest in the indicated multiple(s) of 1/8th or 1/20th of one per centum (1%), from their dated date until maturity at the respective rates per annum stated in the following table:

<u>Year of Maturity</u>	<u>Interest Rate</u>
2025	_____ %

The following is our computation of the net interest cost, made as provided in the above-mentioned Notice of Competitive Note Sale, but not constituting any part of the foregoing proposal for the purchase of the Notes.

Par Amount of the Notes.....	\$ _____
Add:	
Premium Bid Over Par.....	\$ _____
Accrued Interest.....	\$ _____
Target Value for Calculation.....	\$ _____
Net Interest Rate	_____ % (Four Decimals)

Please select one of the following:**

We are purchasing the Notes for our own account, not as an underwriter, and have no present intention to sell, reoffer or otherwise dispose of the Notes.

Signature

Name

Address

In the event the Competitive Sale Requirements are not met we elect, in accordance with the terms of the Notice of Sale, to***:

Telephone Number

- Hold the price
- Follow the price

Fax Number

E-Mail Address

* Subject to change in accordance with the terms of the Notice of Private Competitive Sale.
** In accordance with the Notice of Competitive Note Sale, unless the bidder would be purchasing the Notes for its own account, by submitting this bid the bidder represents that it has an established industry reputation for underwriting new issuances of municipal Notes.
*** If no election is made, the bidder will be deemed to have elected "hold the price".