

**CITY OF NORTH TONAWANDA,
NEW YORK**

*Basic Financial Statements and Required Supplementary
Information for the Year Ended December 31, 2024 and
Independent Auditors' Reports*

CITY OF NORTH TONAWANDA, NEW YORK
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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the City of North Tonawanda, New York (the "City"), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City, as of December 31, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, the December 31, 2024 financial statements have been restated for the implementation of Governmental Accounting Standards Board ("GASB") Statement No. 101, *Compensated Absences*, as well as prior period adjustments. Our opinion is not modified with respect to these matters.

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 issuance date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2026 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Drescher & Malecki LLP

August 4, 2026

CITY OF NORTH TONAWANDA, NEW YORK
Management's Discussion and Analysis
Year Ended December 31, 2024

As management of the City of North Tonawanda, New York (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2024. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative. For comparative purposes, certain data from the prior year has been reclassified to conform with the current year presentation.

Financial Highlights

- The liabilities and deferred inflows of resources of the City exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$23,394,114 (*net position*). This consists of \$63,252,237 net investment in capital assets, \$4,903,898 restricted for specific purposes, and an unrestricted net position of \$(91,550,249).
- The City's governmental activities net position increased \$15,076,440 during the year ended December 31, 2024.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$13,468,664, a decrease of \$3,352,562 in comparison with the prior year. The City had unrestricted fund balances of \$6,253,099, which consists of assigned and unassigned fund balances; the remainder is subject to external restrictions (restricted) or is not available for spending (nonspendable).
- The General Fund reported an increase in fund balance of \$3,234,386 during the current year. At December 31, 2024, unassigned fund balance for the General Fund was \$4,603,548, or 10.7 percent of total General Fund expenditures and transfers out.
- The City's total bonded indebtedness decreased by \$1,324,375 as a result of scheduled principal payments.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government support, public safety, health, transportation, economic assistance and opportunity, culture and recreation, home and community services, and interest and fiscal charges. The City does not engage in any business-type activities.

The government-wide financial statements can be found on pages 12-13 of this report.

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

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

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

The City maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Water, Sewer, Special Grant, Special Purpose and Capital Projects funds, all of which are considered major funds.

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

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-46 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's net pension liability, the City's other postemployment benefits ("OPEB") obligation, and the City's budgetary comparison schedules for each major fund with a legally adopted budget. Required Supplementary Information and related notes can be found on pages 47-56 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as 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 \$23,394,114 at the close of the most recent year, as compared to \$38,470,554, as restated, at the close of the year ended December 31, 2023.

Table 1, as presented below, shows condensed statements of net position as of December 31, 2024 and December 31, 2023.

Table 1—Condensed Statements of Net Position—Primary Government

	Governmental Activities	
	December 31,	
	2024	2023 (as restated)
Current assets	\$ 37,896,988	\$ 31,663,621
Noncurrent assets	82,031,025	74,124,703
Total assets	119,928,013	105,788,324
Deferred outflows of resources	29,248,443	30,223,881
Current liabilities	17,835,328	8,153,194
Noncurrent liabilities	105,324,326	113,390,566
Total liabilities	123,159,654	121,543,760
Deferred inflows of resources	49,410,916	52,938,995
Net position:		
Net investment in capital assets	63,252,237	60,691,450
Restricted	4,903,898	11,189,570
Unrestricted	(91,550,249)	(110,351,574)
Total net position	\$ (23,394,114)	\$ (38,470,554)

The largest positive portion of the City's net position, \$63,252,237, reflects its investment in capital assets (such as land, buildings and building improvements, machinery, equipment, land improvements and infrastructure), net of accumulated depreciation and 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 capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$4,903,898, represents resources that are subject to external restrictions on how they may be used, while the last portion of net position is considered to be an unrestricted net position of \$(91,550,249). This demonstrates that future funding will be necessary to liquidate long-term obligations.

Table 2, presented on the following page, shows the changes in net position for the years ended December 31, 2024 and December 31, 2023, as restated.

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

	Governmental Activities	
	Year Ended December 31,	
	2024	2023
Program revenues:		
Charges for services	\$ 10,381,266	\$ 9,628,046
Operating grants and contributions	4,115,957	4,369,680
Capital grants and contributions	4,476,421	5,125,914
General revenues	42,881,380	38,655,375
Total revenues	<u>61,855,024</u>	<u>57,779,015</u>
Program expenses	<u>46,778,584</u>	<u>52,369,350</u>
Change in net position	15,076,440	5,409,665
Net position—beginning	<u>(38,470,554)</u>	<u>(34,463,212)</u>
Restatement	<u>-</u>	<u>(9,417,007)</u>
Net position—ending	<u>\$ (23,394,114)</u>	<u>\$ (38,470,554)</u>

A summary of sources of revenues of the primary government for the years ended December 31, 2024 and December 31, 2023 is presented below in Table 3.

Table 3—Summary of Sources of Revenues—Primary Government

	Year Ended December 31,		Increase/(Decrease)	
	2024	2023	Dollars	Percent (%)
Charges for services	\$ 10,381,266	\$ 9,628,046	\$ 753,220	7.8
Operating grants and contributions	4,115,957	4,369,680	(253,723)	(5.8)
Capital grants and contributions	4,476,421	5,125,914	(649,493)	(12.7)
Property taxes and tax items	22,626,656	20,473,567	2,153,089	10.5
Nonproperty tax items	11,917,400	12,059,334	(141,934)	(1.2)
Use of money and property	1,198,497	694,612	503,885	72.5
Sale of property and compensation for loss	1,022,751	356,171	666,580	187.2
Miscellaneous	778,054	173,500	604,554	348.4
Unrestricted state aid	<u>5,338,022</u>	<u>4,898,191</u>	<u>439,831</u>	9.0
Total revenues	<u>\$ 61,855,024</u>	<u>\$ 57,779,015</u>	<u>\$ 4,076,009</u>	7.1

Overall revenues increased \$4,076,009, or 7.1 percent from the prior year, primarily due to increased property taxes and tax items, charges for services, and sale of property and compensation for loss related to workers' compensation settlement recoveries.

The most significant source of revenues is property taxes and tax items, which accounts for \$22,626,656, or 36.6 percent of total revenues, for the year ended December 31, 2024, and for \$20,473,567, or 35.6 percent of total revenues, for the year ended December 31, 2023. The next largest source of revenue is nonproperty tax items of \$11,917,400, or 19.3 percent of total revenues for the year ended December 31, 2024 and \$12,059,334, or 21.0 percent of total revenues for the years ended December 31, 2023.

A summary of program expenses for the years ended December 31, 2024 and December 31, 2023 is presented below in Table 4.

Table 4—Summary of Program Expenses—Primary Government

	Year Ended December 31,		Increase/(Decrease)	
	2024	2023	Dollars	Percent (%)
General government support	\$ 5,136,159	\$ 5,180,431	\$ (44,272)	(0.9)
Public safety	15,724,043	17,249,450	(1,525,407)	(8.8)
Transportation	7,725,842	6,729,940	995,902	14.8
Economic assistance and opportunity	4,434,191	5,023,740	(589,549)	(11.7)
Culture and recreation	3,265,215	3,645,218	(380,003)	(10.4)
Home and community services	9,756,694	13,913,749	(4,157,055)	(29.9)
Interest and other fiscal charges	736,440	626,822	109,618	17.5
Total expenses	<u>\$46,778,584</u>	<u>\$52,369,350</u>	<u>\$ (5,590,766)</u>	(10.7)

Overall expenses decreased \$5,590,766, or 10.7 percent from the prior year, primarily due to a decrease in the City's actuarially determined OPEB obligation and net pension liability.

The City's most significant program expense items for the year ended December 31, 2024 were public safety of \$15,724,043 (primarily police services), or 33.6 percent of total expenses, home and community services of \$9,762,005 (primarily water and sewer services), or 20.9 percent of total expenses, and transportation of \$7,730,106, or 16.5 percent of total expenses. Similarly, for the year ended December 31, 2022, significant program expense items were public safety of \$17,249,450 (primarily police services), or 32.9 percent of total expenses, home and community services of \$13,913,749 (primarily water and sewer services), or 26.6 percent of total expenses and transportation of \$6,729,940, or 12.8 percent of total expenses.

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

At December 31, 2024, the City's governmental funds reported combined ending fund balances of \$13,468,664, a decrease of \$3,352,562 in comparison with the prior year. Excluding the Sewer Fund and Capital Fund fund balance deficits of \$431,878 and \$158,897, respectively, the City reported total fund balances of \$13,800,159. Approximately 47.7 percent of this amount, \$6,584,594, constitutes *unassigned fund balance* for the General Fund and fund balance *assigned to specific use* for the special revenue funds, which is available for spending at the government's discretion. The remainder of fund balance is either *nonspendable* or *restricted* for other purposes to indicate that it is: (1) not in spendable form, \$2,311,667, or (2) restricted for particular purposes, \$4,903,898.

The General Fund is the chief operating fund of the City. The City’s General Fund ending fund balance was \$9,360,485. Approximately 49.2 percent, \$4,603,548, of this amount is *unassigned fund balance*. Total fund balance increased by \$3,234,386 during 2024, primarily the result of an increase in real property taxes and workers’ compensation settlement recoveries.

The City’s Water Fund ending fund balance was \$3,563,480. Approximately 43.2 percent, \$1,538,785, of this amount is *fund balance assigned to specific use*. Total fund balance decreased by \$287,958 during 2024, primarily the result of an increase in personal services.

The City’s Sewer Fund ending fund balance was \$563,105. Due to existing restrictions on fund balance of \$676,378 and nonspendable fund balance of \$59,325, the Sewer Fund reported an ending unassigned fund balance deficit of \$(172,598). Total fund balance increased by \$275,673 during 2024, primarily the result of transfers from the General Fund.

The City’s Special Grant Fund ending fund balance was \$32,919. The fund balance increased by \$323 during 2024 mainly due to interest earnings. The appropriations of this fund are approved based on grants received and vary from year to year. The fund balance of this fund is restricted as it can only be used for specific purposes as specified by the various grants received.

The City’s Special Purpose Fund ending fund balance was \$107,572. The fund balance increased by \$38,871 during 2024. The fund balance of this fund is restricted as it can only be used for specific purposes including tax agreements, asset forfeitures, and various donor specific donations.

The City’s Capital Projects Fund reported an ending fund balance deficit of \$(158,897). Fund balance decreased by \$6,613,857 during 2024 as a result of the issuance of bond anticipation notes.

General Fund Budgetary Highlights

The City’s General Fund budget generally contains budget amendments during the year. The budget is allowed to be amended upward, increased, for prior year’s encumbrances since the funds were allocated under the previous year’s budget, and the City has appropriately assigned an equal amount of fund balance at year-end for this purpose. Furthermore, the budget is allowed to be amended upward, increased, for additional current year appropriations supported by an increase in budgeted revenues. A budgetary comparison schedule within the required supplementary information section of this report has been provided to demonstrate compliance with their budget. A summary of the General Fund results of operations for the year ended December 31, 2024 is presented below in Table 6.

Table 6—Summary of General Fund Results of Operations

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues and other financing sources	\$ 44,082,156	\$ 44,082,156	\$ 46,114,905	\$ 2,032,749
Expenditure and other financing uses	43,247,270	43,735,590	42,880,519	855,071
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ 834,886</u>	<u>\$ 346,566</u>	<u>\$ 3,234,386</u>	<u>\$ 2,887,820</u>

Final budget compared to actual results—A review of actual expenditures and transfers out and revenues and transfers in compared to appropriations and estimated revenues in the final budget yields certain

variances within the General Fund expenditures and transfers out were \$517,755 more than corresponding final budgeted appropriations. The main variances are as follows:

- Transfers out exceeded the final budget by \$964,568 as transfers out were not included in the budget.
- Public safety expenditures were \$311,906 higher than budgeted due to personal costs exceeding budgeted amounts.

Capital Assets and Debt Administration

Capital assets—The City’s investment in capital assets for its governmental activities as of December 31, 2023, amounted to \$82,031,025 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, infrastructure, buildings and improvements, machinery and equipment.

All depreciable capital assets were depreciated from acquisition date to the end of the current year as outlined in the City’s capital asset policy.

Capital assets net of depreciation for the governmental activities at December 31, 2024 and 2023 are presented below in Table 7.

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

	Governmental Activities	
	December 31,	
	2024	2023
Land	\$ 4,965,144	\$ 4,965,144
Construction in progress	12,741,441	14,022,615
Building and building improvements	21,226,513	21,589,328
Machinery and equipment	7,805,847	7,004,649
Land improvements and infrastructure	35,292,080	26,542,967
Total	<u>\$ 82,031,025</u>	<u>\$ 74,124,703</u>

Additional information on the City’s capital assets can be found in Note 5 of this report.

Long-term debt—At December 31, 2024, the City’s governmental activities had serial bonds outstanding of \$12,355,000, as compared to \$13,679,375 in the prior year. New York State statutes limit the amount of general obligation debt a governmental entity may issue up to 7% of its five year valuation and the City’s outstanding general obligation debt as of December 31, 2024 continues to be below the current debt limitations for the City.

A summary of the City’s long-term liabilities at December 31, 2024 and 2023 is presented on the following page within Table 8.

Table 8—Summary of Long-Term Liabilities

	December 31,	
	2024	2023 (as restated)
Serial bonds	\$ 12,355,000	\$ 13,679,375
Premium on serial bonds	309,864	326,559
EFC notes payable	4,269,637	4,356,637
Installment purchase contract	45,129	109,865
Compensated absences	6,487,138	5,903,053
Workers' compensation	1,966,809	2,033,696
OPEB obligation	60,815,935	63,774,367
Net pension liability	19,074,814	23,207,014
Total	<u>\$ 105,324,326</u>	<u>\$ 113,390,566</u>

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

Economic Factors and Next Year's Budget

The unemployment rate, not seasonally adjusted, for the Buffalo-Niagara region during December 2024 was 4.0 percent, as compared to New York State's unemployment rate of 4.4 percent and to the national unemployment rate of 4.1 percent.

The City considered current year operational expenses and estimated increases based on economic factors when establishing the 2025 budget. The City's 2025 budget includes a budgeted fund balance surplus of \$57,295 in the General Fund, \$47,835 in the Sewer Fund, and \$5,113 in the Water Fund.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Accountant, 216 Payne Avenue, North Tonawanda, New York, 14120.

BASIC FINANCIAL STATEMENTS

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CITY OF NORTH TONAWANDA, NEW YORK
Statement of Net Position
December 31, 2024

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 7,088,423
Restricted cash and cash equivalents	18,251,456
Receivables (net of allowance):	
Taxes	4,774,936
Leases	3,837,532
Other	1,495,275
Intergovernmental receivables	1,252,657
Prepaid items	1,196,709
Capital assets not being depreciated	17,706,585
Capital assets, net of accumulated depreciation	64,324,440
Total assets	<u>119,928,013</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows—relating to pensions	17,308,411
Deferred outflows—relating to OPEB	11,940,032
Total deferred outflows of resources	<u>29,248,443</u>
LIABILITIES	
Accounts payable	1,669,749
Accrued liabilities	1,456,221
Intergovernmental payables	1,400,900
Unearned revenue	941,022
Bond anticipation notes payable	12,367,436
Noncurrent liabilities:	
Due within one year	1,797,862
Due in more than one year	103,526,464
Total liabilities	<u>123,159,654</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows—relating to leases	3,387,427
Deferred inflows—relating to pensions	7,843,726
Deferred inflows—relating to OPEB	38,179,763
Total deferred inflows of resources	<u>49,410,916</u>
NET POSITION	
Net investment in capital assets	63,252,237
Restricted for:	
Workers' compensation	1,745,889
Employee benefits	432,077
Insurance	425,062
Tax stabilizaiton	164,484
Debt	33,150
Repairs	483,092
Special grant	32,919
Special purpose	107,572
Capital projects	1,416,965
Miscellaneous	62,688
Unrestricted	<u>(91,550,249)</u>
Total net position	<u>\$ (23,394,114)</u>

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

CITY OF NORTH TONAWANDA, NEW YORK
Statement of Activities
Year Ended December 31, 2024

					Net (Expense)
					Revenue and Changes
					in Net Position
					Primary
					Government
					Governmental
					Activities
Function/Program	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government support	\$ 5,136,159	\$ 677,329	37,200	\$ 73,350	\$ (4,348,280)
Public safety	15,724,043	700,051	186,432	-	(14,837,560)
Transportation	7,725,842	-	-	3,813,215	(3,912,627)
Economic assistance and opportunity	4,434,191	-	3,849,424	114,856	(469,911)
Culture and recreation	3,265,215	1,872,489	42,901	-	(1,349,825)
Home and community services	9,756,694	7,131,397	-	475,000	(2,150,297)
Interest and fiscal charges	736,440	-	-	-	(736,440)
Total governmental activities	<u>\$ 46,778,584</u>	<u>\$ 10,381,266</u>	<u>\$ 4,115,957</u>	<u>\$ 4,476,421</u>	<u>(27,804,940)</u>
General revenues:					
					22,626,656
Real property taxes and tax items					11,917,400
Nonproperty tax items					1,198,497
Use of money and property					1,022,751
Sale of property and compensation for loss					5,338,022
State aid—unrestricted					778,054
Miscellaneous					
Total general revenues					<u>42,881,380</u>
Change in net position					15,076,440
Net position—beginning, as restated					<u>(38,470,554)</u>
Net position—ending					\$ (23,394,114)

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

CITY OF NORTH TONAWANDA, NEW YORK
Balance Sheet—Governmental Funds
December 31, 2024

	Special Revenue						Total
	General	Water	Sewer	Special Grant	Special Purpose	Capital Projects	Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 6,223,766	\$ 352,393	\$ 512,264	\$ -	\$ -	\$ -	\$ 7,088,423
Restricted cash and cash equivalents	2,989,620	1,538,431	676,378	558,889	107,572	12,380,566	18,251,456
Receivables (net of allowance):							
Taxes	4,774,936	-	-	-	-	-	4,774,936
Leases	70,303	-	3,767,229	-	-	-	3,837,532
Other	188,404	465,436	841,435	-	-	-	1,495,275
Intergovernmental receivables	1,066,201	-	-	-	-	186,456	1,252,657
Prepaid items	1,093,381	44,003	59,325	-	-	-	1,196,709
Due from other funds	1,114,958	1,296,168	362,945	10,710	-	1,453,805	4,238,586
Total assets	<u>\$ 17,521,569</u>	<u>\$ 3,696,431</u>	<u>\$ 6,219,576</u>	<u>\$ 569,599</u>	<u>\$ 107,572</u>	<u>\$ 14,020,827</u>	<u>\$ 42,135,574</u>
LIABILITIES							
Accounts payable	\$ 994,728	\$ 74,632	\$ 193,260	\$ 46	\$ -	\$ 407,083	\$ 1,669,749
Accrued liabilities	1,281,988	58,319	58,637	-	-	-	1,398,944
Due to other funds	714,726	-	2,082,021	36,634	-	1,405,205	4,238,586
Intergovernmental payables	1,400,900	-	-	-	-	-	1,400,900
Unearned revenue	441,022	-	-	500,000	-	-	941,022
Bond anticipation notes payable	-	-	-	-	-	12,367,436	12,367,436
Total liabilities	<u>4,833,364</u>	<u>132,951</u>	<u>2,333,918</u>	<u>536,680</u>	<u>-</u>	<u>14,179,724</u>	<u>22,016,637</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenues - property taxes	3,262,846	-	-	-	-	-	3,262,846
Deferred inflows - relating to leases	64,874	-	3,322,553	-	-	-	3,387,427
Total deferred inflows of resources	<u>3,327,720</u>	<u>-</u>	<u>3,322,553</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,650,273</u>
FUND BALANCES (DEFICITS)							
Nonspendable	2,208,339	44,003	59,325	-	-	-	2,311,667
Restricted	2,548,598	1,538,431	676,378	32,919	107,572	-	4,903,898
Assigned	-	1,981,046	-	-	-	-	1,981,046
Unassigned	4,603,548	-	(172,598)	-	-	(158,897)	4,272,053
Total fund balances (deficits)	<u>9,360,485</u>	<u>3,563,480</u>	<u>563,105</u>	<u>32,919</u>	<u>107,572</u>	<u>(158,897)</u>	<u>13,468,664</u>
Total liabilities and fund balances (deficits)	<u>\$ 17,521,569</u>	<u>\$ 3,696,431</u>	<u>\$ 6,219,576</u>	<u>\$ 569,599</u>	<u>\$ 107,572</u>	<u>\$ 14,020,827</u>	<u>\$ 42,135,574</u>

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

CITY OF NORTH TONAWANDA, NEW YORK
Reconciliation of the Balance Sheet—Governmental Funds
to the Government-wide Statement of Net Position
December, 31, 2024

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

Total fund balances (deficits)—governmental funds (page 14)		\$ 13,468,664
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements. The cost of these assets is \$162,443,011 and the accumulated depreciation is \$80,411,986.		82,031,025
Uncollected property taxes are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the fund statements.		3,262,846
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the fund statements.		
Deferred outflows related to employer contributions	\$ 3,590,127	
Deferred outflows related to experience, assumptions and investment earnings	13,718,284	
Deferred inflows of resources related to pensions	<u>(7,843,726)</u>	9,464,685
Deferred outflows and inflows of resources related to other post employment benefits ("OPEB") are applicable to future periods and, therefore, are not reported in the fund statements:		
Deferred outflows related to experience and changes of assumptions	\$ 11,940,032	
Deferred inflows related to experience and changes of assumptions	<u>(38,179,763)</u>	(26,239,731)
Net accrued interest expense for serial bonds and bond anticipation notes is not reported in the funds.		(57,277)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements. The effect of these items are:		
Serial bonds payable	\$ (12,355,000)	
Unamortized premium on serial bonds	(309,864)	
EFC notes payable	(4,269,637)	
Installment purchase contract	(45,129)	
Compensated absences	(6,487,138)	
Workers' compensation	(1,966,809)	
Net pension liability	(19,074,814)	
OPEB obligation	<u>(60,815,935)</u>	<u>(105,324,326)</u>
Net position of governmental activities		<u>\$ (23,394,114)</u>

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

CITY OF NORTH TONAWANDA, NEW YORK
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)—Governmental Funds
Year Ended December 31, 2024

		Special Revenue						Total
	General	Water	Sewer	Special Grant	Special Purpose	Capital Projects	Governmental Funds	
REVENUES								
Real property taxes	\$ 20,880,092	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,880,092	
Real property tax items	1,853,163	-	-	-	-	-	1,853,163	
Nonproperty tax items	11,917,400	-	-	-	-	-	11,917,400	
Departmental income	2,082,118	2,942,230	4,164,077	-	-	-	9,188,425	
Intergovernmental charges	28,575	-	-	-	-	-	28,575	
Use of money and property	500,339	13,595	220,331	106	-	464,126	1,198,497	
Licenses and permits	503,989	-	-	-	-	-	503,989	
Fines and forfeitures	660,277	-	-	-	-	-	660,277	
Sale of property and compensation for loss	1,018,887	600	3,264	-	-	-	1,022,751	
Miscellaneous	497,580	-	-	10,725	269,749	-	778,054	
State aid	5,604,555	-	-	-	-	3,930,171	9,534,726	
Federal aid	475,000	-	-	3,849,424	-	71,250	4,395,674	
Total revenues	46,021,975	2,956,425	4,387,672	3,860,255	269,749	4,465,547	61,961,623	
EXPENDITURES								
Current:								
General government support	4,137,004	-	-	-	-	-	4,137,004	
Public safety	13,593,079	-	-	-	115,365	-	13,708,444	
Transportation	6,166,359	-	-	-	-	-	6,166,359	
Economic assistance and opportunity	110,739	-	-	3,849,424	-	-	3,960,163	
Culture and recreation	2,509,522	-	-	-	115,229	-	2,624,751	
Home and community services	1,984,561	2,709,996	3,432,764	10,508	284	-	8,138,113	
Employee benefits	12,100,477	661,956	756,895	-	-	-	13,519,328	
Debt service:								
Principal	883,774	130,737	461,600	-	-	-	1,476,111	
Interest and fiscal charges	430,436	90,104	76,898	-	-	196,149	793,587	
Capital outlay	-	-	-	-	-	10,790,325	10,790,325	
Total expenditures	41,915,951	3,592,793	4,728,157	3,859,932	230,878	10,986,474	65,314,185	
Excess (deficiency) of revenues over expenditures	4,106,024	(636,368)	(340,485)	323	38,871	(6,520,927)	(3,352,562)	
OTHER FINANCING SOURCES (USES)								
Transfers in	92,930	348,410	616,158	-	-	-	1,057,498	
Transfers out	(964,568)	-	-	-	-	(92,930)	(1,057,498)	
Total other financing sources (uses)	(871,638)	348,410	616,158	-	-	(92,930)	-	
Net change in fund balances	3,234,386	(287,958)	275,673	323	38,871	(6,613,857)	(3,352,562)	
Fund balances—beginning	6,126,099	3,851,438	287,432	32,596	68,701	6,454,960	16,821,226	
Fund balances (deficit)—ending	\$ 9,360,485	\$ 3,563,480	\$ 563,105	\$ 32,919	\$ 107,572	\$ (158,897)	\$ 13,468,664	

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

CITY OF NORTH TONAWANDA, NEW YORK
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances (Deficit)—Governmental Funds to the Government-wide Statement of Activities
Year Ended December 31, 2024

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

Net change in fund balances (deficit)—total governmental funds (page 16) \$ (3,352,562)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital asset additions	\$ 12,928,199	
Depreciation expense	<u>(5,021,877)</u>	7,906,322

Certain revenues are not recognized in the governmental funds because they are not available soon enough after year end to pay for current period expenditures. On the accrual basis, however, they are recognized regardless of when it is collected. (106,599)

Net differences between pension contributions and benefit payments recognized on the fund financial statements and the government-wide financial statements are as follows:

Direct pension contributions	\$ 4,666,283	
Cost of benefits earned net of employee contributions	<u>(7,077,912)</u>	(2,411,629)

Deferred outflows and inflows of resources relating to OPEB result from actuarial changes in the census, changes in medical premiums that are different than expected healthcare cost trend rates, and changes in assumptions and other inputs. These amounts are shown net of current year amortization. 9,066,414

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. 40,452

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effects of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:

Repayment of serial bonds	\$ 1,324,375	
Amortization of premium on serial bonds	16,695	
Repayment of EFC notes payable	87,000	
Repayment of installment purchase contract	64,736	
Change in compensated absences	(584,084)	
Change in workers' compensation	66,888	
Change in OPEB obligation	<u>2,958,432</u>	<u>3,934,042</u>

Change in net position of governmental activities \$ 15,076,440

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

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CITY OF NORTH TONAWANDA, NEW YORK
Notes to the Financial Statements
Year Ended December 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of North Tonawanda, New York (the “City”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City’s accounting policies are described below.

Description of Government-wide Financial Statements

The government-wide financial statements (i.e. statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. The City reports no business-type activities. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The City reports no component units.

Reporting Entity

The City, incorporated in 1897, is governed by City Law and other general laws of the State of New York and various local laws and ordinances. The City of North Tonawanda Common Council is the legislative body responsible for overall operations, the Mayor serves as chief executive officer, and the City Treasurer serves as chief fiscal officer.

The City provides the following basic services: general government support, police and fire protection, safety inspection, maintenance of streets, culture and recreation programs, street lighting, refuse collection, water, and wastewater.

All governmental activities and functions performed for the City are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

Basis of Presentation—Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these changes would distort the direct costs and program revenues reported for the various functions concerned.

Basis of Presentation—Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. Major individual governmental funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

- *General Fund*—This fund is the principal operating fund of the City and is used to account for all financial resources except those required to be accounted for in other funds. The principal source of revenue for this fund is real property taxes.
- *Water Fund*—This fund is used to account for the revenues (primarily user charges) and expenditures related to the operation and maintenance of water filtration plant and water lines for residential and commercial users. The major source of revenue for this fund is user fees through departmental income.
- *Sewer Fund*—The Sewer Fund is used to record all revenues and expenditures related to operation and maintenance of the sewer district. The major source of revenue for this fund is user fees through departmental income.
- *Special Grant Fund*—The Special Grants Fund is used to record all activity related to the Federal Housing and Urban Development Community Development program. The major source of revenue for this fund is federal aid.
- *Special Purpose Fund*—The Special Purpose Fund is used to account for funds which can only be used for specific purposes including tax agreements, asset forfeitures, and various donor specific donations.
- *Capital Projects Fund*—The Capital Projects Fund is used to account for and report financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment.

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

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

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

Cash, Cash Equivalents and Investments—The City’s cash and cash equivalents include cash on hand, demand deposits, time deposits, and short-term, highly liquid investments with original maturities of three months or less from the date of acquisition. The City reported no investments at December 31, 2024. However, when the City does have investments it is City policy to record them at fair value in accordance with GASB.

Restricted Cash and Cash Equivalents—Restricted cash and cash equivalents represent amounts to support fund balance restrictions, resources received in advance relating to unearned revenue and unspent proceeds of debt.

Receivables—Receivables are stated net of estimated allowances for uncollectible amounts. Amounts due from state and federal governments represent amounts owed to the City to reimburse it for expenditures incurred pursuant to state and federally funded programs. All major revenues of the City are considered “susceptible to accrual” under the modified accrual basis. These include property tax, sales tax, State and Federal aid, and various grant program revenues.

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

Leases—The City recognizes lease receivables and liabilities with an initial, individual value of \$75,000 or more. At the commencement of a lease, the City initially measures the lease liability at the present value of any remaining payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made, as applicable.

The City is a lessor for noncancellable leases of land. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a measurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Capital Assets—The City's buildings, building improvements, land improvements, infrastructure, and machinery and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Donated assets are stated at acquisition cost. The City generally capitalizes assets with costs of \$35,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Major outlays for capital assets and improvements are capitalized as projects are incurred.

Property, plant, and equipment of the City are being depreciated using the straight-line method over the estimated useful lives shown on the following page.

Assets	Years
Land improvements	10-50
Infrastructure	10-50
Buildings and improvements	5-100
Wastewater treatment distribution network	25-100
Machinery and equipment	5-25
Transportation network	10-75
Sanitary sewer network	25-100

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

Unearned Revenue—Certain cash received have not been spent or otherwise used to meet the revenue recognition criteria for government-wide or fund financial statement purposes. At December 31, 2024, the City reported unearned revenues of \$441,022 within the General Fund, which represents American Rescue Plan Act (“ARPA”) grant funding for which eligible expenditures have not yet been incurred. The City also reported unearned revenues of \$500,000 within the Special Grant Fund, which represents unexpended Empire State Development grant funds, of which the City acts as a passthrough.

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At December 31, 2024, the City has two items that qualify for reporting in this category. The first item is related to OPEB reported in the government-wide financial statements and represents the effects of the change in the City’s proportion of the collective OPEB liability and difference during the measurement period between certain employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective OPEB liability. The second item represents the effect of the net change in the City’s proportion of the collective net pension asset or liability, the difference during the measurement period between the City’s contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense, and any contributions to the pension systems made subsequent to the measurement date.

In addition to liabilities, the statement of financial position and the balance sheet of governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At December 31, 2024, the City has four items that qualify for reporting in this category. The first item arises only under the modified accrual basis of accounting. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds’ balance sheet. The governmental funds report unavailable revenue from property taxes that remain uncollected 60 days after year-end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is related to OPEB reported in the government-wide

financial statements and represents the effects of the change in the City's proportion of the collective total OPEB liability and the difference during the measurement period between certain employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective total OPEB liability. The third item represents the effect of the net change in the City's proportion of the collective net pension liability and the difference during the measurement periods between the City's contribution and its proportionate share of total contributions to the pension systems not included in pension expense and is reported on the government-wide statements. The last item, reported on the government-wide statements and on the balance sheet of governmental funds, is recognized at the commencement of the City's lease receivable and amortized over the life of the lease.

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

Fund Balance Flow Assumptions—Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balances in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies—Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Common Council is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes, but do not meet the criteria to be classified as committed. The Common Council may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenses/Expenditures

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

Real Property Taxes—The City-wide property tax is levied by the Common Council effective April 1st of the year the taxes are recognizable as revenue. Taxes become a lien on the related property on December 31st of the year for which they are levied. Unpaid water and sewer charges as of December 31st are relieved as real property taxes in the subsequent year. In the government-wide statements, property tax receivables and related revenue include all amounts due to the City regardless of when cash is received. The City also collects school taxes for the local school district for remittance to them.

Compensated Absences—City employees are granted vacation, personal and sick leave and compensatory time in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation, sick leave and unused compensatory absences at various rates subject to certain conditions, maximum limitations and union affiliations. Compensated absences are reported as accrued in the government-wide financial statements. Governmental funds reports only matured compensated absences payable to terminating employees and are included in wages and benefits. Refer to Note 2 for more information regarding the City's restatement of compensated absences as a result of the implementation of GASB Statement No. 101, *Compensated Absences*.

Payment of compensated absences recorded in the general government long-term debt in the government-wide financial statements is dependent upon many factors; therefore, timing of future payment is not readily determinable. However management believes that sufficient resources will be made available for the future payment of compensated absences when such payments become due. More information regarding compensated absences is included in Note 11.

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

Other Postemployment Benefits—In addition to providing pension benefits, the City provides health insurance coverage for certain retired employees as discussed in Note 8. Refer to Note 2 for more information regarding the City's restatement of its other post employment benefits liability as a result of the correction of a prior year error.

Other

Estimates—The preparation of the financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of revenues, expenditures, assets, liabilities, deferred outflows of resources, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and during the reported period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements—During the year ended December 31, 2024, the City implemented the remainder of GASB Statement No. 99, *Omnibus 2022*; The City also implemented GASB Statements No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*; and No. 101, *Compensated Absences*. GASB Statement No. 99 enhances comparability in the application of accounting and financial reporting requirements and improves the consistency of authoritative literature related to GASB Statements No. 94 and 96. GASB Statement No. 100 enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. GASB Statement No. 101 will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. Except for the matters discussed in Note 2, the implementation of GASB Statements No. 99, 100, and 101 did not have a material impact on the City’s financial position or results from operations.

Future Impacts of Accounting Pronouncements—The City has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 102, *Certain Risk Disclosures*, effective for the year ending December 31, 2025; and No. 103, *Financial Reporting Model Improvements*; and No. 104, *Disclosure of Certain Capital Assets*, effective for the year ending December 31, 2026. The City is, therefore, unable to disclose the impact that adopting GASB Statements No. 102, 103, and 104 will have on its financial position and results of operations when such statements are adopted.

Stewardship, Compliance and Accountability

Legal Compliance—Budgets

The City’s annual procedures in establishing the budgetary data reflected in the basic financial statements are described as follows:

- On or before the first day of October each year, the Mayor shall submit to the Common Council a proposed budget and capital budget together with a message concerning same for the ensuing year.
- The budget message shall describe the important features, outline the proposed capital programs, indicate major changes from the current fiscal year in financial policies, expenditures, and revenues together with the reasons for such changes, summarize the City’s debt condition, and include such other material items as the Mayor may deem advisable.
- The proposed budget shall provide a complete financial plan of all City functions and activities for the ensuing year. The budget shall be in such form as the Mayor may deem advisable and shall include: actual revenues and expenditures of the preceding fiscal year, actual and estimated revenues and estimates revenues and expenditures of the current fiscal year, all estimated revenues and proposed expenditures for the ensuing fiscal year (including

detailed estimates of revenue from all sources and the amount proposed to be raised by the tax levy upon real estate). The proposed expenditures shall be itemized as follows: each office, department, board and commission shall be listed separately showing the proposed amount for salaries and wages, supplies and other expenditures and the total thereof; reserve for uncollected taxes; debt service; judgments and settlements outstanding not covered by insurance; capital program stating the amount to be financed, if any, and the method thereof, special funds and purposes not otherwise contained in the budget; anticipated deficit, if any, of the current year and contingency fund.

- Immediately after the presentation of the proposed budget to the Common Council, the Mayor shall file the proposed budget in the City Clerk's Office and be made available for distribution to the public. The proposed budget shall be a public record and shall be open to inspection by the public during regular business hours in the City Clerk's office. Not less than five days prior to the date of the public hearing, the City Clerk shall publish in the official newspaper of the City a notice of public hearing which shall specify the date, time and place of the public hearing; the total amount of the proposed budget, the amount thereof to be raised by taxes, the anticipated tax rate per thousand of assessed valuation and that copies of the proposed budget are available to the public in the City Clerk's office.
- The Common Council shall meet and conduct a public hearing at which the Mayor shall be present. Such public hearing shall be held no later than November 15th.
- After conclusion of the public hearing, the Common Council shall consider the adoption of the proposed budget and may adjourn from time to time until it has fully considered and reviewed the proposed budget. The Common Council may add new programs or amounts, and may increase, decrease or delete programs and amounts. Expenditures required by law, for debt service, estimated deficits or estimated revenues may not be changed except to correct omissions or mathematical errors. The Common Council may, however, decrease the amount of tax levy of the ensuing fiscal year as proposed by the Mayor in proportion to such decreases in total expenditures as it may have determined. If the Common Council shall increase the total expenditures, such increase shall be included in the amount to be raised by taxes.
- Upon completion of the consideration and review of the proposed budget, the Common Council, shall on or before the 15th day of December of each year, adopt a resolution approving the budget in the final form approved by it and shall forthwith adopt an appropriation resolution and a resolution making a levy upon all the real property situated in the City liable to taxation in the ensuing year. The appropriation resolution shall be passed on the budget as adopted but need not be itemized further than by each office, board, department, commission, fund and program. Upon adoption of the budget, the appropriation and tax levy resolutions, the City Clerk shall file a certified copy of each with the City Treasurer and Fiscal Affairs Officer. The adoption of the budget shall constitute an appropriation of the amounts, a levy of the amount to be raised by taxation therein stated, and a warrant to the City Treasurer to spread and extend such levy upon current assessment tax rolls and to collect the same.
- If a budget has not been adopted, as provided by the Charter, on or before the 15th day of December, the tentative City budget, with amendments, if any, shall become the budget for the ensuing year.

- If the amount of all taxes levied upon any parcel of real property shall, except as otherwise expressly provided by law, be and become a lien thereon as of the first day of January of the fiscal year for which levied and shall remain a lien until paid.
- Formal annual budgetary accounts are adopted and employed for control of all governmental funds except the special grant fund, special purpose fund and the capital projects fund. These budgets are adopted on a basis consistent with accounting principles generally accepted in the United States except that encumbrances are treated as budgetary expenditures in the year of occurrence of the commitment to purchase. All unencumbered appropriations lapse and the end of the fiscal year. Budgetary comparisons presented in this report are on the budgetary basis and represent the budget as modified.

Deficit Fund Balance—The Capital Projects Fund reported a deficit fund balance at December 31, 2024 totaling \$158,897. This deficit exists because the City issued bond anticipation notes (“BANs”), which do not qualify for treatment as a long-term liability. Accordingly, the BANs are reported as a fund liability in the Capital Projects Fund balance sheet (rather than an inflow on the statement of revenues, expenses, and fund balances.) When the cash from the BANs is spent, expenditures are reported and fund balance is reduced. This deficit will be eliminated as resources are obtained (e.g., from revenues, long-term debt issuances, and transfers in) to make the scheduled debt service principal and interest payments on the BANs or retire the BANs. The Sewer Fund reported an unassigned fund balance deficit of \$172,598. The City anticipates that this will be remedied by future revenues and transfers from other funds.

2. RESTATEMENT OF NET POSITION

During the year ended December 31, 2024, the City implemented GASB Statement No. 101, *Compensated Absences*. The City also identified prior period adjustments to its installment purchase contract liability and GASB 75 actuarial liability as of December 31, 2023. As a result, the City’s governmental activities net position has been restated as of December 31, 2023, as presented below:

	Governmental Activities
December 31, 2023, as previously reported	
Net Position—	\$ (29,053,547)
Restatement for installment purchase contract liability	(72,290)
Restatement for GASB 75 actuarial adjustment	(7,089,663)
Restatement for implementation of GASB 101	<u>(2,255,054)</u>
December 31, 2023, as restated	
Net Position—	<u>\$ (38,470,554)</u>

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The City’s investment policies are governed by New York State statutes. The City also has its own written investment guidelines which have been established by the Common Council. City monies must be deposited in Federal Deposit Insurance Corporation (“FDIC”) insured commercial banks or trust companies located within the State. The City Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, contractual repurchase agreements, and obligations of New York State or its localities. Investments with maturities of less than three months are considered to be cash equivalents.

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

Total cash and cash equivalents and restricted cash and cash equivalents at December 31, 2024 are as follows:

	Governmental Funds
Petty cash (uncollateralized)	\$ 25,900
Deposits	<u>25,313,979</u>
Total	<u>\$ 25,339,879</u>

Deposits—All deposits are carried at fair value and are classified by custodial credit risk at December 31, 2024 as follows:

	Bank Balance	Carrying Amount
FDIC insured	\$ 250,000	\$ 250,000
Uninsured:		
Collateral held by pledging bank's agent in the City's name	<u>23,450,113</u>	<u>25,063,979</u>
Total deposits	<u>\$23,700,113</u>	<u>\$25,313,979</u>

Custodial Credit Risk—Deposits—Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As noted above, by New York State statute all deposits in excess of FDIC insurance coverage must be collateralized. As of December 31, 2024, the City's deposits were either FDIC insured or collateralized with securities held by the pledging bank's agent in the City's name.

Restricted Cash and Cash Equivalents—The City reports fund balance restrictions, unearned revenue related to cash received in advance, and unspent debt proceeds as restricted cash and cash equivalents. At December 31, 2024, the City reports restricted cash totaling \$2,989,620 within the General Fund, \$1,538,431 within the Water Fund, \$676,378 within the Sewer Fund, \$558,889 within the Special Grant Fund, \$107,572 within the Special Purpose Fund, and \$12,380,566 within the Capital Projects Fund.

Investments—The City's governmental activities reported no investments at December 31, 2024.

Interest Rate Risk—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of deposits. In accordance with its investment policy, the City manages this exposure by limiting investments to low risk type investments governed by New York State statute.

4. RECEIVABLES

Taxes Receivable—Represents City and school taxes that remain unpaid. At December 31, 2024, the City recorded \$4,774,936 related to taxes receivable. These amounts are offset by a deferred inflow of resources related to property taxes in the amount of \$3,262,846.

Accounts Receivable—Represents amounts due from various sources. Receivables at December 31, 2024 are:

General Fund:			
Franchise fees	\$	95,831	
Fines and forfeited bail		38,531	
Various fees and charges		<u>54,042</u>	\$ 188,404
Water Fund:			
Water rents receivable			462,097
Various fees and charges			<u>3,339</u>
Sewer Fund:			
Sewer rents receivable			814,543
Various fees and charges			<u>26,892</u>
Total			<u><u>\$ 1,495,275</u></u>

Intergovernmental Receivables—Represents amounts due from other units of government, such as Federal, New York State, County of Niagara or other local governments. Intergovernmental receivables at December 31, 2024 are:

General Fund:			
Niagara County - sales tax distribution	\$	1,035,790	
Other		<u>30,411</u>	\$ 1,066,201
Capital Projects Fund:			
Department of Transportation		161,456	
Other		<u>25,000</u>	<u>186,456</u>
Total			<u><u>\$ 1,252,657</u></u>

Lease Receivables—The City leases the food service concession facility at the Deerwood golf course to a third party. The City recognized \$5,429 in rental income in the City's General Fund during the fiscal year related to this lease. Additionally, the City leases land to a third party. The City receives monthly payments which coincide with the contracted agreement between the lessor and lessee. The City recognized \$21,077 in rental income in the City's Sewer Fund during the fiscal year related to this lease. As of December 31, 2024, the City's outstanding receivable for lease payments was \$70,303 and \$3,767,229 in the General Fund and Sewer Fund, respectively. Also, the City reports a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease term. As of December 31, 2024, the balance of the deferred inflow of resources was \$64,874 and \$3,322,553 for the General Fund and Sewer Fund, respectively.

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2024 is shown below:

	Balance 1/1/2024	Additions	Deletions	Balance 12/31/2024
Capital assets, not being depreciated:				
Land	\$ 4,965,144	\$ -	\$ -	\$ 4,965,144
Construction in progress	14,022,615	10,790,325	12,071,499	12,741,441
Total capital assets not being depreciated	18,987,759	10,790,325	12,071,499	17,706,585
Capital assets, being depreciated:				
Buildings and building improvements	37,342,059	211,069	-	37,553,128
Machinery and equipment	38,772,772	2,217,296	-	40,990,068
Land improvements and infrastructure	54,412,222	11,781,008	-	66,193,230
Total capital assets, being depreciated	130,527,053	14,209,373	-	144,736,426
Less accumulated depreciation for:				
Buildings and building improvements	15,752,731	573,884	-	16,326,615
Machinery and equipment	31,768,123	1,416,098	-	33,184,221
Land improvements and infrastructure	27,869,255	3,031,895	-	30,901,150
Total accumulated depreciation	75,390,109	5,021,877	-	80,411,986
Total capital assets, being depreciated, net	55,136,944	9,187,496	-	64,324,440
Governmental activities capital assets, net	<u>\$ 74,124,703</u>	<u>\$ 19,977,821</u>	<u>\$ 12,071,499</u>	<u>\$ 82,031,025</u>

Depreciation expense for governmental activities was charged to functions and programs of the primary government as shown below:

Governmental activities:	
General government support	\$ 93,705
Public safety	306,458
Transportation	2,993,192
Economic assistance and opportunity	21,798
Culture and recreation	504,268
Home and community services	1,102,456
Total governmental activities	<u>\$ 5,021,877</u>

6. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at December 31, 2024, were as follows:

	General Fund	Water Fund	Sewer Fund	Total Governmental Funds
Salary and employee benefits	<u>\$ 1,281,988</u>	<u>\$ 58,319</u>	<u>\$ 58,637</u>	<u>\$ 1,398,944</u>

7. PENSION PLANS

Plan Descriptions and Benefits Provided

New York State and Local Police and Fire Retirement System (“PFRS”) and Employees’ Retirement System (“ERS”)—The City participates in the PFRS and ERS (the “Systems”), which are cost-sharing multiple employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. The net position of the Systems are held in the New York State Common Retirement Fund (the “Fund”), which was established to hold all assets and record changes in fiduciary net position allocated to the Systems. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the Systems. System benefits are established under the provisions of the New York State Retirement and Social Security Law (“NYSRSSL”). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The City also participates in the Public Employees’ Group Life Insurance Plan (“GLIP”), which provides death benefits in the form of life insurance. The Systems are included in the State’s financial report as a pension trust fund. That report, including information with regards to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The Systems are noncontributory, except for employees who joined the ERS after July 27, 1976 who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS), who generally contribute three percent (3%) to three and one half percent (3.5%) of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers’ contributions based on salaries paid during the System’s fiscal year ending March 31.

Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At December 31, 2024, the City reported the liabilities shown below for its proportionate share of the net pension liability for PFRS and ERS. The net pension liability was measured as of March 31, 2024. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of April 1, 2023, with update procedures used to roll forward the total net pension liabilities to the measurement date. The City’s proportion of the net pension liabilities were based on projections of the City’s long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the System in reports provided to the City.

	PFRS	ERS
Measurement date	March 31, 2024	March 31, 2024
Net pension liability	\$ 13,306,188	\$ 5,768,626
City's portion of the Plan's total net pension liability	0.2805541%	0.0391783%

For the year ended December 31, 2024, the City recognized pension expenses of \$4,458,830 and \$2,497,258 for PFRS and ERS, respectively. At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources shown on the following page.

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	PFRS	ERS	PFRS	ERS
Differences between expected and actual experiences	\$ 4,099,458	\$ 1,858,070	\$ -	\$ 157,295
Changes of assumptions	5,019,105	2,180,988	-	-
Net difference between projected and actual earnings on pension plan investments		-	3,611,988	2,817,943
Changes in proportion and differences between the City's contributions and proportionate share of contributions	229,623	331,040	901,129	355,371
City contributions subsequent to the measurement date	2,501,494	1,088,633	-	-
Total	<u>\$ 11,849,680</u>	<u>\$ 5,458,731</u>	<u>\$ 4,513,117</u>	<u>\$ 3,330,609</u>

The City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2025. 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 December 31,</u>	<u>PFRS</u>	<u>ERS</u>
2025	\$ (1,142,263)	\$ (1,064,835)
2026	3,811,872	1,074,570
2027	2,084,465	1,642,558
2028	(450,394)	(612,805)
2029	531,390	-

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

	<u>PFRS</u>	<u>ERS</u>
Measurement date	March 31, 2024	March 31, 2024
Actuarial valuation date	April 1, 2023	April 1, 2023
Interest rate	5.9%	5.9%
Salary scale	6.2%	4.4%
Decrement tables	April 1, 2015- March 31, 2020	April 1, 2015- March 31, 2020
Inflation rate	2.9%	2.9%
Cost-of-living adjustments	1.5%	1.5%

Annuitant mortality rates are based on April 1, 2015 – March 31, 2020 Systems' experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2021. The actuarial assumptions used in the April 1, 2023 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

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

Measurement date	PFRS and ERS	
	Target Allocation	Long-Term Expected Real Rate of Return
	March 31, 2024	
Asset class:		
Domestic equity	32.0 %	4.0 %
International equity	15.0	6.7
Private equity	10.0	7.3
Real estate	9.0	4.6
Opportunistics/absolute return strategies	3.0	5.3
Credit	4.0	5.4
Real assets	3.0	5.8
Fixed income	23.0	1.5
Cash	1.0	0.3
Total	100.0	

Discount Rate—The discount rate used to calculate the total pension liabilities was 5.9%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability/(Asset) to the Discount Rate Assumption—The chart below presents the City's proportionate share of the net pension liability calculated using the discount rate of 5.9%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (4.9%) or one percentage-point higher (6.9%) than the current assumption.

	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
Employer's proportionate share of the net pension liability/(asset)—PFRS	\$ 31,099,681	\$ 13,306,188	\$ (1,393,838)
Employer's proportionate share of the net pension liability/(asset)—ERS	\$ 18,137,148	\$ 5,768,626	\$ (4,561,657)

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

	(Dollars in Thousands)		
	PFRS	ERS	Total
Valuation date	April 1, 2023	April 1, 2023	
Employers' total pension liability	\$ 46,137,717	\$ 240,696,851	\$ 286,834,568
Plan fiduciary net position	41,394,895	225,972,801	267,367,696
Employers' net pension liability	<u>\$ 4,742,822</u>	<u>\$ 14,724,050</u>	<u>\$ 19,466,872</u>
System fiduciary net position as a percentage of total pension liability	89.7%	93.9%	93.2%

8. OTHER POSTEMPLOYMENT BENEFITS (“OPEB”) OBLIGATION

Plan Description and Benefits Provided—In addition to pension benefits, the City administers a single-employer defined benefit medical plan (the “Plan”). The Plan provides for continuation of medical insurance benefits for certain retirees and their spouses and can be amended by action of the City subject to applicable collective bargaining and employment agreements. The Plan does not issue standalone publicly available financial reports since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Employees Covered by Benefit Terms—At December 31, 2024, the actuarial valuation measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	177
Active employees	<u>246</u>
Total	<u>423</u>

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

Total OPEB Liability

The City’s total OPEB liability of \$60,815,935 was measured as of December 31, 2024, and was determined by an actuarial valuation dated January 21, 2026.

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

In the December 31, 2024 actuarial valuation, the Entry Age Normal actuarial cost method, over a level percent of pay was used. The single discount rate changed from 4.00% effective December 31, 2023 to 4.28% effective December 31, 2024. The salary scale assumed to increase at 3.00% per year. As of the December 31, 2024 measurement date the mortality improvement table used was MP-2021

on a generational basis. In order to estimate the change in the cost of healthcare, the actuaries initial healthcare cost trend rate used is 7.00% while the ultimate healthcare cost trend rate is 4.50%. An inflation rate of 3.00% was assumed for developing the rate of increase in healthcare costs.

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

	Total OPEB Liability
Balance at December 31, 2023, as restated	\$ 63,774,367
Changes for the year:	
Service cost	1,700,435
Interest	2,168,265
Differences between expected and actual experience	2,472,628
Changes of assumptions	(4,343,593)
Benefit payments	(4,956,167)
Net changes	(2,958,432)
Balance at December 31, 2024	\$ 60,815,935

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

	1% Decrease (3.28%)	Current Discount Rate (4.28%)	1% Increase (5.28%)
Total OPEB liability	\$ 70,337,183	\$ 60,815,935	\$ 53,190,758

Additionally, healthcare costs can be subject to considerable volatility over time. The table below presents the effect on the OPEB liability of a 1% change in the initial (7.00%)/ultimate (4.50%) healthcare cost trend rates.

	1% Decrease (6.00%/3.500%)	Healthcare Cost Trend Rates (7.00%/4.50%)	1% Increase (8.00%/5.50%)
Total OPEB liability	\$ 52,622,443	\$ 60,815,935	\$ 71,250,456

Funding Policy—Authorization for the City to pay a portion of retiree health insurance premiums was enacted through various union contracts as specified above, which were ratified by the City Board. The City recognizes the cost of providing these benefits by expensing the annual insurance premiums when invoiced by the health insurance provider. The City's contributions to the OPEB plan are based on negotiated contracts with five bargaining units, as discussed in Note 14. Any amendments to the employer's contributions are subject to the collective bargaining agreements.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—The City reports deferred outflows and inflows of resources due to differences during the

measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective OPEB liability. The following table presents the City's deferred outflows and inflows of resources at December 31, 2024:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,257,451	\$ 18,512,797
Changes in assumptions	9,682,581	19,666,966
Total	<u>\$ 11,940,032</u>	<u>\$ 38,179,763</u>

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

Year Ending December 31,	
2025	(5,899,689)
2026	(5,899,693)
2027	(5,968,719)
2028	(8,070,638)
Thereafter	(400,992)

9. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; vehicle liability; injuries to employees; and natural disasters. The City maintains general liability insurance coverage which includes a self-insurance retention of \$100,000 for each claim with a \$200,000 self-insurance retention annual aggregate (stop loss aggregate) which gives the City coverage in the case of a claim over the self-insured limit. The City also obtained commercial auto bodily injury liability insurance in the amount of \$100,000.

The City self-insures for risk relating to workers' compensation insurance. The City currently reports all of its risk management activities in its General Fund, Water Fund and Sewer Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The City's workers' compensation liability at December 31, 2024 is \$1,966,809, which reflects the actuarial analysis of the projected liability and is recorded in the City's government-wide financial statements.

The City is also self-insured for health insurance claims. The cost of these claims are reported in the fund in which the expenditure occurred.

10. SHORT-TERM DEBT

Short-term debt of the City represents bond anticipation notes ("BANs") and tax anticipation notes ("TANs"). Principal payments on short-term debt must be made annually. State law requires that BANs and TANs issued be converted to long-term obligations within five years after the original issue date. However, BANs used for assessable improvement projects may be renewed for periods equivalent to the life of the permanent financing provided that annual reductions of principal are made. The City's short-term debt for the year ended December 31, 2024 is summarized on the following page.

Description	Issue/ Maturity	Interest Rate	Balance 1/1/2024	Issues	Redemptions	Balance 12/31/2024
BAN 2023	2023/2024	3.50%	\$ 1,075,000	\$ -	\$ 1,075,000	\$ -
BAN 2023	2023/2024	5.00%	3,394,276	-	3,394,276	-
BAN 2024	2024/2025	4.75%	-	9,274,460	-	9,274,460
BAN 2024	2024/2025	4.00%	-	3,092,976	-	3,092,976
Total			<u>\$ 4,469,276</u>	<u>\$ 12,367,436</u>	<u>\$ 4,469,276</u>	<u>\$ 12,367,436</u>

11. LONG-TERM LIABILITIES

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

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

The City's outstanding long-term liabilities include bonds payable, Environmental Facilities Corporation ("EFC") notes payable, installment purchase contract, compensated absences, long-term retirement liability, workers' compensation, the OPEB obligation and the net pension liability. The bonds payable of the City are secured by its general credit and revenue raising powers, as per New York State statute.

A summary of the City's long-term liabilities at December 31, 2024 is presented below:

	Balance 1/1/2024 (as restated)	Additions	Reductions	Balance 12/31/2024	Due Within One Year
Serial bonds payable	\$ 13,679,375	\$ -	\$ 1,324,375	\$ 12,355,000	\$ 1,215,000
Premium on serial bonds	326,559	-	16,695	309,864	16,695
Net serial bonds payable	14,005,934	-	1,341,070	12,664,864	1,231,695
EFC notes payable	4,356,637	-	87,000	4,269,637	-
Installment purchase contract	109,865	-	64,736	45,129	45,129
Compensated absences*	5,903,053	584,085	-	6,487,138	324,357
Workers' compensation*	2,033,696	-	66,887	1,966,809	196,681
Net pension liability*	23,207,014	-	4,132,200	19,074,814	-
OPEB obligation	63,774,367	6,341,328	9,299,760	60,815,935	-
Total	<u>\$ 113,390,566</u>	<u>\$ 6,925,413</u>	<u>\$ 14,991,653</u>	<u>\$ 105,324,326</u>	<u>\$ 1,797,862</u>

*Reductions/additions to compensated absences, workers' compensation, and net pension liability are shown net of additions/reductions.

Serial Bonds—The City borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith

and credit debt of the local government, are recorded in the governmental funds in the government-wide financial statements.

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

A summary of bond transactions of the City for the fiscal year ended December 31, 2024 is presented below:

Purpose	Fiscal Year of		Balance			Balance
	Issue/ Maturity	Interest Rate	1/1/2024	Additions	Reductions	12/31/2024
General Fund:						
2016 Various Purpose	2017/2036	2.00%-2.875%	\$ 745,000	\$ -	\$ 180,000	\$ 565,000
2016 Taxable Marina	2017/2028	3.125%-4.50%	515,000	-	100,000	415,000
2017 Various Purpose	2018/2032	2.00%-4.00%	740,000	-	95,000	645,000
2018 Various Purpose	2019/2033	3.00%-5.00%	1,405,000	-	140,000	1,265,000
2018B Various Purpose	2019/2033	2.00%-3.375%	245,000	-	25,000	220,000
2019 Various Purpose	2020/2034	1.70%-5.00%	300,000	-	25,000	275,000
2020 Various Purpose	2021/2035	2.00%-5.00%	935,000	-	90,000	845,000
2023 Various Purpose	2023/2048	4.00%	6,819,375	-	349,375	6,470,000
Total General Fund			<u>11,704,375</u>	<u>-</u>	<u>1,004,375</u>	<u>10,700,000</u>
Sewer Fund:						
2016 Various Purpose	2017/2036	2.00%-2.875%	905,000	-	150,000	755,000
2016 Refunding Bonds	2016/2026	2.00%-4.00%	275,000	-	95,000	180,000
2018 Various Purpose	2019/2033	3.00%-5.00%	490,000	-	50,000	440,000
2019 Various Purpose	2020/2034	1.70%-5.00%	305,000	-	25,000	280,000
Total Sewer Fund			<u>1,975,000</u>	<u>-</u>	<u>320,000</u>	<u>1,655,000</u>
Total governmental activities			<u>\$ 13,679,375</u>	<u>\$ -</u>	<u>\$ 1,324,375</u>	<u>\$ 12,355,000</u>

Premiums on Serial Bonds—The City’s premiums are being amortized on a straight-line basis over the life of the related bonds. The total unamortized premiums as of December 31, 2024 was \$309,864.

Environmental Facilities Corporation Notes Payable—During the year ended December 31, 2024, the City did not draw down any New York State Environmental Facilities Corporation (“EFC”) notes payable. The notes carry variable interest rates from 0.0 to 2.0 percent. At December 31, 2024, the City had \$787,795 and \$1,224,605 in additional EFC notes available to drawdown for its wastewater project and water treatment plant project, respectively.

A summary of EFC notes payable transactions of the City for the fiscal year ended December 31, 2024 is presented below:

Purpose	Fiscal Year of		Balance			Balance
	Issue/ Maturity	Interest Rate	1/1/2024	Issues	Redemptions	12/31/2024
EFC Notes—water treatment	2020/2026	0.0-2.0%	<u>\$ 4,356,637</u>	<u>\$ -</u>	<u>\$ 87,000</u>	<u>\$ 4,269,637</u>

Installment Purchase Contract—In 2021, the City entered into an installment purchase contract with Bank Capital Services LLC for the purpose of acquiring a dump truck. The original agreement amount was \$114,639. The agreement has a 4 year term and carries an interest rate of 4.40 percent, with a maturity of January 2, 2025. The City has full ownership of the assets acquired with the proceeds of the installment purchase contract. As of December 31, 2024, the remaining balance on the agreement was \$7,679. In 2023, the City entered into an installment purchase contract with Ford Motor Credit Company for the purpose of acquiring four Ford Interceptor vehicles for the police department. The agreement has a 3 year term and carries an interest rate of 7.49 percent, with a maturity of January 6, 2025. As a result, the City’s installment purchase contract liability has been restated by \$72,290 as of December 31, 2024. As of December 31, 2024, the remaining balance on the agreement was \$37,450.

The future minimum principal and interest payments are shown below:

Year Ending December 31,	Principal	Interest
2025	\$ 45,129	\$ 2,889
Total	<u>\$ 45,129</u>	<u>\$ 2,889</u>

The City has purchased the assets in the full amount of proceeds of the installment purchase contracts. Accumulated depreciation has been recorded in the amount of \$103,280.

Compensated Absences—As explained in Note 1, the City provides vacation, personal, sick leave and compensatory time to its employees. The annual budgets of the operating funds provide funding for these benefits as they become payable. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation, sick leave and unused compensatory absences at various rates subject to certain conditions, maximum limitations and union affiliations. During the year ended December 31, 2024, the City implemented GASB Statement No. 101, *Compensated Absences*. As a result, the City restated its compensated absences liability as of December 1, 2024 by \$2,255,054. The value recorded as a liability within governmental activities at December 31, 2024, for such benefits is \$6,487,138. Management estimates that \$324,357 is due within one year. Since payments of compensated absences are dependent upon many factors, the timing of future payments is not readily determinable.

Workers’ Compensation—Accrued workers’ compensation, which totals \$1,966,809, represents the City’s estimate of both asserted and unasserted workers’ compensation losses. The payments related to these liabilities are dependent upon many factors and, therefore, timing of future payments are not readily determinable. Refer to Note 9 for additional information related to workers’ compensation.

Net Pension Liability—The City reports a liability for its proportionate share of the net pension liability for the Employee Retirement System and the Police and Fire Retirement System. The total net pension liability is estimated to be \$19,074,814 in the governmental activities. Refer to Note 7 for additional information related to the City’s net pension liability.

Other Postemployment Benefits (“OPEB”) Obligation—As explained in Note 8, the City provides medical and prescription drug insurance benefits for retirees, spouses, and their covered dependents while contributing a portion of the expenses. Such postemployment benefits are an included value in the exchange of salaries and benefits for services rendered. An employee’s total compensation package includes not only the salaries and benefits received during service, but all compensation and benefits received for their services during postemployment. The City’s annual postemployment

benefit (“OPEB”) cost is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees’ past periods of service (total OPEB liability). The long-term OPEB liability is estimated to be \$60,815,935 at December 31, 2024.

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

Year ending December 31,	Serial Bonds	Premium on Serial Bonds	EFC Notes Payable	Installment Purchase Contract	Compensated Absences
2025	\$ 1,215,000	\$ 16,695	\$ -	\$ 45,129	\$ 324,357
2026	1,195,000	16,695	-	-	-
2027	1,130,000	16,695	-	-	-
2028	1,075,000	16,695	-	-	-
2029	960,000	16,695	-	-	-
2030-2034	3,825,000	83,475	-	-	-
2035-2039	1,610,000	55,578	-	-	-
2040-2044	790,000	51,890	-	-	-
2045-2048	555,000	35,446	-	-	-
Thereafter	-	-	4,269,637	-	6,162,781
Totals	<u>\$ 12,355,000</u>	<u>\$ 309,864</u>	<u>\$ 4,269,637</u>	<u>\$ 45,129</u>	<u>\$ 6,487,138</u>

Year ending December 31,	Workers' Compensation	Net Pension Liability	OPEB Obligation	Total
2025	\$ 196,681	\$ -	\$ -	\$ 1,797,862
2026	-	-	-	1,211,695
2027	-	-	-	1,146,695
2028	-	-	-	1,091,695
2029	-	-	-	976,695
2030-2034	-	-	-	3,908,475
2035-2039	-	-	-	1,665,578
2040-2044	-	-	-	841,890
2025-2048	-	-	-	590,446
Thereafter	1,770,128	19,074,814	60,815,935	92,093,295
Totals	<u>\$ 1,966,809</u>	<u>\$ 19,074,814</u>	<u>\$ 60,815,935</u>	<u>\$105,324,326</u>

The interest requirements for the City's outstanding serial bonds and installment purchase contract are as follows:

Year ending December 31,	Serial Bonds	Installment Purchase Contract	Total
2025	\$ 413,620	\$ 2,889	\$ 416,509
2026	372,057	-	372,057
2027	314,641	-	314,641
2028	281,122	-	281,122
2029	249,969	-	249,969
2030-2034	852,178	-	852,178
2035-2039	392,825	-	392,825
2040-2044	186,400	-	186,400
2045-2048	43,500	-	43,500
Total	<u>\$ 3,106,312</u>	<u>\$ 2,889</u>	<u>\$ 3,109,201</u>

12. NET POSITION AND FUND BALANCE

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

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

Governmental activities:

Capital assets, net of accumulated depreciation		\$ 82,031,025
Related debt:		
Bond anticipation notes payable	\$ (12,367,436)	
Serial bonds	(12,355,000)	
Unamortized bond premium	(309,864)	
EFC notes payable	(4,269,637)	
Unspent debt proceeds	10,975,361	
Capital Projects Fund accounts payable	(407,083)	
Installment purchase contract	<u>(45,129)</u>	<u>(18,778,788)</u>
Net investment in capital assets—governmental activities		<u>\$ 63,252,237</u>

- ***Restricted Net Position***—This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- ***Unrestricted Net Position***—This category represents net position of the City not restricted for any project or other purpose.

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance maintained by the City at December 31, 2024 includes:

	General Fund	Water Fund	Sewer Fund
Long-term interfund loan	\$ 1,114,958	\$ -	\$ -
Prepaid items	1,093,381	44,003	59,325
Total	<u>\$ 2,208,339</u>	<u>\$ 44,003</u>	<u>\$ 59,325</u>

- **Long-term Interfund Loan**—Represents the portion of fund balance composed of receivables from the Sewer Fund that are not expected to be realized within the subsequent year.
- **Prepaid Items**—Represents amounts prepaid to the retirement system that are applicable to future accounting periods. The General Fund, Water Fund, and Sewer Fund reported amounts of \$1,093,381, \$44,003 and \$59,325, respectively, at December 31, 2024.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as grants, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation. Restricted fund balance maintained by the City at December 31, 2024 is shown below:

	General Fund	Water Fund	Sewer Fund	Special Grant Fund	Special Purpose Fund	Total
Workers' compensation	\$ 1,343,556	\$ 173,720	\$ 228,613	\$ -	\$ -	\$ 1,745,889
Employee benefits	432,077	-	-	-	-	432,077
Insurance	425,062	-	-	-	-	425,062
Tax stabilization	164,484	-	-	-	-	164,484
Debt	32,454	-	696	-	-	33,150
Repairs	88,277	252,605	142,210	-	-	483,092
Special grant	-	-	-	32,919	-	32,919
Special purpose	-	-	-	-	107,572	107,572
Capital projects	-	1,112,106	304,859	-	-	1,416,965
Miscellaneous	62,688	-	-	-	-	62,688
Total restricted fund balance	<u>\$ 2,548,598</u>	<u>\$ 1,538,431</u>	<u>\$ 676,378</u>	<u>\$ 32,919</u>	<u>\$ 107,572</u>	<u>\$ 4,903,898</u>

- **Restricted for Workers' Compensation**—According to General Municipal Law Section 6-j, this restriction must be used to pay compensation and benefits, medical, hospital, or other expenses authorized by Article 2 of the Workers' Compensation Law and by the Volunteer Firefighters Benefit Law and to pay the expenses of administering a self-insurance program.
- **Restricted for Employee Benefits**—According to General Municipal Law Section 6-p, this restriction must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service.

- ***Restricted for Insurance***—Represents reserve established to be used to pay claims, actions or judgments against the City that results from personal injuries or property damage; to pay self-insured workers' compensation claims and expenses in excess of claims and expenses paid from current appropriations; and to pay non-insured unemployment losses.
- ***Restricted for Tax Stabilization***—According to General Municipal Law Section 6-e, this restriction must be used to finance certain unanticipated revenue losses or unanticipated expenditures chargeable to the “eligible portion of the annual budget,” and to lessen or prevent projected increases in excess of 2.5 percent of the amount of the real property tax levy needed to finance the eligible portion of the annual budget.
- ***Restricted for Debt***—Represents amounts which have been restricted for the reduction of future debt service requirements.
- ***Restricted for Repairs***—Represents funds accumulated to pay the cost of certain repairs of capital improvements or equipment. The repairs must be of a type not recurring annually or at shorter intervals.
- ***Restricted for Special Grant***—Represent community development loans within the Special Grant Fund, which are required to be maintained intact.
- ***Restricted for Special Purpose***—Represents fund balance within the special purpose special revenue fund that is restricted for a specific purposes including tax agreements, asset forfeitures, and various donor specific donations.
- ***Restricted for Capital Projects***—Represents amounts set aside to be used for capital projects or on related debt.
- ***Restricted for Miscellaneous***—Represents fund balance in the general fund which has been restricted for miscellaneous purposes.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the City's highest level of decision-making authority. As of December 31, 2024, the City reported no committed fund balance.

In the fund financial statements, assignments are amounts that are subject to a purpose constraint that represents an intended use established by the City's Common Council, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. As of December 31, 2024, the balances presented below were considered to be assigned.

	Water Fund
Subsequent year's expenditures	\$ 442,261
Specific use	<u>1,538,785</u>
Total assigned fund balance	<u><u>\$ 1,981,046</u></u>

- ***Assigned to Subsequent Year's Expenditures***—available fund balance being appropriated to meet expenditure requirements in the 2025 fiscal year.
- ***Assigned for Specific Use***—Represents remaining fund balance of special revenue funds to be used for each fund's specific use.

Unassigned fund balance represents the residual classification of the City's General Fund surplus and Sewer Fund deficit.

It is the City's policy to apply expenditures against nonspendable 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, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the General Fund are classified as restricted fund balance. In the General Fund, committed fund balance is determined next then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

13. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables of the City at December 31, 2024 consisted of the following:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Funds:		
General Fund	\$ 1,114,958	\$ 714,726
Water Fund	1,296,168	-
Sewer Fund	362,945	2,082,021
Special Grant Fund	10,710	36,634
Capital Projects Fund	<u>1,453,805</u>	<u>1,405,205</u>
Total	<u>\$ 4,238,586</u>	<u>\$ 4,238,586</u>

The General Fund's due from other funds totaling \$1,114,958 as of December 31, 2024 is considered long-term and has been included within nonspendable fund balance.

Balances outstanding between funds are the result of transfers made to cover operating costs. Other balances result from payments made on behalf of other funds or temporary advances.

The City made the following transfers during the year ended December 31, 2024:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 92,930	\$ 964,568
Water Fund	348,410	-
Sewer Fund	616,158	-
Capital Projects Fund	<u>-</u>	<u>92,930</u>
Total	<u>\$ 1,057,498</u>	<u>\$ 1,057,498</u>

Transfers are used primarily to move unpaid water and sewer rents relieved as real property taxes and federal aid.

14. LABOR CONTRACTS

City employees are represented by five bargaining units. The City of North Tonawanda CSEA and the City of North Tonawanda Department of Public Works have contracts settled through December 31, 2025. The City of North Tonawanda Police Benevolent Association has a contract settled through December 31, 2026. The City of North Tonawanda Professional Firefighter's IAFF Local 1333 has a contract settled through December 31, 2027. The City of North Tonawanda OPEIU has a contract settled through December 31, 2029.

15. COMMITMENTS

Encumbrances—Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expended in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations. The City considers encumbrances significant if they are in excess of \$10,000. At December 31, 2024, the City did not report any encumbrances.

16. CONTINGENCIES

Litigation—The City is party to various legal proceedings which normally occur in governmental operations. The City believes that it is the ultimate liability, if any, in connection with these matters, will not have a material effect on the City's financial condition or results of operations.

Grants—The City receives significant financial assistance from numerous federal and state agencies. The receipt of such funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies.

17. TAX ABATEMENTS

The City is subject to tax abatements granted by the Niagara County Industrial Development Agency (the "IDA"). These programs have the stated purpose of increasing business activity and employment in the region. Economic development agreements are entered into by the IDA and include the abatement of state, county, local and school district taxes, in addition to other assistance. In the case of the City, the abatements have resulted in reductions of property taxes, which the City administers as a temporary reduction in the assessed value of the property involved. The abatement agreements stipulate a percentage reduction of property taxes, which can be as much as 100 percent. Under the agreements entered into by IDAs, the City collected \$289,849 during the 2024 fiscal year in payments in lieu of taxes ("PILOT"), these collections were made in lieu of \$342,495 in property taxes.

18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 4, 2026, which is the date the financial statements are available for issuance, and have determined there are no subsequent events, except the items discussed below, that require disclosure under generally accepted accounting principles.

- On May 15, 2025, the City issued bond anticipation notes in the amount of \$25,484,785 with an interest rate of 4.375%, which matured on May 15, 2026.
- On May 14, 2026, the City issued bond anticipation notes in the amount of \$24,929,349 with an interest rate of 4.00%, which mature on May 14, 2027.

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REQUIRED SUPPLEMENTARY INFORMATION

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

	Year Ended December 31,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Measurement date	March 31, 2024	March 31, 2023	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015
City's proportion of the net pension liability	0.2805541%	0.2793033%	0.2779176%	0.2632152%	0.2597390%	0.2576507%	0.2575360%	0.2585161%	0.2717274%	0.2667754%
City's proportionate share of the net pension liability	<u>\$ 13,306,188</u>	<u>\$ 15,390,930</u>	<u>\$ 1,578,696</u>	<u>\$ 4,570,142</u>	<u>\$ 13,882,889</u>	<u>\$ 4,320,965</u>	<u>\$ 2,603,063</u>	<u>\$ 5,358,138</u>	<u>\$ 8,045,271</u>	<u>\$ 734,325</u>
City's covered payroll	\$ 10,228,629	\$ 9,883,572	\$ 9,595,261	\$ 8,933,028	\$ 8,613,667	\$ 8,273,906	\$ 7,975,929	\$ 7,869,416	\$ 7,754,585	\$ 7,607,933
City's proportionate share of the net pension liability as a percentage of its covered payroll	130.1%	155.7%	16.5%	51.2%	161.2%	52.2%	32.6%	68.1%	103.7%	9.7%
Plan fiduciary net position as a percentage of the total pension liability	89.7%	87.4%	98.7%	95.8%	84.9%	95.1%	96.9%	93.5%	90.2%	99.0%

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

	Year Ended December 31,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 3,231,692	\$ 2,895,546	\$ 2,842,555	\$ 2,753,751	\$ 2,414,040	\$ 2,252,791	\$ 2,201,631	\$ 2,242,559	\$ 2,276,348	\$ 2,356,474
Contributions in relation to the contractually required contribution	<u>(3,231,692)</u>	<u>(2,895,546)</u>	<u>(2,842,555)</u>	<u>(2,753,751)</u>	<u>(2,414,040)</u>	<u>(2,252,791)</u>	<u>(2,201,631)</u>	<u>(2,242,559)</u>	<u>(2,276,348)</u>	<u>(2,356,474)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 10,494,080	\$ 10,057,869	\$ 9,448,439	\$ 9,372,677	\$ 8,763,749	\$ 8,575,825	\$ 8,216,208	\$ 7,962,473	\$ 7,827,225	\$ 7,960,806
Contributions as a percentage of covered payroll	30.8%	28.8%	30.1%	29.4%	27.5%	26.3%	26.8%	28.2%	29.1%	29.6%

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

	Year Ended December 31,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Measurement date	March 31, 2024	March 31, 2023	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015
City's proportion of the net pension liability	0.0391783%	0.0364488%	0.0370483%	0.0350499%	0.0330308%	0.0323414%	0.0304561%	0.0284895%	0.0290482%	0.0267039%
City's proportionate share of the net pension liability/(asset)	<u>\$ 5,768,626</u>	<u>\$ 7,816,084</u>	<u>\$ (3,028,546)</u>	<u>\$ 34,901</u>	<u>\$ 8,746,737</u>	<u>\$ 2,291,486</u>	<u>\$ 982,953</u>	<u>\$ 2,676,937</u>	<u>\$ 4,662,321</u>	<u>\$ 902,122</u>
City's covered payroll	\$ 11,270,060	\$ 11,436,861	\$ 10,928,981	\$ 10,337,199	\$ 10,028,230	\$ 9,751,028	\$ 9,577,544	\$ 9,136,309	\$ 8,946,718	\$ 8,771,337
City's proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	51.2%	68.3%	(27.7%)	0.3%	87.2%	23.5%	10.3%	29.3%	52.1%	10.3%
Plan fiduciary net position as a percentage of the total pension liability	93.9%	103.7%	103.7%	100.0%	86.4%	96.3%	98.2%	94.7%	90.7%	98.0%

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

	Year Ended December 31,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,434,591	\$ 1,404,089	\$ 1,516,578	\$ 1,628,192	\$ 1,489,394	\$ 1,465,034	\$ 1,475,559	\$ 1,522,859	\$ 1,590,597	\$ 1,699,001
Contributions in relation to the contractually required contribution	<u>(1,434,591)</u>	<u>(1,404,089)</u>	<u>(1,516,578)</u>	<u>(1,628,192)</u>	<u>(1,489,394)</u>	<u>(1,465,034)</u>	<u>(1,475,559)</u>	<u>(1,522,859)</u>	<u>(1,590,597)</u>	<u>(1,699,001)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 11,706,835	\$ 11,196,795	\$ 10,496,338	\$ 10,497,764	\$ 10,172,830	\$ 9,959,269	\$ 9,753,888	\$ 9,456,573	\$ 9,087,447	\$ 9,206,820
Contributions as a percentage of covered payroll	12.3%	12.5%	14.4%	15.5%	14.6%	14.7%	15.1%	16.1%	17.5%	18.5%

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

	Year Ended December 31,						
	2024	2023 (as restated)	2022	2021	2020	2019	2018
Total OPEB Liability							
Service cost	\$ 1,700,435	\$ 1,527,487	\$ 2,513,543	\$ 2,907,545	\$ 2,267,429	\$ -	\$ 1,810,271
Interest	2,168,265	2,310,580	2,247,312	2,231,815	3,142,097	-	3,228,209
Change of benefit terms	-	-	-	-	-	4,816,658	-
Differences between expected and actual experience	2,472,628	(1,962,691)	(23,370,812)	(12,958,521)	(3,485,369)	-	552,236
Changes of assumptions	(4,343,592)	9,987,394	(23,967,177)	(4,496,716)	20,300,729	-	-
Benefit payments	(4,956,168)	(3,396,277)	(3,991,052)	(2,892,286)	(3,048,026)	-	(2,374,123)
Net changes in total OPEB liability	(2,958,432)	8,466,493	(46,568,186)	(15,208,163)	19,176,860	4,816,658	3,216,593
Total OPEB liability—beginning	63,774,367	55,307,874	101,876,060	117,084,223	97,907,363	93,090,705	89,874,112
Total OPEB liability—ending	<u>\$ 60,815,935</u>	<u>\$ 63,774,367</u>	<u>\$ 55,307,874</u>	<u>\$ 101,876,060</u>	<u>\$ 117,084,223</u>	<u>\$ 97,907,363</u>	<u>\$ 93,090,705</u>
Plan Fiduciary Net Position							
Contributions—employer	\$ 4,956,167	\$ 3,396,277	\$ 3,991,052	\$ 2,892,286	\$ 3,048,026	N/A	\$ 2,374,123
Benefit payments	(4,956,167)	(3,396,277)	(3,991,052)	(2,892,286)	(3,048,026)	N/A	(2,374,123)
Net change in plan fiduciary net position	-	-	-	-	-	-	-
Plan fiduciary net position—beginning	-	-	-	-	-	-	-
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's net OPEB liability—ending	<u>\$ 60,815,935</u>	<u>\$ 63,774,367</u>	<u>\$ 55,307,874</u>	<u>\$ 101,876,060</u>	<u>\$ 117,084,223</u>	<u>\$ 97,907,363</u>	<u>\$ 93,090,705</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Covered-employee payroll	\$ 23,762,127	\$ 22,737,163	\$ 21,974,344	\$ 22,928,653	\$ 20,029,562	\$ 20,229,968	\$ 19,251,790
City's net OPEB liability as a percentage of covered-employee payroll	255.9%	280.5%	251.7%	444.3%	584.6%	484.0%	483.5%

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

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

CITY OF NORTH TONAWANDA, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—General Fund
Year Ended December 31, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Real property taxes	\$ 20,446,051	\$ 20,446,051	\$ 20,880,092	\$ 434,041
Real property tax items	1,268,000	1,268,000	1,853,163	585,163
Nonproperty tax items	11,810,000	11,810,000	11,917,400	107,400
Departmental income	1,903,865	1,903,865	2,082,118	178,253
Intergovernmental charges	48,000	48,000	28,575	(19,425)
Use of money and property	226,500	226,500	500,339	273,839
Licenses and permits	620,408	620,408	503,989	(116,419)
Fines and forfeitures	775,000	775,000	660,277	(114,723)
Sale of property and compensation for loss	890,100	890,100	1,018,887	128,787
Miscellaneous	562,600	562,600	497,580	(65,020)
State aid	5,081,131	5,081,131	5,604,555	523,424
Federal aid	450,501	450,501	475,000	24,499
Total revenues	<u>44,082,156</u>	<u>44,082,156</u>	<u>46,021,975</u>	<u>1,939,819</u>
EXPENDITURES				
Current:				
General government support	4,561,758	4,595,205	4,137,004	458,201
Public safety	13,255,574	13,281,173	13,593,079	(311,906)
Transportation	5,882,544	6,120,941	6,166,359	(45,418)
Economic assistance and opportunity	112,221	115,978	110,739	5,239
Culture and recreation	2,379,050	2,436,255	2,509,522	(73,267)
Home and community services	1,919,480	2,040,701	1,984,561	56,140
Employee benefits	13,713,551	13,722,226	12,100,477	1,621,749
Debt service:				
Principal	883,755	883,774	883,774	-
Interest and fiscal charges	539,337	539,337	430,436	108,901
Total expenditures	<u>43,247,270</u>	<u>43,735,590</u>	<u>41,915,951</u>	<u>1,819,639</u>
Excess of revenues over expenditures	<u>834,886</u>	<u>346,566</u>	<u>4,106,024</u>	<u>3,759,458</u>
OTHER FINANCING (USES)				
Transfers in	-	-	92,930	92,930
Transfers out	-	-	(964,568)	(964,568)
Total other financing (uses)	<u>-</u>	<u>-</u>	<u>(871,638)</u>	<u>(871,638)</u>
Net change in fund balances *	834,886	346,566	3,234,386	2,887,820
Fund balances—beginning	<u>6,126,099</u>	<u>6,126,099</u>	<u>6,126,099</u>	<u>-</u>
Fund balances—ending	<u>\$ 6,960,985</u>	<u>\$ 6,472,665</u>	<u>\$ 9,360,485</u>	<u>\$ 2,887,820</u>

* The net change in fund balances was included in the budget as a surplus (i.e. increase) of fund balance.

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

CITY OF NORTH TONAWANDA, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—Water Fund
Year Ended December 31, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Departmental income	\$ 3,091,243	\$ 3,091,243	\$ 2,942,230	\$ (149,013)
Use of money and property	10,000	10,000	13,595	3,595
Sale of property and compensation for loss	1,200	1,200	600	(600)
Miscellaneous	3,500	3,500	-	(3,500)
Total revenues	<u>3,105,943</u>	<u>3,105,943</u>	<u>2,956,425</u>	<u>(149,518)</u>
EXPENDITURES				
Current:				
General government support	20,000	20,000	-	20,000
Home and community services	2,642,684	2,727,307	2,709,996	17,311
Employee benefits	748,520	748,520	661,956	86,564
Debt service:				
Principal	130,000	130,000	130,737	(737)
Interest and fiscal charges	7,000	7,000	90,104	(83,104)
Total expenditures	<u>3,548,204</u>	<u>3,632,827</u>	<u>3,592,793</u>	<u>40,034</u>
(Deficiency) of revenues over expenditures	<u>(442,261)</u>	<u>(526,884)</u>	<u>(636,368)</u>	<u>(109,484)</u>
OTHER FINANCING SOURCES				
Transfers in	-	191,793	348,410	156,617
Total other financing sources	<u>-</u>	<u>191,793</u>	<u>348,410</u>	<u>156,617</u>
Net change in fund balances*	(442,261)	(335,091)	(287,958)	47,133
Fund balances—beginning	<u>3,851,438</u>	<u>3,851,438</u>	<u>3,851,438</u>	<u>-</u>
Fund balances—ending	<u>\$ 3,409,177</u>	<u>\$ 3,516,347</u>	<u>\$ 3,563,480</u>	<u>\$ 47,133</u>

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

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

CITY OF NORTH TONAWANDA, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—Sewer Fund
Year Ended December 31, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Departmental income	\$ 4,904,757	\$ 4,904,757	\$ 4,164,077	\$ (740,680)
Use of money and property	201,500	201,500	220,331	18,831
Sale of property and compensation for loss	-	-	3,264	3,264
Total revenues	<u>5,106,257</u>	<u>5,106,257</u>	<u>4,387,672</u>	<u>(718,585)</u>
EXPENDITURES				
Current:				
General government support	20,000	20,000	-	20,000
Home and community services	3,174,374	3,346,841	3,432,764	(85,923)
Employee benefits	841,099	841,099	756,895	84,204
Debt service:				
Principal	495,500	495,500	461,600	33,900
Interest and fiscal charges	<u>228,478</u>	<u>228,478</u>	<u>76,898</u>	<u>151,580</u>
Total expenditures	<u>4,759,451</u>	<u>4,931,918</u>	<u>4,728,157</u>	<u>203,761</u>
Excess (deficiency) of revenues over expenditures	<u>346,806</u>	<u>174,339</u>	<u>(340,485)</u>	<u>(514,824)</u>
OTHER FINANCING SOURCES				
Transfers in	-	-	616,158	616,158
Total other financing sources	<u>-</u>	<u>-</u>	<u>616,158</u>	<u>616,158</u>
Net change in fund balances*	346,806	174,339	275,673	101,334
Fund balances—beginning	<u>287,432</u>	<u>287,432</u>	<u>287,432</u>	<u>-</u>
Fund balances—ending	<u>\$ 634,238</u>	<u>\$ 461,771</u>	<u>\$ 563,105</u>	<u>\$ 101,334</u>

* The net change in fund balances was included in the budget as a surplus (i.e. increase) of fund balance.

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

CITY OF NORTH TONAWANDA, NEW YORK
Notes to the Required Supplementary Information
Year Ended December 31, 2024

1. OPEB LIABILITY

Changes of Assumptions—Changes of assumptions reflect the effects of changes in the discount rate and the medical healthcare cost trend rate. The discount rate changed from 4.00% effective December 31, 2023 to 4.28% effective December 31, 2024. The salary scale assumed to increase at 3.00% per year. As of the December 31, 2024 measurement date, the mortality improvement table used was the Scale MP-2021 on a generational basis. In order to estimate the change in the cost of healthcare, the actuaries initial healthcare cost trend rate used is 7.00% while the ultimate healthcare cost trend rate is 4.50%. An inflation rate of 3.00% was assumed for developing the rate of increase in healthcare costs.

2. BUDGETARY INFORMATION

Budgetary Basis of Accounting—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Water Fund and Sewer Fund. The Special Grant Fund and Special Purpose Fund do not have an appropriated budget since other means control the use of these resources (e.g., grant awards) and sometimes span a period of more than one fiscal year. The Capital Projects Fund is appropriated on a project-length basis.

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

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

Excess of Expenditures over Appropriations

During the year ended December 31, 2024, expenditures exceeding the adjusted budget are shown below:

- General Fund public safety expenditures exceed the final budget by \$311,906 due to the City incurring higher than anticipated costs for police personal services.
- General Fund transportation expenditures were higher than the final budget by \$45,418 as a result of higher than anticipated public works costs.
- General Fund culture and recreation expenditures were higher than the final budget by \$73,267 due to the City incurring higher than anticipated costs for parks and golf course personal services.

- General Fund transfers out were higher than the final budget by \$964,568 as a result of transfers not included in the budget.
- Water Fund principal and interest payments were higher than the final budget by \$737 and \$83,104, respectively, as a result of payments on debt not included in the budget.
- Sewer Fund home and community services expenditures exceed the final budget by \$85,923 as a result of higher than expected sewer treatment operational costs.

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"), the financial statements of the governmental activities and each major fund of the City of North Tonawanda, New York (the "City") as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 4, 2026 (which includes an emphasis of matter paragraph regarding the implementation of GASB Statement No. 101, *Compensated Absences*, and prior period adjustments).

Report on Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2024-001 and 2024-002 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2024-003 to be a significant deficiency.

Report on Compliance and Other Matters

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

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit described in the accompanying Schedule of Findings. 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.

Drescher & Malecki LLP

August 4, 2026

CITY OF NORTH TONAWANDA, NEW YORK
Schedule of Findings
Year Ended December 31, 2024

Section II. FINANCIAL STATEMENT FINDINGS

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

Finding 2024-001—Audit Readiness and Year-end Closing Process

Criteria: Standard year end closing procedures should be established to include maintaining sufficient documentation that is readily available for audit, up-to-date reconciliations and analysis of account balances. In addition, the general ledger should be reviewed to ensure that account balances are carried forward correctly from the prior accounting period and that all activity is appropriately recorded.

Condition and Context: The City has not adopted standard accounting procedures or year-end closing procedures to maintain internal accounting records on the modified accrual basis of accounting.

Additionally, it was noted that the City records certain major revenue sources, including General Fund property taxes and Sewer/Water Fund billing receivables on the cash basis of accounting and does not record journal entries to adjust these balances at year end to reflect the modified accrual basis of accounting.

As a result, several material adjusting entries were proposed during the audit to include accrual activity and adjustment to December 31, 2024 balances in accordance with Generally Accepted Accounting Principles (“GAAP”).

Cause: The City lacks standardized accounting policies and procedures for the year-end financial reporting closing process, causing delays in the accuracy of records and audit readiness.

Effect or Potential Effect: Accurate year-end financial information may not be readily available to management or those charged with governance and there is the potential for the misstatement of the financial statements.

Recommendation: We recommend that the City establish procedures to facilitate the year-end financial closing in preparation of the audit. These procedures should include standard checklists and analysis procedures that can be applied on a monthly routine basis as well to ensure that the year-end financial records are closed and available to audit on a timely basis. In addition, the procedures should include the development of standard journal entries for recording of significant accruals.

Management’s Response: During the 2026 fiscal year, management intends to continue to improve accounting education and training.

Finding 2024-002—Journal Entry and Bank Reconciliation Controls

Criteria: The City should establish standard accounting policies and procedures regarding journal entries and bank reconciliations to reduce the risk of asset misappropriation and fraudulent financial reporting, and to ensure that proper procedures are consistently followed.

Condition and Context: The City currently lacks formal policies and procedures for journal entries and bank reconciliations. This lack of standard policies and procedures could lead to an inappropriate

treatment of accounting policies, poor execution of internal controls and does not support a succession plan for daily responsibilities of these critical accounting cycles.

While certain journal entries were entered and approved during the year, we noted that a formal policy for the preparation, posting, and review and approval for non-recurring journal entries does not currently exist. While an independent review may have occurred on certain journal entries, there was no documentation that the review occurred. A formal journal entry policy allows for consistent accounting treatment and ensures appropriate internal controls surround the posting of entries to the general ledger.

The City continues to lack a formal monthly process to reconcile all bank accounts to the general ledger and the Treasurer's report. Further, it was noted that the person who prepares the bank reconciliations does not initial and date the reconciliations as prepared. Finally, there is no formal review process in place to require a person independent of the process performs a review of the bank reconciliations and initials and dates as such.

Cause: Lack of formalized policies and procedures.

Effect or Potential Effect: Potential misstatements due to error or fraud may not be detected or corrected in a timely basis.

Recommendation: We recommend that the City develop and implement standard monthly policies and procedures related to journal entries and bank reconciliations. These policies and procedures should include a formal policy regarding the access to, preparation, posting, and review and approval of journal entries. This policy should outline what review, and by whom, should occur before entries are entered into the system. A threshold may be implemented to ensure the review process isn't excessive by having recurring or entries of small amounts taking too much time and review before posting. Appropriate entries should be prepared, then reviewed, and finally approved by the City. The reviewer of all journal entries and bank reconciliations should initial and date the documentation as being reviewed and approved. Further, we recommend that the City perform all bank reconciliations in a timely manner and that any differences are identified and resolved.

Management's Response: During the 2026 fiscal year, management will continue to work to develop formalized policies and procedures.

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

Finding 2024-003—Budget and Budget Monitoring

Criteria: We noted during the year ended December 31, 2024, that while the General Fund, Water Fund and Sewer Fund spent less than their respective total budgeted appropriations, there are numerous expenditure functions that exceeded the final budget without budget transfers approved by the Common Council. Some of these functions, such as debt service, are known costs that should be readily determinable at the time of adopting the budget.

Condition and Context: Per the City Charter, total expenditures per budget line item may not exceed the budgeted amount without obtaining budget amendments approved by the Common Council.

Cause: This condition resulted primarily as budget variances were not identified prior to expenditure; as such, budget transfers were not made in a timely manner.

Effect or Potential Effect: Noncompliance with City Charter and potential for unanticipated losses due to over expenditure of the budgeted appropriations

Recommendation: We recommend that the City formalize its policy for departments to identify budgetary variances, to ensure that amounts are not expended in excess of the authorized budget. Budget transfers should be reviewed and approved on a more frequent basis to ensure that transfers are appropriate and no budget issues arise.

Management's Response: During the 2026 fiscal year, the City is developing budget monitoring procedures to be performed on a regular basis throughout the year. This will mitigate the occurrences of expenditures exceeding the budget.