

RENEWAL ISSUE
SERIAL BONDS

RATINGS: (See "RATINGS" herein)
BOOK-ENTRY ONLY

In the opinion of Hodgson Russ LLP, of Buffalo, New York, Bond Counsel to the City, under existing statutes, regulations, administrative rulings, and court decisions, and assuming continuing compliance by the City with its covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the "Code"), and the accuracy of certain representations made by the City, interest on the Bonds is excluded from gross income of the holders thereof for Federal income tax purposes and is not an "item of tax preference" for purposes of the Federal alternative minimum tax imposed on individuals. We observe that interest on the Bonds will be included in the adjusted financial statement income of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. Bond Counsel is also of the opinion that under existing statutes interest on the Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Prospective purchasers should consult their tax advisors as to any possible collateral consequences from their ownership of, or receipt of interest on, or disposition of the Bonds. Bond Counsel expresses no opinion regarding any such collateral federal income tax consequences. The Bonds will NOT be designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

CITY OF LACKAWANNA
ERIE COUNTY, NEW YORK

\$13,865,000*

Capital Improvement Serial Bonds, Series 2026
(the "Bonds")

Date of Issue: Date of Delivery

Maturity Date: November 1, 2027 - 2046

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

The Bonds are dated their Date of Delivery and will bear interest from that date until maturity at the annual rate or rates as specified by the respective purchaser(s) of the Bonds, payable on May 1 and November 1 in each year until maturity commencing on November 1, 2026. The Bonds shall mature on November 1 in each year in the principal amounts specified on the inside cover page hereof. The Bonds will be subject to redemption prior to maturity. (See "Optional Redemption" herein).

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

The Bonds are offered when, as and if issued by the City subject to the respective final approving opinions of Hodgson Russ LLP, Buffalo, New York, Bond Counsel to the City, and certain other conditions. Masterson Advisors LLC has served as Municipal Advisor to the City in connection with the issuance of the Bonds. It is expected that delivery of the Bonds will be made on or about April 14, 2026 in New York, New York.

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

Dated: _____, 2026

*Preliminary, subject to change.

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

\$13,865,000* Capital Improvement Serial Bonds, Series 2026

Dated: Date of Delivery

Principal Due: November 1, as shown below.

Interest Due: November 1, 2026 and semi-annually thereafter on May 1 and November 1 in each year until maturity or prior redemption.

<u>Maturity</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number</u> [†]	<u>Maturity</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number</u> [†]
2027	\$460,000	%	%		2037	\$690,000**	%	%	
2028	480,000				2038	720,000**			
2029	500,000				2039	745,000**			
2030	520,000				2040	775,000**			
2031	540,000				2041	810,000**			
2032	565,000				2042	840,000**			
2033	590,000				2043	875,000**			
2034	610,000				2044	910,000**			
2035	635,000				2045	950,000**			
2036	660,000				2046	990,000**			

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*Preliminary, subject to change.

**Subject to redemption prior to maturity

CITY OFFICIALS

Annette Iafallo
Mayor

CITY COUNCIL

Frederic J. Marrano
President

Amira Muflahi
Timothy W. Meegan

Karl Anderson
Kevin R. Surdyke

Jacquelyn Raymond Dole
Comptroller

Grace Marrano
City Clerk

Arianna Kwiatkowski
City Attorney

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Hodgson Russ LLP
Buffalo, New York

Municipal Advisor

Masterson Advisors LLC
Boston, Massachusetts

No person has been authorized by the City of Lackawanna to give any information or to make any representations not contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the Bonds in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information, estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City of Lackawanna.

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

\$13,865,000* CAPITAL IMPROVEMENT SERIAL BONDS, SERIES 2026

This Official Statement (the “Official Statement”) which includes the cover page and appendices hereto, presents certain information relating to the City of Lackawanna, County of Erie, State of New York (the “City,” “County,” and “State,” respectively), in connection with the sale of \$13,865,000* Capital Improvement Serial Bonds, Series 2026 (the “Bonds”)

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

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

THE BONDS

Description

The Bonds are dated their Date of Delivery and will bear interest from that date until maturity, payable starting on November 1, 2026 and semiannually thereafter on May 1 and November 1 in each year until maturity. The Bonds shall mature on November 1 in the years and amounts specified on the inside cover page hereof. The Bonds will be subject to redemption prior to maturity. (See “Optional Redemption” herein).

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

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

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

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

Nature of the Obligations

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

The Bonds are general obligations of the City and will contain a pledge of the faith and credit of the City for the payment of the principal thereof and the interest thereon. For the payment of such principal and interest, the City has the power and statutory authorization to levy *ad valorem* taxes, without limitation as to rate or amount, on all taxable real property within the City subject to the statutory limitations imposed by Chapter 97 of the Laws of 2011 of the State of New York (the “Tax Levy Limitation Law”). See “REVENUE SOURCES AND EXPENDITURES – The Tax Levy Limitation Law” herein.

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

Authority for and Purpose of the Bonds

The Bonds are being issued pursuant to the Constitution and Laws of the State of New York, including among others, the Local Finance Law and the City Charter, and pursuant to a bond resolution that was duly adopted by the City Council of the City on September 3, 2024 authorizing the issuance of up to \$15,250,000 of serial bonds for the construction of a new City Hall building (the “Project”). Proceeds of the Bonds along with City contributions will be used to redeem and retire, in full, the outstanding bond anticipation note of the City that was issued on June 12, 2025. The remaining proceeds of the Bonds will pay for issuance costs.

Sources and Uses of the Proceeds

Proceeds of the Bonds are to be applied as follows:

Par Amount of Bonds	
Original Issue Premium	
City Contribution	_____
Total Sources of Funds	
2025 Note Payoff	
Underwriter’s Discount	
Issuance Expense ⁽¹⁾	_____
Total Uses of Funds	

⁽¹⁾ Includes additional proceeds

Optional Redemption

The Bonds stated to mature on or after November 1, 2037 shall be subject to redemption prior to maturity, at the option of the City, as a whole or in part, on or after November 1, 2036 from time to time, in any order of maturity or payment at a redemption price of 100% of the principal. If less than all of the Bonds of any maturity are to be redeemed, the particular Bonds of such maturity to be redeemed shall be selected by the City by lot in any customary manner of selection as determined by the City Comptroller. Notice of such call for redemption shall be given by transmitting such notice to the registered holder not more than sixty (60) or no less than thirty (30)

days prior to such date. Notice of redemption having been given as aforesaid, the Bonds so called for redemption shall, on the date for redemption set forth in such call for redemption, become due and payable, together with interest to such redemption date, and interest shall cease to be paid thereon after such redemption date.

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

Book-Entry-Only System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC's partnership nominee). Upon issuance of the Bonds, a single fully-registered Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee does not affect any change in beneficial ownership. DTC has no knowledge of the

actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

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

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

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

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

THE CITY

General Information

The City, with a land area of 5.7 square miles and a 2024 population of 19,629 (according to the U.S. Census Bureau), is located in upstate New York in the geographical region known as Western New York. It is situated in Erie County and borders the City of Buffalo on the south.

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

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

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

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

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

The City is served by Manufacturers and Traders Trust Company, which is within the limits of the City and J.P. Morgan Chase, of which is not within the City limits.

Form of Government

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

Financial Organization

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

Employees

The City provides services through approximately 164 full-time and 87 part-time and seasonal City employees, a portion of whom are represented by various unions. The bargaining units, approximate number of members and contract expiration dates are as follows:

Employee Contracts

<u>Contract Bargaining Unit</u>	<u>Number of Members</u>	<u>Expiration Date</u>
Lackawanna Professional Firefighters Association, Inc.	48	07/31/2030
Lackawanna Police Benevolent Association, Inc.	44	07/31/2030
Civil Service Employees Association, Inc. Local 1000 AFSCME, AFL-CIO, DPW Unit 6775	32	7/31/2025
Civil Service Employees Association, Inc. Local 1000 AFSCME, AFL-CIO, Administrative Unit 6775-02	19	7/31/2025

Status and Financing of Employee Pension Benefits

All full-time employees and some part-time employees of the City are members of the New York State and Local Employees' Retirement System ("ERS") or the New York State and Local Police and Fire Retirement System ("PFRS"). (Both systems are referred to together hereinafter as the "Retirement Systems" where appropriate.) These Retirement Systems are cost-sharing, multiple public employer retirement systems. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement System and Social Security Law (the "Retirement System Law"). The Retirement System offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after ten years of credited service. The Retirement System Law generally provides that all participating employers in each retirement system are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement Systems. The Retirement Systems are non-contributory with respect to members hired prior to July 27, 1976. All members hired on or after July 27, 1976 and prior to April 1, 2012 must contribute 3% of gross annual salary toward the cost of retirement programs. Effective October 1, 2000, the 3% contribution is waived for employees who have achieved ten years of service credit. Members hired on or after April 1, 2012 have a variable rate of contribution, based on salary, ranging from 3% to 6%.

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

For the three years ended July 31, 2023 through 2025, the City's combined contribution to the ERS and PFRS together were: \$1,805,754 and \$8,107,595, respectively. Said figures are higher than customary since they

include contributions for union contract settlements, i.e., back-pay. The City's July 31, 2026 budget appropriates a combined contribution to the ERS and PFRS in the amount of \$4,038,000.

Local Economy

The City of Lackawanna's local economy is primarily driven by three large-scale commercial and industrial sites located with the city's Brownfield Redevelopment Area (BOA) comprised of projects designed to reactivate various industrial lands and properties:

Renaissance Commerce Park

This new business park emerging on nearly 250-acres of the former Bethlehem Steel Plant site is led by Erie County and the Erie County Industrial Development Agency in partnership with the City of Lackawanna. Its creation is the result of over a decade's worth of multi-million-dollar public sector investments in new infrastructure, utilities and transportation resources designed to pivot the site's uses away from the mono-industry model of the steelmaking era to a modern commercial campus serving a cross-section of end-users in the light-manufacturing, warehouse and distribution sectors.

Nearly \$200 million in private sector projects creating total employment of 250+ are currently active within Renaissance Commerce Park. These include Welded Tube, TMP Technologies (the makers of Magic Eraser cleaning products), Sucro Sourcing, LLC (a global sugar producer) and Uniland Development's two fully leased multi-tenant warehouse facilities consisting of U.S. and Canadian companies serving the auto and industrial sectors, including Total Quality Assurance International, Max Advanced Brakes, KPM Exceptional and Agri-Plastics.

A future project is anticipated with New Jersey developer J.G. Petrucci to construct a build-to-suit light-manufacturing facility on 24-acres with a target employment of 150+. Petrucci was chosen as designated developer from a competitive Request for Proposal in January 2025 and is in the process of identifying a suitable tenant.

In addition, Renaissance Commerce Park is one of two New York State sites under consideration for a large manufacturing project utilizing nearly 100 acres with a projected employment of 500+ upon completion. The project is contingent on subject company (currently under confidentiality agreement) being awarded a long-term contract to produce a multi-million-dollar product line. A Letter of Intent to purchase the property has been provided to all parties and is under review. If chosen, construction would be completed in phases over a 3 to 5-year period starting in late 2027– early 2028.

New Village Industrial Park

This first-generation business park, constructed in the early years following the closure of Bethlehem Steel in the 1980's and located a quarter mile east of Renaissance Commerce Park, is comprised of several small tenants in trucking and construction industries with a combined employment of nearly 100. A \$77 million-dollar project for Deckorators will create a new production and distribution center for composite decking and railing products and add 50 new jobs in mid-year 2026.

Port of Buffalo

Operated by New Enterprise Stone & Lime Co., the Port of Buffalo is located in a designated Foreign Trade and the first major port of call on the southern end of the Welland Canal Zone. Through a multi-modal transportation model, the port handles various commodities, including salt, sugar, coal, grain and other bulk materials.

The port operation and 14 tenant companies have a combined employment of 200-250, including Castalooop USA, CDI Investigations, Compass Minerals, Crytalo Ltd., Engineered Mix, Ferrous Manufacturing Inc., Linta

Design and Manufacturing Corp., NESL Redi-Mix, Powers Coke & Coal, Rybo Marine, Southside Precast, the U.S. Army Corps of Engineers and WS Services, LLC.

FINANCIAL FACTORS

Budgetary Procedure

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

Independent Audit

The City retains an independent certified public accounting firm for a continuous independent audit of all financial transactions of the City. The financial affairs of the City are also subject to annual audits by the State Comptroller. Set forth in Appendix A to the Official Statement is the City's general purpose financial statements for the year ended July 31, 2025.

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

State Aid

The City receives substantial financial assistance from the State. In its 2025 fiscal year, approximately 22.27% of the revenues of the City were in the form of State aid. If the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the City, in this year or future years, the City may be affected by a delay in the receipt of State aid until sufficient State taxes have been received by the State to make State aid payments. Additionally, if the State should not adopt its budget in a timely manner, municipalities and school districts in the State, including the City, may be affected by a delay in the payment of State aid.

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

Summary of Financial Results

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

General Fund - Balance Sheet

	General Fund				
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
ASSETS					
Cash Receivables	\$21,199,212	\$19,471,190	\$18,638,289	\$20,172,936	\$18,191,024
- Taxes	1,596,274	1,731,636	1,735,842	1,666,668	1,313,481
- Accounts	325,914	164,452	72,001	101,510	84,320
- State and Federal	1,810	4,661	7,914	63,794	24,569
Due From Other Funds	917,440	2,413,007	1,386,990	655,792	131,368
Prepaid Expenses	261,042	268,901	226,056	225,330	197,826
Due from Other Governments	1,439,788	1,459,219	1,395,638	1,236,058	1,240,194
Property Acquired for Taxes	612,825	612,825	612,825	748,760	746,760
	<u>\$26,354,305</u>	<u>\$26,125,891</u>	<u>\$24,075,555</u>	<u>\$24,870,848</u>	<u>\$21,929,542</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Current Liabilities					
- Accounts Payable	\$803,534	\$779,929	\$185,869	\$133,871	\$278,145
- Accrued Liabilities	689,223	542,818	384,742	283,758	618,521
- Due to Other Funds	3,972,141	5,252,593	6,389,926	2,198,974	410,295
- Due to Other Governments	126,156	118,309	139,048	96,500	86,554
- Deferred Revenues	6,740,035	6,804,897	6,765,521	6,823,539	6,528,167
- Other Liabilities*	95,184	658,771	1,579,878	1,846,195	905,020
- Pension Obligations	1,382,104	1,229,653	1,170,779	998,122	1,052,784
	<u>\$13,808,377</u>	<u>\$15,386,970</u>	<u>\$16,615,763</u>	<u>\$12,380,959</u>	<u>\$9,879,486</u>
Net Assets:					
Restricted for:					
- Narcotics Forfeiture	\$337,353	\$266,753	\$250,876	\$165,625	\$ 51,922
- Asset Forfeiture	58,205	51,725	44,809	42,746	42,728
- Assigned Amount of the City's Fund Balance	2,980,900	1,273,794	1,650,000	1,668,531	1,741,899
- Employee Benefits	1,027,370	1,027,370	1,027,370	1,027,370	1,027,371
- Liability Insurance	200,000	200,000	200,000	200,000	200,000
- Workers' Compensation	137,410	137,410	137,410	137,410	137,410
- Prepaid Expenses	261,042	268,901	226,056	225,330	197,826
- Unreserved Undesignated	7,543,648	7,512,968	3,923,271	9,022,877	8,650,900
	<u>\$12,545,928</u>	<u>\$10,738,921</u>	<u>\$7,459,792</u>	<u>\$12,489,889</u>	<u>\$12,050,056</u>
	<u>\$26,354,305</u>	<u>\$26,125,891</u>	<u>\$24,075,555</u>	<u>\$24,870,848</u>	<u>\$21,929,542</u>

*Other liabilities = American Rescue Plan Funds

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

	General Fund				
	2025	2024	2023	2022	2021
Revenues					
- Real Property Taxes	\$13,777,899	\$12,742,311	\$12,805,276	\$12,357,430	\$12,627,763
- Real Property Tax Items	985,027	971,286	993,043	681,430	538,921
- Non-property tax Items	8,729,577	8,493,457	8,557,051	8,123,368	7,154,026
- Departmental Income	362,491	389,015	291,814	216,982	195,716
- Use of Money and Property	595,032	624,737	447,016	108,605	89,377
- Licenses and Permits	321,090	122,183	176,207	120,983	123,665
- Fines and Forfeitures	447,181	400,563	441,325	291,017	293,525
- Sale of Property and Compensation for Loss	275,679	378,035	258,159	458,841	165,052
- Miscellaneous	231,674	221,862	310,371	59,097	136,263
- State Aid	7,624,663	6,762,397	6,610,003	6,761,984	6,601,644
- Federal Aid	887,387	2,354,136	350,246	175,466	248,645
	\$34,237,700	\$33,459,982	\$31,240,511	\$29,355,203	\$28,174,597
Expenditures					
Current					
- General Government Support	\$3,176,181	\$4,856,337	\$2,739,818	\$2,742,087	\$ 2,481,646
- Public Safety	13,199,704	12,629,469	12,346,160	12,012,092	10,327,128
- Transportation	3,038,543	3,351,443	4,705,052	2,901,696	2,228,251
- Culture and Recreation	765,672	785,888	641,966	576,772	342,523
- Home and Community Services	40,463	73,511	46,181	27,909	48,900
- Employee Benefits	11,309,185	10,069,811	9,326,751	9,143,482	9,116,515
Debt Service					
- Principal	621,883	601,593	576,310	541,035	530,765
- Interest	392,977	157,597	188,960	124,535	162,056
	\$32,544,608	\$32,525,649	\$30,571,198	\$28,069,608	\$25,237,784
Excess (Deficiency) of Revenues Over Expenditures	\$1,693,092	\$934,333	\$669,313	\$1,285,595	\$2,936,813
Other Sources and (Uses):					
- Transfers from Other Funds	1,864,929	4,310,672		237,315	685,312
- Transfers to Other Funds	(1,751,014)	(1,965,876)	(5,699,410)	(1,083,077)	(1,594,435)
	\$113,915	\$2,344,796	(\$5,669,410)	(\$845,762)	(\$909,123)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	1,807,007	3,279,129	(5,030,097)	\$439,833	\$2,027,690
Fund Balance at Beginning of Year	10,738,921	7,459,792	12,489,889	12,050,056	10,022,366
Fund Balance at End of Year	\$12,545,928	\$10,738,921	\$7,459,792	\$12,489,889	\$12,050,056
State Revenues (% of total revenues)	22.27%	20.21%	21.16%	23.04%	23.43%

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Other Information

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

Investment Policy

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

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

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

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

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Building Permits

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

Fiscal Year Ended July 31	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
One and two family residential:					
Number of permits	8	15	2	9	9
Estimated Value	\$666,000	\$626,226	\$104,000	\$632,000	\$1,079,000
New retail/commercial/industrial:					
Number of permits	7	3	12	1	2
Estimated Value	\$137,246,00	\$2,388,000	\$19,408,330	\$875,000	\$11,530,000
Other:					
Number of permits	692	627	682	783	800
Estimated Value	\$29,263,571	\$28,934,645	\$16,808,244	\$26,988,215	\$50,927,902
Yearly total:					
Number of Permits	707	645	696	793	811
Estimated value	\$167,175,57	\$3,014,226	36,320,574	\$28,495,215	\$63,536,902

TAX INFORMATION

Valuations and Tax Data

Taxable Assessed and Full Valuations

Fiscal year ended July 31:	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Taxable assessed valuation	\$740,161,935	\$745,358,621	\$759,550,576	\$765,388,199	\$792,244,298
Equalization Rate	100%	99.00%	90.00%	79.00%	76.00%
Full Valuation	\$740,161,935	\$752,887,496	\$843,945,084	\$968,845,822	\$1,042,426,708

Fiscal year ended July 31:	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Homestead	-	-	-	-	-
Non-Homestead	-	-	-	-	-
Unified Rate*	\$17.15	\$16.75	\$16.75	\$17.52	\$18.10

Tax Collection Record

Fiscal year ended July 31:	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Real Property Tax Levy	\$12,695,884	\$12,484,757	\$12,722,472	\$12,820,273	\$13,529,323
Exemption Removals	56,628	40,583	64,055	54,258	46,424
Special Assessments	5,727	38,132	46,558	51,831	59,815
Total Tax Levy	\$12,758,239	\$12,563,472	\$12,833,085	\$12,926,362	\$13,635,562
Uncollected end of Year ⁽¹⁾	\$557,805	\$546,429.08	\$513,836.82	\$652,517	\$561,958
Percent Collected	95.65%	95.65%	95.99%	94.95%	95.88%

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

*The City unified the tax rate starting FY 7/31/21

Tax Collection Procedures

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

The City collects its own taxes through the City Treasurer, and is responsible for the collection of its delinquent taxes. The City periodically commences foreclosure proceedings on properties within the City with at least two preceding years on property tax delinquencies. The City is responsible for the School District taxes reaching two years delinquency.

Ten Largest Assessed Valuations — Assessment Roll for 2025

<u>Ten Largest Assessed Valuations*</u>		
<u>Owner</u>	<u>Type</u>	<u>Assessment</u>
Lackawanna City School District (a)	Education	\$20,741,000
Niagara Mohawk Power Corp.	Utility	\$19,783,537
Time Release Properties – 6 Dona St. (b)	Manufacturing	\$15,950,000
Lackawanna Municipal Housing (a)	Housing	\$14,040,160
Tecumseh Development (b)	Industrial Redevelopment	\$10,711,400
City of Lackawanna (a)	Government	\$10,287,509
Uniland Dev – 8 Dona St. (b)	Warehouse	\$10,109,000
Uniland Dev – 2 Steelworkers Way (b)	Warehouse	\$10,109,000
Conrail Corp	Railroad	\$10,004,796
Welded Tube – 2 Dona St. (b)	Manufacturing	\$8,838,000
Total Assessed Value		<u>\$130,574,402</u>

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

Constitutional Tax Margin

The following is the computation of the Constitutional Tax margin for the fiscal years ending July 31, 2023, July 31, 2024 and July 31, 2025.

	<u>7/31/2025</u>	<u>7/31/2024</u>	<u>7/31/2023</u>
Five Year average full value	<u>\$869,632,520</u>	<u>\$789,030,731</u>	<u>\$715,344,845</u>
Tax Limit - 2%	\$17,392,650	\$15,780,614	\$14,306,897
Add: Exclusion from Limit	<u>\$2,432,717</u>	<u>\$1,899,292</u>	<u>\$1,491,771</u>
Maximum Taxing Power	\$19,825,367	\$17,679,906	\$15,798,668
Less: Total Levy	<u>\$13,529,323</u>	<u>\$12,866,632</u>	<u>\$12,870,898</u>
Constitutional Tax Margin	<u>\$6,296,044</u>	<u>\$4,793,275</u>	<u>\$2,927,770</u>
% Exhausted	<u>68.24%</u>	<u>69.63%</u>	<u>75.54%</u>

TAX LEVY LIMITATION LAW

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

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

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

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

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

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

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

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

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

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

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

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

CITY INDEBTEDNESS

Constitutional Requirements

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

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to paid within three fiscal periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute; no installment may be more than fifty per centum in excess of the smallest prior installment, unless a determination is made to issue indebtedness with substantially level or declining annual debt service, in which case, debt service for any year shall not exceed the lowest amount of annual debt service in any prior year by more than the greater of five percent or ten thousand dollars. The City is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and such required annual installments on its notes.

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

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

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

Statutory Procedure

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

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

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

1. (a) Such obligations are authorized for an object or purpose for which the City is not authorized to expend money, or
(b) The provisions of law which should be complied with as of the date of publication of the notice were not substantially complied with, and an action, suit or proceeding contesting such validity is commenced within 20 days after the date of publication of the notice; or
2. Such obligations are authorized in violation of the provisions of the Constitution of New York.

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

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

Statutory law in New York permits bond anticipation notes to be renewed each year provided annual principal installments are made in reduction of the total amount of such notes outstanding, commencing no later than two years from the date of the first of such notes and provided that such renewals do not exceed five years beyond the original date of borrowing. (See "Payment and Maturity" under "Constitutional Requirements" herein.) In general, the Local Finance Law contains provisions providing the City with power to issue certain other short-term general obligation indebtedness including revenue and tax anticipation notes, deficiency notes and budget and capital notes (see "Details of Outstanding Indebtedness" herein).

Debt Outstanding End of Fiscal Year

Fiscal year ended July 31:	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Bonds	\$3,995,000	\$4,495,000	\$3,930,000	\$3,340,000	\$2,730,000
Bond Anticipation Notes	0	0	0	0	15,250,000
Other Long-Term Debt	<u>264,234</u>	<u>253,200</u>	<u>241,890</u>	<u>230,297</u>	<u>218,414</u>
Total	<u>\$4,259,234</u>	<u>\$4,748,200</u>	<u>\$4,171,890</u>	<u>\$3,570,297</u>	<u>\$18,198,414</u>

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the City as of July 31, 2025.

<u>Details of Outstanding Debts</u>	<u>Serial Bonds</u>	<u>Bond Anticipation Notes</u>	<u>Other Long Term Debt</u>	<u>Total</u>
Balance Outstanding July 31, 2024	\$3,340,000	\$0	\$230,297	\$3,570,297
Principal Issued through July 31, 2025	0	\$15,250,000	0	15,250,000
Principal Redeemed through July 31, 2025	<u>610,000</u>	<u>0</u>	<u>11,883</u>	<u>621,883</u>
Balance Outstanding July 31, 2025	\$2,730,000	\$15,250,000	\$218,414	\$18,198,414

All Budgeted 2024-2025 bond and note payments have been made.

Debt Statement Summary

The following is the Debt Limit and Net Debt-Contracting Margin of the City as of July 31, 2025.

Debt Limit and Debt Contracting Margins

Five Year average full value	<u>\$869,632,520</u>
Debt Limit - 7%	\$60,874,276
Inclusions:	
Bonds	\$2,730,000
	15,250,000
Other Long-Term Debt	<u>218,414</u>
Total Inclusions	\$18,198,414
Exclusions:	
Appropriations ⁽¹⁾	<u>\$0</u>
Total New Indebtedness Subject to Debt Limit	<u>\$18,198,414</u>
Net Debt-Contracting Margin	<u>\$42,675,862</u>
% Exhausted	<u>29.90%</u>

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

Remedies Upon Default

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

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

The Federal Bankruptcy Code allows public bodies recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.50 of the Local Finance Law contains specific authorization for any municipality in the State to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness.

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

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State Legislature authorizing any city, county, town or village with respect to which the State has declared a financial emergency to petition the State Supreme court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the City.

Overlapping Indebtedness

In addition to the City, the following political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the City. The estimated gross outstanding indebtedness (bonds and notes) of such political subdivisions, based on unverified information furnished by the respective entities concerned, is as follows:

Unit	Overlapping Indebtedness		Net	Approx. %	Allocable Net
	<u>As of June 30, 2025</u>				
	<u>Gross</u>				
	<u>Indebtedness</u>	<u>Exclusions</u>	<u>Indebtedness</u>	<u>Applicable</u>	<u>Indebtedness</u>
County of Erie	\$412,826,476	\$79,834,552	\$332,991,924	1.23%	\$4,095,801
Lackawanna City School District	\$0	\$0	\$23,509,712	100.00%	<u>\$23,509,712</u>
				Total	<u>\$27,605,513</u>

Debt Ratios

The following table sets forth certain ratios relating to the City's indebtedness as of June 30, 2025.

	As of June 30, 2025		
	Amount of Indebtedness	Per Capita ^(a)	Percentage of Full Valuation ^(b)
Gross Direct Indebtedness ^(c)	\$18,198,414	\$927	1.75%
Net Direct Indebtedness ^(c)	\$18,198,414	\$927	1.75%
Gross Direct Plus Net Overlapping Indebtedness ^(d)	\$45,803,927	\$2,333	4.39%
Net Direct Plus Net Overlapping Indebtedness ^(d)	\$45,803,927	\$2,333	4.39%

(a) The City's 2024 population is 19,629. (See "Population" herein.)

(b) The City's full valuation of taxable real estate for 2025 is \$1,042,426,708. (See "Valuation and Tax Data" herein.)

(c) See "Debt Statement Summary" herein.

(d) The City's estimated applicable share of net underlying indebtedness is \$27,605,513. (See "Overlapping Indebtedness," herein.)

Debt Service Schedule

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

Fiscal Year	Principal	Interest	Total Fiscal Year Debt Service
2026	635,000	99,525	734,525
2027	650,000	72,025	722,025
2028	675,000	42,375	717,375
2029	75,000	21,975	96,975
2030	80,000	19,650	99,650
2031	80,000	17,250	97,250
2032	80,000	14,850	94,850
2033	85,000	12,375	97,375
2034	90,000	9,750	99,750
2035	90,000	7,050	97,050
2036	95,000	4,275	99,275
2037	95,000	1,425	96,425
Total	\$2,730,000	\$322,525	\$3,052,525

Other Obligations

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

ECONOMIC AND DEMOGRAPHIC DATA

Major Employers

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

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

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

Income

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

	Per Capita Income		
	<u>2022</u>	<u>2023</u>	<u>2024</u>
City	\$26,033	\$26,448	\$26,611
County	39,703	41,560	42,777
State	47,173	49,520	50,712

Source: US Census Bureau

Unemployment Rate Statistics

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

Civilian Labor Force (Thousands)

	<u>2023</u>	<u>2024</u>	<u>2025</u>
County	449	449	466
State	9,717	9,822	9,979

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

Yearly Average Unemployment Rates

<u>Year</u>	<u>County</u>	<u>State</u>
2023	3.7%	4.2%
2024	4.5%	4.9%
2025 ⁽¹⁾	4.0%	4.3%

⁽¹⁾October 2025 data unavailable

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

Monthly Unemployment Rates (%)

<u>Month</u>	<u>County</u>	<u>State</u>
July 2024	4.5%	4.9%
August 2024	4.1%	4.8%
September 2024	3.3%	4.0%
October 2024	3.4%	4.2%
November 2024	3.5%	4.2%
December 2024	3.8%	4.2%
January 2025	4.5%	4.6%
February 2025	4.8%	4.3%
March 2025	4.2%	4.1%
April 2025	3.2%	3.7%
May 2025	3.1%	3.5%
June 2025	3.4%	3.8%
July 2025	4.0%	4.6%

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

Population

	<u>City</u>	<u>County</u>	<u>State</u>
1980	22,701	1,015,472	17,557,288
1990	20,585	968,584	17,990,778
2000	19,064	950,265	18,976,457
2010	18,141	919,040	19,378,102
2020	19,716	954,236	20,201,249
2024	19,629	950,602	19,867,248

Source: U.S. Census

MARKET FACTORS

The financial condition of the City as well as the market for the Bonds could be affected by a variety of factors, some of which are beyond the City's control. There can be no assurance that adverse events in the State and any jurisdictions in the County, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market price for the Bonds. If a significant default or other financial crisis should occur in the affairs of the State or any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the City to arrange for additional borrows, and the market for and market value of outstanding debt obligations, including the Bonds, could be adversely affected. The Trump administration has proposed and/or implemented tariffs on a variety of different nations across the globe. The effects of such tariffs are not known at this time.

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

LITIGATION

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

TAX MATTERS

In the opinion of Hodgson Russ LLP, of Buffalo, New York, Bond Counsel to the City, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code; however, interest on the Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. The Arbitrage Certificate of the City (the "Tax Certificate"), which will be delivered concurrently with the delivery of the Bonds will contain provisions and procedures relating to

compliance with applicable requirements of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City in connection with the Bonds and Bond Counsel has assumed compliance by the City with certain ongoing provisions and procedures set forth in the Tax Certificate relating to compliance with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the City, under existing statutes, interest on the Bonds is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

Bond Counsel expresses no opinion as to any other federal, state or local tax consequences arising with respect to the Bonds, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Bonds.

Certain Ongoing Federal Tax Requirements and Certifications

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The City, in executing the Tax Certificate, will certify to the effect that the City will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Bonds.

Prospective owners of the Bonds should be aware that the ownership such obligations may result in collateral federal income tax consequences, to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations interest on which is excluded from gross income for federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity (a bond with the same maturity date, interest rate, and credit terms) means the first price at which at least 10 percent of such maturity

was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the Bonds. In general, the issue price for each maturity of Bonds is expected to be the initial public offering price set forth on the cover page of the Official Statement. Bond Counsel further is of the opinion that, for any Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bond under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond, determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bond should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or

credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law or otherwise prevent beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

LEGAL MATTERS

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

Such legal opinions will also state that (i) in rendering the opinions expressed therein, Bond Counsel has assumed the accuracy and truthfulness of all public records, documents and proceedings examined by Bond Counsel which have been executed or certified by public officials acting within the scope of their official capacities, and has not verified the accuracy or truthfulness thereof, and Bond Counsel also has assumed the accuracy of the signatures appearing upon such public records, documents and proceedings and such certifications; (ii) the scope of Bond Counsel's engagement in relation to the issuance of the Bonds, as applicable, has extended solely to the examination of the facts and law incident to rendering the opinions expressed therein; (iii) the opinions expressed therein are not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the City together with other legally available sources of revenue, if any, will be sufficient to enable the City to pay the principal of and interest on the Bonds as the same become due and payable; (iv) reference should be made to the Official Statement for factual information which, in the judgment of the City, would materially affect the ability of the City to pay such principal and interest; and (v) while Bond Counsel has participated in the preparation of the Official Statement, Bond Counsel has not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, no opinion is expressed by Bond Counsel as to whether the City, in connection with the sale of such Bonds, has made any untrue statement of a material fact, or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

CONTINUING DISCLOSURE UNDERTAKING

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

- (i) during each fiscal year in which the Bonds are outstanding, to the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board ("MSRB"), or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule certain annual financial information and operating data for the preceding fiscal year, in a form generally consistent

with the information contained or cross-referenced under the headings: “THE CITY”, “FINANCIAL FACTORS”, “TAX INFORMATION”, “CITY INDEBTEDNESS”, “LITIGATION”, and a copy of the audited financial statement (prepared in accordance with generally accepted accounting principles in effect at the time of the audit) for the preceding fiscal year, if any; such information, data and audit, if any, will be so provided no later than nine months after the end of each fiscal year commencing with the fiscal year ending July 31, 2026; provided however, that if audited financial statements are not prepared or are not then available, unaudited financial statements shall be provided and audited financial statements, if any, shall be delivered to the EMMA System within thirty days after they become available and in no event later than one year after the end of each fiscal year; provided further, however, that the unaudited financial statement shall be provided for any fiscal year only if the Issuer has made a determination that providing such unaudited financial statement would be compliant with federal securities laws, including Rule 10b-5 of the Securities Exchange Act of 1934 and Rule 17(a)(2) of the Securities Act of 1933.

- (ii) in a timely manner, not in excess of ten (10) business days after the occurrence of the event, to the MSRB or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, notice of the occurrence of any of the following events with respect to the Bonds:
- (a) principal and interest payment delinquencies
 - (b) non-payment related defaults, if material
 - (c) unscheduled draws on debt service reserves reflecting financial difficulties
 - (d) in the case of credit enhancement, if any, provided in connection with the issuance of the Bonds, unscheduled draws on credit enhancements reflecting financial difficulties
 - (e) substitution of credit or liquidity providers, or their failure to perform
 - (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax- status of the Bonds
 - (g) modifications to rights of Security Holders, if material
 - (h) bond (or note) calls, if material and tender offers
 - (i) defeasances
 - (j) release, substitution, or sale of property securing repayment of the Bonds, if material
 - (k) rating changes
 - (l) bankruptcy, insolvency, receivership or similar event of the City
 - (m) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
 - (n) appointment of a successor or additional trustee or the change of name of a trustee, if material

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

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

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

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

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

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

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

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

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

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

COMPETITIVE SALE

The Bonds will be awarded pursuant to electronic competitive bidding to be held via PARITY® on April 1, 2026, unless such date is postponed as described in the Notice of Sale contained in Appendix B to this Official Statement. This Official Statement has been deemed final as of its date by the Comptroller in accordance with the meaning and requirements of Rule 15c2-12, except for the omission of certain pricing and other information permitted to be omitted pursuant to the Rule. After the Bonds have been awarded, the City will complete the

Official Statement which will include, amount, other matters, the identity of the winning bidder and the managers of the syndicate, if any, submitting the winning bid, the expected selling compensation to underwriters of the Bonds and other information on the interest rate and offering prices or yields of the Bonds, as supplied by the winning bidder.

RATINGS

The City received a credit rating of “A1” with a stable outlook from Moody’s Investors Service Inc.

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

MUNICIPAL ADVISOR

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

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

MISCELLANEOUS

Any statements made in the Official Statement which involve matters of opinion or estimates in good faith, whether or nor expressly stated, are represented to be opinions or estimates in good faith. No assurance can be given, however, that the fact will materialize as so opined or estimated. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the holders of the Bonds.

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

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

CITY OF LACKAWANNA, NEW YORK

By: _____
Jacquelyn Raymond Dole
Comptroller

Dated: _____, 2026

APPENDIX A - FINANCIAL STATEMENTS OF THE CITY

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CITY OF LACKAWANNA, NEW YORK

Basic Financial Statements
Supplementary Information and
Independent Auditors' Report

July 31, 2025

CITY OF LACKAWANNA, NEW YORK

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CITY OF LACKAWANNA, NEW YORK

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lackawanna, New York (the City), as of and for the year ended July 31, 2025, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of July 31, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America requires that the management's discussion and analysis and the additional information on pages 46 through 50 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 23, 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 the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
January 23, 2026

CITY OF LACKAWANNA, NEW YORK

Management's Discussion and Analysis

July 31, 2025

Our discussion and analysis of the City of Lackawanna, New York's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended July 31, 2025. Please read it in conjunction with the City's basic financial statements.

FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of resources of the City exceeded assets and deferred outflows of resources at the close of the 2025 fiscal year by \$47,266,528 (net deficit). Of this amount, \$9,225,807 is net investment in capital assets, \$1,760,338 is restricted for specific purposes (restricted net position) and the remaining balance is a deficit of \$58,252,673 in unrestricted net position.
- The government's total net position increased by \$4,182,943.
- As of July 31, 2025, the City's governmental funds reported combined fund balances of \$7,748,323, a decrease of \$5,957,337 from the prior year. Of the combined fund balances \$2,746,028, or 35.4% is available to meet the City's current and future needs (unassigned fund balance).
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$7,543,648 or 60.1% of total General Fund balance.
- The City issued \$24,255,000 of bond anticipation notes (BAN) payable during the year ended July 31, 2025. One of the two issued BANs remains outstanding at year-end and matures on May 1, 2026 and with a stated interest rate of 4.00%.
- The City adopted the provisions of the Governmental Accounting Standards Board Statement No. 101 - "Compensated Absences" during the year ended July 31, 2025.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplementary information.

Basic Financial Statements

Governmental-wide financial statements are two statements designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business.

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

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

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

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

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

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

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

The City maintains four individual governmental funds. Information is presented separately in the governmental funds' balance sheet and in the governmental funds' statement of revenue, expenditures and changes in fund balances for the general fund, the refuse fund, the special grant fund and the capital projects fund.

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

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

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

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

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

Required Supplementary Information

Following the notes to the basic financial statements is the required supplementary information. The required supplementary information includes budget to actual schedules for the general fund and the refuse fund. Also included in the required supplementary information section is information on the pensions and the City's other postemployment benefits (OPEB).

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. In the case of the City, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$47,266,528 at the close of the most recent fiscal year.

Summary of Net Position

	<u>2025</u>	<u>2024</u>	<u>Percentage Change</u>
Assets:			
Current assets	\$ 35,001,572	25,884,014	35.2%
Capital assets, net of depreciation	<u>19,465,190</u>	<u>11,546,854</u>	68.6%
Total assets	<u>54,466,762</u>	<u>37,430,868</u>	45.5%
Deferred outflows of resources	<u>18,950,610</u>	<u>13,860,639</u>	36.7%
Liabilities:			
Current liabilities	19,929,678	5,012,997	297.5%
Noncurrent liabilities	<u>82,982,635</u>	<u>73,503,922</u>	12.9%
Total liabilities	<u>102,912,313</u>	<u>78,516,919</u>	31.1%

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

	<u>2025</u>	<u>2024</u>	<u>Percentage Change</u>
Deferred inflows of resources:			
Deferred revenues	\$ 6,020,374	5,828,750	3.3%
Deferred inflows	<u>11,751,213</u>	<u>18,395,309</u>	(36.1%)
Total deferred inflows of resources	<u>17,771,587</u>	<u>24,224,059</u>	(26.6%)
Net position (deficit):			
Net investment in capital assets	9,225,807	7,776,676	18.6%
Restricted	1,760,338	5,113,020	(65.6%)
Unrestricted (deficit)	<u>(58,252,673)</u>	<u>(64,339,167)</u>	(9.5%)
Total net position (deficit)	\$ <u>(47,266,528)</u>	<u>(51,449,471)</u>	(8.1%)

Net investment in capital assets of \$9,225,807 represents its investment in capital assets (e.g. land, buildings, improvements, infrastructure, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position of \$1,760,338 represents resources that are subject either to external restrictions or constrained by law through constitutional provisions of enabling legislation.

Net position not classified as net investment in capital assets or restricted is considered unrestricted and available to meet the City's ongoing obligations. At July 31, 2025, this was a deficit of \$58,252,673.

Governmental activities increased the City's net position by \$4,182,943. The following table indicates the change in net position for governmental activities:

Summary of City of Lackawanna's Change in Net Position

	<u>2025</u>	<u>2024</u>	<u>Percentage Change</u>
Revenue:			
Program revenue:			
Charges for services	\$ 2,420,837	2,406,752	0.6%
Operating grants and contributions	1,897,316	2,569,638	(26.2%)
Capital grants and contributions	1,283,629	2,246,307	(42.9%)

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

	<u>2025</u>	<u>2024</u>	<u>Percentage Change</u>
General revenue:			
Real property taxes	\$ 13,799,779	12,644,633	9.1%
Real property tax items	985,027	971,286	1.4%
Nonproperty tax items	8,729,577	8,493,457	2.8%
Use of money and property	597,423	627,065	(4.7%)
Licenses and permits	321,090	122,183	162.8%
Fines and forfeitures	447,181	400,563	11.6%
Sale of property and compensation for loss	275,679	378,035	(27.1%)
State aid	6,614,734	6,528,034	1.3%
Miscellaneous	<u>1,003,661</u>	<u>576,778</u>	74.0%
Total revenue	<u>38,375,933</u>	<u>37,964,731</u>	1.1%
Expenses:			
General government support	4,352,149	7,938,308	(45.2%)
Public safety	21,050,989	18,182,307	15.8%
Transportation	4,832,787	5,226,646	(7.5%)
Culture and recreation	1,221,862	981,067	24.5%
Home and community services	2,342,474	2,775,107	(15.6%)
Interest	<u>392,729</u>	<u>113,892</u>	262.2%
Total expenses	<u>34,192,990</u>	<u>35,217,327</u>	(2.9%)
Change in net position	4,182,943	2,747,404	51.6%
Net position (deficit) at beginning of year	(51,449,471)	(54,196,875)	5.1%
Net position (deficit) at end of year	\$ (47,266,528)	(51,449,471)	8.1%

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental funds - The governmental functions are contained in the general, refuse, special grant and capital project funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

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

At July 31, 2025, the City's governmental funds reported combined fund balances of \$7,748,323, a decrease of \$5,957,337 from the prior year. Approximately 35.4% of the combined fund balances, \$2,746,028, constitutes unassigned fund balance, which is available to meet the City's current and future operational and capital needs. The remainder of fund balance is nonspendable, restricted, committed or assigned to indicate that it is not available for new spending because it has already been devoted to a specific purpose. Restricted fund balance in the general fund consisted of (1) \$1,027,370 restricted for employee benefits; (2) \$200,000 restricted for possible uninsured lawsuits; (3) \$137,410 reserved for future workers' compensation claims; (4) \$58,205 restricted for asset forfeiture activities; and (5) \$337,353 restricted for narcotic forfeiture activities. The make-up of fund balances by fund is addressed in note 1 to the financial statements.

The general fund is the chief operating fund of the City. At July 31, 2025, unassigned fund balance of the general fund was \$7,543,648, while total fund balance was \$12,545,928. As a measure of general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 23.2% of total fund expenditures, while total fund balance represents 38.5% of that same amount.

General fund revenue totaled \$34,237,700 for the year ended July 31, 2025, which represents an increase of 2.3% over the year ended July 31, 2024.

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

	<u>2025</u>	<u>Percent of Total</u>	<u>2024</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
Revenue:					
Real property taxes	\$ 13,777,899	40.2%	12,742,311	1,035,588	8.1%
Real property tax items	985,027	2.9%	971,286	13,741	1.4%
Nonproperty tax items	8,729,577	25.5%	8,493,457	236,120	2.8%
Departmental income	362,491	1.1%	389,015	(26,524)	(6.8%)
Use of money and property	595,032	1.7%	624,737	(29,705)	(4.8%)
Licenses and permits	321,090	0.9%	122,183	198,907	162.8%
Fines and forfeitures	447,181	1.3%	400,563	46,618	11.6%
Sale of property and compensation for loss	275,679	0.8%	378,035	(102,356)	(27.1%)
Miscellaneous	231,674	0.7%	221,862	9,812	4.4%
State aid	7,624,663	22.3%	6,762,397	862,266	12.8%
Federal aid	887,387	2.6%	2,354,136	(1,466,749)	(62.3%)
Total revenue	<u>\$ 34,237,700</u>	100.0%	<u>33,459,982</u>	<u>777,718</u>	2.3%

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

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

- Real property taxes increased due to an increase in the tax levy and increased collections.
- Licenses and permits increased from an increase in building permits issued.
- State aid increased due to an increase in general grants and the law enforcement technology grant.
- State aid increased from grants for winter storm costs.
- Federal aid decreased due to fully utilizing the American Rescue Plan Act funds.

The following table presents general fund expenditures, by function, compared to prior year amounts:

	<u>2025</u>	<u>Percent of Total</u>	<u>2024</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
General governmental support	\$ 3,176,181	9.8%	4,856,337	(1,680,156)	(34.6%)
Public safety	13,199,704	40.6%	12,629,469	570,235	4.5%
Transportation	3,038,543	9.3%	3,351,443	(312,900)	(9.3%)
Culture and recreation	765,672	2.4%	785,888	(20,216)	(2.6%)
Home and community services	40,463	0.1%	73,511	(33,048)	(45.0%)
Employee benefits	11,309,185	34.7%	10,069,811	1,239,374	12.3%
Debt service:					
Principal	621,883	1.9%	601,593	20,290	3.4%
Interest	<u>392,977</u>	1.2%	<u>157,597</u>	<u>235,380</u>	149.4%
Total expenditures	<u>\$32,544,608</u>	100.0%	<u>32,525,649</u>	<u>18,959</u>	0.1%

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

- General governmental support decreased primarily from a decrease in winter storm related costs.
- Public safety increased primarily due to increased personnel costs and equipment costs.
- Employee benefits increased primarily due to health insurance related costs.

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

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

	<u>General</u>	<u>Refuse</u>	<u>Special Grant</u>	<u>Capital Projects</u>	<u>Total</u>
Fund balance at July 31, 2023	\$ 7,459,792	(325,760)	15	9,529,296	16,663,343
Revenue	33,459,982	2,025,408	-	2,414,335	37,899,725
Expenditures	(32,525,649)	(2,302,186)	-	(6,029,573)	(40,857,408)
Other financing sources (uses)	<u>2,344,796</u>	<u>139,500</u>	-	<u>(2,484,296)</u>	<u>-</u>
Fund balance at July 31, 2024	10,738,921	(463,038)	15	3,429,762	13,705,660
Revenue	34,237,700	2,065,598	-	2,050,446	38,353,744
Expenditures	(32,544,608)	(2,115,377)	-	(9,651,096)	(44,311,081)
Other financing sources (uses)	<u>113,915</u>	<u>27,843</u>	-	<u>(141,758)</u>	<u>-</u>
Fund balance at July 31, 2025	<u>\$ 12,545,928</u>	<u>(484,974)</u>	<u>15</u>	<u>(4,312,646)</u>	<u>7,748,323</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an increase of \$4,795,088 in appropriations and can be briefly summarized as follows:

- General government support was increased by \$338,478.
- Public safety was increased by \$343,926.
- Transportation was increased by \$920,721.
- Culture and recreation was increased by \$51,957.
- Employee benefits was increased by \$1,422,315.
- Transfers to other funds was increased by \$1,442,691.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental activities as of July 31, 2025, amounted to \$19,465,190 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings, and equipment.

Capital assets, net of depreciation, are presented below:

	<u>2025</u>	<u>2024</u>
Land	\$ 428,919	428,919
Construction in progress	8,237,431	620,223
Buildings and improvements	3,201,885	2,750,170
Machinery and equipment	3,725,562	3,501,205
Infrastructure	<u>3,871,393</u>	<u>4,246,337</u>
Total	<u>\$ 19,465,190</u>	<u>11,546,854</u>

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

Debt Administration

At July 31, 2025, the City had total bonds payable, including premiums, outstanding of \$2,884,670 as compared to \$3,539,881 in the prior year. The City's retirement of bonded debt amounted to \$610,000 and amortized \$45,211 of bond premiums during the year ended July 31, 2025. The City has \$15,250,000 of bond anticipation notes outstanding at July 31, 2025. Additionally, at July 31, 2025, the City had loans payable of \$218,414 which is a decrease of \$11,883 from the prior year.

Request for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Office of the City Comptroller, 714 Ridge Road, Lackawanna, New York 14218.

CITY OF LACKAWANNA, NEW YORK
Statement of Net Position
July 31, 2025

	<u>Governmental Activities</u>
Assets:	
Current assets:	
Cash and equivalents	\$ 29,897,488
Taxes receivable, net	1,596,274
Accounts receivable	572,345
State and Federal aid receivable	1,810
Due from other governments	2,059,788
Property acquired for taxes	612,825
Prepaid expenses	<u>261,042</u>
Total current assets	35,001,572
Capital assets, net of depreciation	<u>19,465,190</u>
Total assets	<u>54,466,762</u>
Deferred outflows of resources:	
Loss on refunding	13,397
Pensions	10,231,523
OPEB	<u>8,705,690</u>
Total deferred outflows of resources	<u>18,950,610</u>
Liabilities:	
Current liabilities:	
Accounts payable	1,500,288
Accrued liabilities	727,995
Accrued interest	117,632
Bond anticipation note payable	15,250,000
Due to other governments	126,432
Other liabilities	95,184
Pension obligations	1,419,756
Bonds payable, including premiums, net of current portion	680,211
Loan payable, current portion	<u>12,180</u>
Total current liabilities	<u>19,929,678</u>
Noncurrent liabilities:	
Bonds payable, including premiums, net of current portion	2,204,459
Loan payable, net of current portion	206,234
Compensated absences	4,019,929
Workers' compensation liability	2,028,598
Total OPEB liability	58,065,778
Net pension liabilities, proportionate share	<u>16,457,637</u>
Total noncurrent liabilities	<u>82,982,635</u>
Total liabilities	<u>102,912,313</u>
Deferred inflows of resources:	
Deferred revenue	6,020,374
Pensions	960,351
Other postemployment benefits	<u>10,790,862</u>
Total deferred inflows of resources	<u>17,771,587</u>
Net position (deficit):	
Net investment in capital assets	9,225,807
Restricted	1,760,338
Unrestricted (deficit)	<u>(58,252,673)</u>
Total net position (deficit)	<u>\$ (47,266,528)</u>

See accompanying notes to financial statements.

CITY OF LACKAWANNA, NEW YORK
Statement of Activities
Year ended July 31, 2025

<u>Functions</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net Revenue (Expense) and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
General government support	\$ 4,352,149	132,943	626,536	620,000	(2,972,670)
Public safety	21,050,989	201,509	355,430	641,104	(19,852,946)
Transportation	4,832,787	-	23,253	-	(4,809,534)
Culture and recreation	1,221,862	18,000	76,373	-	(1,127,489)
Home and community services	2,342,474	2,068,385	815,724	22,525	564,160
Interest	392,729	-	-	-	(392,729)
Total governmental activities	<u>\$ 34,192,990</u>	<u>2,420,837</u>	<u>1,897,316</u>	<u>1,283,629</u>	<u>(28,591,208)</u>
General revenue:					
Taxes:					
Real property taxes					13,799,779
Real property tax items					985,027
Nonproperty tax items					8,729,577
Use of money and property					597,423
Licenses and permits					321,090
Fines and forfeitures					447,181
Sale of property and compensation for loss					275,679
State aid					6,614,734
Miscellaneous					1,003,661
				Total general revenue	<u>32,774,151</u>
				Change in net position	4,182,943
				Net position (deficit) at beginning of year	<u>(51,449,471)</u>
				Net position (deficit) at end of year	<u>\$(47,266,528)</u>

See accompanying notes to financial statements.

CITY OF LACKAWANNA, NEW YORK
Balance Sheet - Governmental Funds
July 31, 2025

	<u>General</u>	<u>Refuse</u>	<u>Special Grant</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<u>Assets</u>					
Cash and equivalents	\$ 21,199,212	1,391	24	8,651,191	29,851,818
Taxes receivable, net	1,596,274	-	-	-	1,596,274
Accounts receivable	325,914	246,431	-	-	572,345
State and Federal aid receivable	1,810	-	-	-	1,810
Due from other funds	917,440	1,034,627	-	3,524,987	5,477,054
Due from other governments	1,439,788	-	-	620,000	2,059,788
Property acquired for taxes	612,825	-	-	-	612,825
Prepaid expenditures	<u>261,042</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>261,042</u>
Total assets	<u>\$ 26,354,305</u>	<u>1,282,449</u>	<u>24</u>	<u>12,796,178</u>	<u>40,432,956</u>
<u>Liabilities, Deferred Inflows and Fund Balances</u>					
Liabilities:					
Accounts payable	803,534	144,065	-	550,887	1,498,486
Accrued liabilities	689,223	38,772	-	-	727,995
Bond anticipation note payable	-	-	-	15,250,000	15,250,000
Due to other funds	3,972,141	1,330,076	8	146,062	5,448,287
Due to other governments	126,156	-	1	275	126,432
Other liabilities	95,184	-	-	-	95,184
Pension obligations	<u>1,382,104</u>	<u>37,652</u>	<u>-</u>	<u>-</u>	<u>1,419,756</u>
Total liabilities	<u>7,068,342</u>	<u>1,550,565</u>	<u>9</u>	<u>15,947,224</u>	<u>24,566,140</u>
Deferred inflows of resources - deferred revenue	<u>6,740,035</u>	<u>216,858</u>	<u>-</u>	<u>1,161,600</u>	<u>8,118,493</u>
Fund balances:					
Nonspendable	261,042	-	-	-	261,042
Restricted	1,760,338	-	-	-	1,760,338
Assigned	2,980,900	-	15	-	2,980,915
Unassigned (deficit)	<u>7,543,648</u>	<u>(484,974)</u>	<u>-</u>	<u>(4,312,646)</u>	<u>2,746,028</u>
Total fund balances	<u>12,545,928</u>	<u>(484,974)</u>	<u>15</u>	<u>(4,312,646)</u>	<u>7,748,323</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 26,354,305</u>	<u>1,282,449</u>	<u>24</u>	<u>12,796,178</u>	<u>40,432,956</u>

See accompanying notes to financial statements.

CITY OF LACKAWANNA, NEW YORK
Reconciliation of Balance Sheet - Governmental Funds
to the Statement of Net Position
July 31, 2025

Total governmental fund balances	\$ 7,748,323
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	
Historical cost	83,042,372
Accumulated depreciation	(63,577,182)
The internal service fund is not reported as a governmental fund but included in the statement of net position.	
	15,101
Long-term liabilities are not due and payable in the current period, and therefore, not reported as liabilities in the funds.	
Accrued interest	(117,632)
Bonds payable	(2,730,000)
Bond premiums	(154,670)
Loan payable	(218,414)
Compensated absences	(4,019,929)
Workers' compensation liability	(2,028,598)
Total OPEB liability	(58,065,778)
Net pension liabilities, proportionate share	(16,457,637)
Deferred outflows and inflows related to long-term items are not available or due and payable in the current period, and therefore, not reported in the funds.	
Deferred outflows of resources - loss on refunding	13,397
Deferred outflows of resources - pensions	10,231,523
Deferred outflows of resources - OPEB	8,705,690
Deferred inflows of resources - deferred revenue	2,098,119
Deferred inflows of resources - pensions	(960,351)
Deferred inflows of resources - OPEB	(10,790,862)
Net position (deficit) - governmental activities	<u>\$ (47,266,528)</u>

See accompanying notes to financial statements.

CITY OF LACKAWANNA, NEW YORK
Statement of Revenue, Expenditures and Changes in Fund Balances -
Governmental Funds
Year ended July 31, 2025

	<u>General</u>	<u>Refuse</u>	<u>Special Grant</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenue:					
Real property taxes	\$ 13,777,899	-	-	-	13,777,899
Real property tax items	985,027	-	-	-	985,027
Nonproperty tax items	8,729,577	-	-	-	8,729,577
Departmental income	362,491	2,058,346	-	-	2,420,837
Use of money and property	595,032	2,082	-	-	597,114
Licenses and permits	321,090	-	-	-	321,090
Fines and forfeitures	447,181	-	-	-	447,181
Sale of property and compensation fur loss	275,679	-	-	-	275,679
Miscellaneous	231,674	5,170	-	766,817	1,003,661
State aid	7,624,663	-	-	701,056	8,325,719
Federal aid	887,387	-	-	582,573	1,469,960
	<u>34,237,700</u>	<u>2,065,598</u>	<u>-</u>	<u>2,050,446</u>	<u>38,353,744</u>
Expenditures:					
General government support	3,176,181	-	-	7,685,307	10,861,488
Public safety	13,199,704	-	-	522,773	13,722,477
Transportation	3,038,543	-	-	389,903	3,428,446
Culture and recreation	765,672	-	-	1,035,636	1,801,308
Home and community services	40,463	1,621,232	-	17,477	1,679,172
Employee benefits	11,309,185	494,145	-	-	11,803,330
Debt service:					
Principal	621,883	-	-	-	621,883
Interest	392,977	-	-	-	392,977
	<u>32,544,608</u>	<u>2,115,377</u>	<u>-</u>	<u>9,651,096</u>	<u>44,311,081</u>
Excess (deficiency) revenue over expenditures	<u>1,693,092</u>	<u>(49,779)</u>	<u>-</u>	<u>(7,600,650)</u>	<u>(5,957,337)</u>
Other financing sources (uses):					
Operating transfers in	1,864,929	27,843	-	1,723,171	3,615,943
Operating transfers out	(1,751,014)	-	-	(1,864,929)	(3,615,943)
	<u>113,915</u>	<u>27,843</u>	<u>-</u>	<u>(141,758)</u>	<u>-</u>
Change in fund balances	1,807,007	(21,936)	-	(7,742,408)	(5,957,337)
Fund balances (deficit) at beginning of year	<u>10,738,921</u>	<u>(463,038)</u>	<u>15</u>	<u>3,429,762</u>	<u>13,705,660</u>
Fund balances (deficit) at end of year	<u>\$ 12,545,928</u>	<u>(484,974)</u>	<u>15</u>	<u>(4,312,646)</u>	<u>7,748,323</u>

See accompanying notes to financial statements.

CITY OF LACKAWANNA, NEW YORK
 Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances -
 Governmental Funds to the Statement of Activities
 Year ended July 31, 2025

Net change in fund balances	\$ (5,957,337)
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of certain assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense and disposals in the current period.	
Capital assets	9,359,859
Disposals	(31,220)
Accumulated depreciation	(1,410,303)
Changes in deferred outflows of resources are recognized on the statement of activities but not in the governmental funds.	
Loss on refunding	(5,359)
Pensions	(847,839)
OPEB	5,943,169
Changes in self-insured workers' compensation liability are not reflected in the government funds.	
	273,727
The repayment of principal of long-term debt consumes current financial resources of governmental funds. However, in the statement of activities, it is reflected as a reduction of debt.	
	621,883
Premiums on bonds payable are amortized over the life of the bonds.	
	45,211
Interest on debt is accrued in the statement of activities, but not in the governmental funds.	
	(59,345)
Changes in the internal service fund are not reflected in the governmental funds.	
	9,611
Changes in compensated absences are not reflected in the governmental funds.	
	(457,625)
Changes in the amortized retirement system liability are not reflected in the governmental funds.	
	129,075
The net changes in the net pension liabilities are recorded in the statement of activities but not in the governmental funds.	
	(3,003,948)
Total OPEB liability increases long-term liabilities in the statement of net position and the change is reflected in the statement of activities, but does not effect the governmental funds.	
	(7,112,333)
Changes in deferred inflows of resources in the statement of activities do not provide current financial resources and are not reported in the governmental funds.	
Deferred revenue	41,621
Pensions	3,676,617
OPEB	2,967,479
Change in net position - governmental activities	\$ 4,182,943
See accompanying notes to financial statements.	

CITY OF LACKAWANNA, NEW YORK
Statement of Net Position - Proprietary Fund
July 31, 2025

	<u>Dental Benefit Fund</u>
<u>Assets</u>	
Cash and equivalents	\$ 45,670
Due from other funds	<u>194,739</u>
Total assets	<u>240,409</u>
<u>Liabilities</u>	
Accounts payable	1,802
Due to other funds	<u>223,506</u>
Total liabilities	<u>225,308</u>
<u>Net Position</u>	
Net position	<u>\$ 15,101</u>

See accompanying notes to financial statements.

CITY OF LACKAWANNA, NEW YORK
Statement of Revenue, Expenses and Changes in Net Position - Proprietary Fund
Year ended July 31, 2025

	Dental Benefit <u>Fund</u>
Operating revenue - charges for services	\$ <u>194,131</u>
Operating expenses:	
Administrative expenses	28,534
Employee benefits	<u>156,295</u>
Total operating expenses	<u>184,829</u>
Gain from operations	9,302
Nonoperating revenue - interest income	<u>309</u>
Change in net position	9,611
Net position at beginning of year	<u>5,490</u>
Net position at end of year	<u><u>\$ 15,101</u></u>

See accompanying notes to financial statements.

CITY OF LACKAWANNA, NEW YORK
Statement of Cash Flows - Proprietary Fund
Year ended July 31, 2025

	<u>Dental Benefit Fund</u>
Cash flows from operating activities:	
Contributions to program	\$ 200,000
Payments for benefits	(156,295)
Payments for operating expenses	<u>(26,732)</u>
Net cash provided by operating activities	16,973
Cash flows from investing activities - interest income	<u>309</u>
Net increase in cash and equivalents	17,282
Cash and equivalents at beginning of year	<u>28,388</u>
Cash and equivalents at ending of year	<u><u>\$ 45,670</u></u>
Reconciliation of operating gain to net cash provided by operating activities:	
Operating gain	9,302
Adjustments to reconcile operating gain to net cash provided by operating activities:	
Due from other funds	5,869
Accounts payable	<u>1,802</u>
Net cash provided by operating activities	<u><u>\$ 16,973</u></u>

See accompanying notes to the financial statements.

CITY OF LACKAWANNA, NEW YORK
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
Year ended July 31, 2025

	<u>Custodial Fund</u>
Additions:	
School taxes	\$ 8,993,912
County taxes	<u>8,632,173</u>
Total additions	<u>17,626,085</u>
Deductions:	
School taxes	8,993,912
County taxes	<u>8,632,173</u>
Total deductions	<u>17,626,085</u>
Change in net position	-
Fiduciary net position at beginning of year	<u>-</u>
Fiduciary net position at end of year	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

CITY OF LACKAWANNA, NEW YORK

Notes to Financial Statements

July 31, 2025

(1) Summary of Significant Accounting Policies

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

(a) Financial Reporting Entity

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

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

(b) Government-Wide Financial and Fund Statements

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

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

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

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

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

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

(1) Summary of Significant Accounting Policies, Continued

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

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

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

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

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

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

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

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

(1) Summary of Significant Accounting Policies, Continued

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

The City reports the following major governmental funds:

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

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

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

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

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

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

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

Custodial Fund - Used to account for real property taxes collected and remitted to other governments.

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

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

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

(d) Property Tax Revenue Recognition

The City-wide property tax is levied by the City Council (the Council) effective August 1st of the year the taxes are recognizable as revenue. Property tax is only recognized as revenue in the year for which the levy is made, and to the extent that such taxes are received within the reporting period or 60 days thereafter in the fund financial statements.

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

(1) Summary of Significant Accounting Policies, Continued

(d) Property Tax Revenue Recognition, Continued

Delinquent property taxes not collected at year-end (excluding collections in the 60 day subsequent period) are recorded as deferred revenue in the fund financial statements. The portion of delinquent property taxes for all prior year's estimated to be uncollectible at July 31, 2025, amounted to \$127,336. This amount has been recorded as an allowance against the property taxes receivable account.

(e) Budgets and Budgetary Data

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

- (1) On the first day of April in each year, department heads are required to submit their tentative departmental budgets to the Mayor. The tentative departmental budgets include proposed expenditures and the proposed means of financing for all funds except the Capital Projects Fund. The Mayor then adjusts these tentative departmental budgets and formulates a proposed budget, which must be submitted to the Council on or before May 10th.
- (2) Public hearings are conducted to obtain taxpayer comments.
- (3) The Council has the power to delete, reduce or add items to the proposed budget, and they must adopt a budget on or before June 10th. The affirmative vote of three council members is necessary for the Council to adopt a budget.
- (4) The Mayor then has 10 days to veto any provision within the Council's adopted budget that changes the Mayor's proposed budget, and the Council then has thirty days to override the Mayor's veto. Four affirmative votes of the Council are required to override Mayoral vetoes.
- (5) At any time within the last three months of the budget year: (a) the Council may, by resolution, transfer any portion of an unencumbered appropriation balance from one department to another; and (b) the Director of the Department of Administration and Finance, with the approval of the Mayor, may transfer any portion of an unencumbered appropriation balance between the same general classifications of expenditures within any department.
- (6) Annual appropriated budgets are adopted and employed for control of the general fund minimally detailed to the department and account level. This budget is adopted on a basis consistent with GAAP, except that encumbrances are reported as budgetary expenditures in the year of incurrence of commitment to purchase, as well as in the year of expenditure if the expenditure occurs in a fiscal year subsequent to the commitment in the general fund. All unencumbered appropriations lapse at the end of the fiscal year. Budgetary comparisons presented in this report are on the budgetary basis, and represent the budget as modified. Annual appropriated budgets are not employed for the special grant fund.

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

(1) Summary of Significant Accounting Policies, Continued

(e) Budgets and Budgetary Data, Continued

(7) Capital projects funds are subject to project budgets determined primarily by the bonding authorizations used to fund a particular project rather than annual budgetary appropriations. These budgets do not lapse at year-end; rather, they lapse upon termination of the project.

(8) At August 1st, the amount of encumbrances carried forward from the prior year are reestablished as budgeted appropriations and expenditures.

Expenditures within the general fund may not legally exceed the amount appropriated for such accounts or subaccounts within an administrative unit. During the year, supplementary appropriations were necessary.

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

(f) Encumbrances

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

(g) Receivables

Receivables are stated net of estimated allowances for uncollectible amounts. Amounts due from State and Federal governments represent amounts owed to the City for reimbursement of expenditures incurred pursuant to State and Federally funded programs.

(h) Inventory and Prepaid Items

Purchases of inventorial items are recorded as expenditures at the time of purchase and are considered immaterial in amount. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements which are expensed as the items are used.

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

(1) Summary of Significant Accounting Policies, Continued

(i) Capital Assets

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives.

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

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

(j) Judgments and Claims

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

(k) Retirement Plans

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

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

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

(1) Summary of Significant Accounting Policies, Continued

(l) Compensated Absences

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

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

(m) Postemployment Benefits

In addition to providing pension benefits, the City provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the City's employees may become eligible for these benefits if they reach normal retirement age while working for the City. Health care benefits and survivors benefits are provided through insurance companies whose premiums are based on the benefits paid during the year. These benefits terminate upon death of the retired employee. The City recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid.

(n) Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term liabilities are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

(o) Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Actual results could differ from these estimates.

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

(1) Summary of Significant Accounting Policies, Continued

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

Deferred outflows of resources represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has three items that qualify for reporting in this category. The first item is related to pensions reported in the Statement of Net Position. This represents the effect of the net change in the City's proportion of the collective net pension liability and difference during the measurement period between the City's contributions and its proportion share of total contributions to the pension system not included in pension expense as well as the City's contributions to the pension systems subsequent to the measurement date. The second item is related to OPEB reported in the Statement of Net Position. This represents differences between expected and actual experience, changes of assumptions in the calculation of the liability as well as the City's contributions subsequent to the measurement date. The third is related to the loss on refunding of the bonds payable.

Deferred inflows of resources represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category. The first is related to pensions reported in the Statement of Net Position. This represents the effect of the net change in the City's proportion of the collective net pension liability and difference during the measurement periods between the City's contributions and its proportional share of total contributions to the pension systems not included in the pension expense. The second item represents differences between expected and actual experience as well as changes of assumptions related to the OPEB. The third item represents cash collected which will be recognized in revenue in future periods.

(q) Net Position/Fund Balance

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

Net Investment in Capital Assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

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

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

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

(1) Summary of Significant Accounting Policies, Continued

(q) Net Position/Fund Balance, Continued

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

Nonspendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

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

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

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

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

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

Restricted fund balance at July 31, 2025 includes the following:

General Fund:

Employee benefits	\$ 1,027,370
Liability insurance	200,000
Workers' compensation	137,410
Asset forfeiture	58,205
Narcotics forfeiture	<u>337,353</u>
Total General Fund	\$ <u>1,760,338</u>

Committed - Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authorities. The City has no committed fund balances as of July 31, 2025.

Assigned - Includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Assigned fund balance in the General Fund at July 31, 2025, consists of \$2,980,900 for the subsequent year's budget. For funds other than the General Fund, any amounts that do not meet the definition of the above classifications are deemed to be assigned.

Unassigned - Includes all other General Fund fund balance that does not meet the definition of the above four classifications and are deemed to be available for general use by the City. Also included are deficits in other funds of which there is a deficit of \$484,974 in the refuse fund and \$4,312,646 in the capital projects fund. These deficits are expected to be addressed through future fee increases and transfers from the general fund.

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

(1) Summary of Significant Accounting Policies, Continued

(r) Order of Use of Fund Balance

The City's policy is 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 balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

(2) Reporting on Budgetary Basis

The City reports its budgetary status with the actual data including encumbrances as charges against budget appropriations. Budgetary control of the General Fund is minimally exercised at the department and account level.

(3) Cash and Equivalents

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

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

The bank balances at July 31, 2025, consists of:

Petty Cash	\$ 1,000
Deposits:	
Demand deposits	29,174,641
Time deposits	<u>1,541,984</u>
Total	\$ <u>30,717,625</u>

Deposits at July 31, 2025, were entirely covered by the FDIC or by collateral held by the City's custodial bank in the City's name.

(4) Property Taxes

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

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

(4) Property Taxes, Continued

At July 31, 2025, the total real property tax receivable of \$1,723,610 are offset by an allowance for uncollectible taxes of \$127,336 in the governmental fund financial statements.

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

(5) Due from Other Governments

Other government receivables accrued by the City at July 31, 2025, include the following:

General fund:	
County of Erie - sales tax	\$ 1,438,688
Election receivable	<u>1,100</u>
Total general fund	1,439,788
Capital projects fund - DASNY - splash pad	<u>620,000</u>
Total due from other governments	\$ <u>2,059,788</u>

(6) Capital Assets

The following is a summary of changes in the capital assets for the year ended July 31, 2025:

	Balance July 1, <u>2024</u>	<u>Additions</u>	Disposals/ <u>Transfers</u>	Balance July 31, <u>2025</u>
Capital assets not being depreciated:				
Land	\$ 428,919	-	-	428,919
Construction in progress	<u>620,223</u>	<u>7,617,208</u>	<u>-</u>	<u>8,237,431</u>
Total capital assets not being depreciated	<u>1,049,142</u>	<u>7,617,208</u>	<u>-</u>	<u>8,666,350</u>
Capital assets being depreciated:				
Buildings and improvements	15,075,358	598,567	-	15,673,925
Machinery and equipment	11,834,381	743,611	(330,758)	12,247,234
Infrastructure	<u>46,054,390</u>	<u>400,473</u>	<u>-</u>	<u>46,454,863</u>
Total capital assets being depreciated	72,964,129	1,742,651	(330,758)	74,376,022
Accumulated depreciation	<u>(62,466,417)</u>	<u>(1,410,303)</u>	<u>299,538</u>	<u>(63,577,182)</u>
Total assets being depreciated, net	<u>10,497,712</u>	<u>332,348</u>	<u>(31,220)</u>	<u>10,798,840</u>
Total capital assets, net	\$ <u>11,546,854</u>	<u>7,949,556</u>	<u>(31,220)</u>	<u>19,465,190</u>

Depreciation was charged to governmental activities as follows:

General government support	\$ 77,972
Public safety	332,850
Transportation	717,062
Culture and recreation	176,902
Home and community services	<u>105,517</u>
	\$ <u>1,410,303</u>

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

(7) Short-term Debt

The City may issue revenue anticipation notes (RANs) and tax anticipation notes (TANs), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund. The City had no outstanding RANs or TANs at July 31, 2025.

Liabilities for bond anticipation notes (BANs) are generally accounted for in the Capital Projects Funds. Principal payments on BANs must be made annually. State law generally requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated reductions of principal are made on an annual basis. The City had \$15,250,000 of outstanding BANs at July 31, 2025. This BAN matures on May 1, 2026 and has a stated interest rate of 4.00%. There was another BAN issued and matured during the year ended July 31, 2025 in the amount of \$9,005,000 that carried an interest rate of 4.00% and which the City paid \$261,145 of interest expense.

(8) Long-term Debt

Long-term liability balances and activity for the year ended July 31, 2025 is as follows:

	Balance July 31, <u>2024</u>	<u>Increase</u>	<u>Decrease</u>	Balance July 31, <u>2025</u>
Serial bonds	\$ 3,340,000	-	610,000	2,730,000
Bond premiums	199,881	-	45,211	154,670
Loan payable	230,297	-	11,883	218,414
Compensated absences	3,562,304	457,625	-	4,019,929
Retirement system liability	129,075	-	129,075	-
Worker's compensation liability	2,302,325	1,285,818	1,559,545	2,028,598
Total OPEB liability	50,953,445	7,112,333	-	58,065,778
Net pension liabilities - proportionate share	<u>13,453,689</u>	<u>3,003,948</u>	<u>-</u>	<u>16,457,637</u>
Total	\$ <u>74,171,016</u>	<u>11,859,724</u>	<u>2,355,714</u>	<u>83,675,026</u>

Additions and deletions to compensated absences shown net as it is impractical to show the changes as gross.

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

(8) Long-term Debt, Continued

(a) Bonded Indebtedness

The following is a summary of serial bond transactions of the City for the year ended July 31, 2025:

<u>Description</u>	<u>Original Issue Date</u>	<u>Final Maturity Date</u>	<u>Interest Rate</u>	<u>Balance July 1, 2024</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance July 31, 2025</u>	<u>Due within one year</u>
Capital Improvements	8/28/2013	3/1/2028	3.00%	\$ 855,000	-	215,000	640,000	215,000
Capital Improvements	2/23/2022	11/1/2036	3.00%	1,050,000	-	65,000	985,000	70,000
General Obligation	2/23/2022	11/1/2027	5.00%	<u>1,435,000</u>	<u>-</u>	<u>330,000</u>	<u>1,105,000</u>	<u>350,000</u>
Total bonds				3,340,000	-	610,000	2,730,000	635,000
Bond premiums				<u>199,881</u>	<u>-</u>	<u>45,211</u>	<u>154,670</u>	<u>45,211</u>
Total bonded indebtedness				\$ <u>3,539,881</u>	<u>-</u>	<u>655,211</u>	<u>2,884,670</u>	<u>680,211</u>

The following is a summary of maturity of bonded indebtedness:

<u>Year ending July 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 635,000	99,525	734,525
2027	650,000	72,025	722,025
2028	675,000	42,375	717,375
2029	75,000	21,975	96,975
2030	80,000	19,650	99,650
2031 - 2035	425,000	61,275	486,275
2036 - 2037	<u>190,000</u>	<u>5,700</u>	<u>195,700</u>
	\$ <u>2,730,000</u>	<u>322,525</u>	<u>3,052,525</u>

In the event of default, Section 3-a of the General Municipal law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the City upon any judgment or accrued claim against it shall not exceed nine per centum per annum. In accordance with the general rule with respect to municipalities, judgments against the City may not be enforced by levy and execution against property owned by the City. The Federal Bankruptcy Code allows public bodies records to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.50 of the Local Finance Law contains specific authorization for any municipality in the State to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness.

(b) Loan Payable

The City received an Emergency Services Loan in the original amount of \$275,000 from New York State Division of Homeland Security and Emergency Services to assist in the purchase of a firetruck. Principle and interest is due annually in the amount of \$17,640 and carries an interest rate of 2.50%. The balance outstanding at July 31, 2025 was \$218,414.

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

(8) Long-term Debt, Continued

(b) Loan Payable, Continued

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

<u>Year Ending July 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 12,180	5,460	17,640
2027	12,485	5,155	17,640
2028	12,797	4,843	17,640
2029	13,117	4,523	17,640
2030	13,445	4,195	17,640
2031 - 2035	72,436	15,764	88,200
2036 - 2040	<u>81,954</u>	<u>6,246</u>	<u>88,200</u>
	\$ <u>218,414</u>	<u>46,186</u>	<u>264,600</u>

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

(c) Other Long-term Obligations

The value of compensated absences recorded in the government-wide financial statements at July 31, 2025, for governmental activities is \$4,019,929. This amount represents the value of accumulated sick and personal days for current City employees.

The City contributes to the ERS and PFRS. The Retirement System Liability is the result of the Contribution Stabilization Program which allows the City to pay a retirement bill over a number of years. There is no outstanding liability payable at July 31, 2025.

The value of the self-insured workers' compensation liability in the government-wide financial statements at July 31, 2025 for governmental activities is \$2,028,598. The City uses a service agent to administer the self-insured workers' compensation program. Claims incurred and claims paid during the year amounted to \$1,285,818 and \$1,559,545, respectively. The City purchases commercial insurance to limit liability to \$1,000,000 per each occurrence with a retention of \$750,000.

Net pension liabilities - proportionate share represents the City's proportionate share of its liabilities at July 31, 2025 amounting to \$16,457,637 relating to ERS and PFRS.

The City's total other postemployment benefit (OPEB) liability at July 31, 2025 amounted to \$58,065,778.

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

(9) Pension Plans

(a) Plan Descriptions and Benefits Provided

The City participates in ERS and PFRS which are collectively referred to as the New York State and Local Retirement System (the System). The System is a cost-sharing, multiple-employer defined benefit pension plan. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four-year term. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of State statute. The City also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. GLIP amounts are appointed to and included in ERS. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found at www.osc.state.ny.us/retirement/financial-statements-and-supplementary-information.

The System is noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute between 3% and 6% of their salary for their entire length of service. 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 31st.

(b) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Pensions

At July 31, 2025, the City reported a liability of \$2,441,286 and \$14,016,351 for its proportionate share of the ERS and PFRS pension liabilities, respectively. The total net pension liabilities were measured as of March 31, 2025, and the total pension liabilities used to calculate each net pension liability was determined by an actuarial valuation as of April 1, 2024. The City's proportion of each net pension liability was based on projections of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating members, actuarially determined.

At March 31, 2025, the City's proportionate share of the net ERS liability was 0.0142385%, and 0.2306512% of the net PFRS liability. The City's proportionate share of the net ERS liability and the net PFRS liability increased (decreased) 0.0008922 and (0.0115795), respectively, from the March 31, 2024 measurement date.

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

(9) Pension Plans, Continued

(b) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Pensions, Continued

For the year ended July 31, 2025, the City recognized pension expense of \$546,881 for ERS, and \$3,357,295 for PFRS in the statement of activities. At July 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources:

	<u>ERS</u>		<u>PFRS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 605,944	28,583	4,668,661	-
Changes of assumptions	102,383	-	2,104,715	-
Net difference between projected and actual investment earnings on pension plan investments	191,536	-	538,743	-
Changes in proportion and differences between the City's contributions and proportionate share of contributions	132,947	89,640	466,838	842,128
City's contributions subsequent to the measurement date	<u>256,756</u>	<u>-</u>	<u>1,163,000</u>	<u>-</u>
Total	\$ <u>1,289,566</u>	<u>118,223</u>	<u>8,941,957</u>	<u>842,128</u>

Deferred outflows of resources related to the pensions resulting from the City's contributions subsequent to the measurement date will be recognized a reduction of the net pension liabilities in the year ending July 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pensions will be recognized in pension expense as follows:

<u>Year ending July 31,</u>	<u>ERS</u>	<u>PFRS</u>
2026	\$ 439,310	3,595,453
2027	645,416	2,141,527
2028	(205,204)	44,638
2029	35,065	852,461
2030	<u>-</u>	<u>302,750</u>
	\$ <u>914,587</u>	<u>6,936,829</u>

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

(9) Pension Plans, Continued

(c) Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation 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 following actuarial assumptions:

Inflation	2.9%
Salary increases	4.3% in ERS, 6.0% in PFRS
Investment rate of return (net of investment expense, including inflation)	5.9%
Cost of living adjustments	1.5%

Demographic assumptions used in the April 1, 2024 actuarial valuation are based on the results of an actuarial experience study completed April 1, 2020. Demographic assumptions are primarily based on System experience over the period April 1, 2015 - March 31, 2020. Annuitant mortality rates are adjusted to incorporate mortality improvements under the Society of Actuaries' Scale MP-2021.

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

<u>Asset Class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Domestic equity	25%	3.54%
International equity	14%	6.57%
Private equity	15%	7.25%
Real estate	12%	4.95%
Opportunistic/ARS portfolio	3%	5.25%
Credit	4%	5.40%
Real assets	4%	5.55%
Fixed income	22%	2.00%
Cash	<u>1%</u>	0.25%
	<u>100%</u>	

* The real rate of return is net of the long-term inflation assumption of 2.9%.

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

(9) Pension Plans, Continued

(d) Discount Rate

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

(e) Sensitivity of the Proportionate Share of the Net Pension Liabilities to the Discount Rate

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

	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
City's proportionate share of the ERS pension asset (liability)	\$ (7,065,389)	(2,441,286)	1,419,843
City's proportionate share of the PFRS pension asset (liability)	(29,554,069)	(14,016,351)	(1,192,199)
	\$ (36,619,458)	(16,457,637)	<u>227,644</u>

(f) Pension Plan Fiduciary Net Position

The components of the current-year net pension liabilities of the participating employers as of the measurement date were as follows:

	Dollars in Millions		
	ERS	PFRS	Total
Employers' total pension liability	\$ (358,600)	(48,718)	(407,318)
Plan net position	<u>230,454</u>	<u>42,641</u>	<u>273,095</u>
Employers' net pension liability	\$ (128,146)	<u>(6,077)</u>	<u>(134,223)</u>
Ratio of plan net position to the employers' total pension liability	93.08%	87.53%	92.16%

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

(9) Pension Plans, Continued

(g) Contributions to the Pension Plans

System employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of July 31, 2025 represent the projected employer contribution for the period of April 1, 2025 through July 31, 2025 based on paid System wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of July 31, 2025 amounted to \$1,419,756. This amount has been recorded as a liability in the governmental fund statements and in the statement of net position. Retirement contributions paid to ERS and PFRS for the year ended July 31, 2025 were \$615,262 and \$3,033,309, respectively.

(10) Other Postemployment Benefits (OPEB)

(a) Plan Description and Benefits Provided

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

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

(b) Employees Covered by Benefit Terms

At November 5, 2025, the following employees were covered by the benefit terms:

Active plan participants	164
Retired and surviving spouses	158
Retiree spouses covered	<u>85</u>
Total	<u>407</u>

(c) Total OPEB Liability

The City's total OPEB liability of \$58,065,778 was measured as of April 30, 2025 and was determined by an actuarial valuation as of April 30, 2023 with update procedures to roll forward the total OPEB liability to the measurement date.

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

(10) Other Postemployment Benefits (OPEB), Continued

(d) Actuarial Assumptions and Other Inputs

The total OPEB liability in the April 30, 2025 measurement was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	4.54%
Salary increases	3.30%
Healthcare cost trend rate	5.30%, decreasing to ultimate trend rate of 3.71%

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

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

(e) Changes in the Total OPEB Liability

Total OPEB liability as of July 31, 2024	\$ 50,953,445
Changes for the year:	
Service cost	1,081,733
Interest on total OPEB liability	2,049,012
Difference between expected and actual experience	8,029,371
Changes of assumptions or other inputs	(1,745,898)
Benefit payments	<u>(2,301,885)</u>
Total changes	<u>7,112,333</u>
Total OPEB liability as of July 31, 2025	\$ <u>58,065,778</u>

(f) Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.54%) or 1-percentage point higher (5.54%) than the current discount rate:

	1% Decrease (3.54%)	Discount Rate (4.54%)	1% Increase (5.54%)
Total OPEB liability	\$ <u>65,686,651</u>	<u>58,065,778</u>	<u>51,788,724</u>

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

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

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ <u>51,060,795</u>	<u>58,065,778</u>	<u>66,796,045</u>

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

(10) Other Postemployment Benefits, Continued

(h) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended July 31, 2025, the City recognized OPEB expense of \$(507,540). At July 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 8,123,895	4,961,904
Changes of assumptions or other inputs	-	5,828,958
Contributions subsequent to the measurement date	<u>581,795</u>	<u>-</u>
Total	\$ <u>8,705,690</u>	<u>10,790,862</u>

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

<u>Year ending</u>	
2026	\$ (905,412)
2027	(905,412)
2028	(947,812)
2029	(921,834)
2030	274,270
Thereafter	<u>739,233</u>
	\$ <u>(2,666,967)</u>

(11) Interfund Activity

The following is a summary of interfund activity as of and for the year ended July 31, 2025:

	<u>Amount receivable</u>	<u>Amount payable</u>	<u>Transfers in</u>	<u>Transfers out</u>
General fund	\$ 917,440	3,972,141	1,864,929	1,751,014
Refuse fund	1,034,627	1,330,076	27,843	-
Special grant	-	8	-	-
Capital projects fund	3,524,987	146,062	1,723,171	1,864,929
Dental benefit fund	<u>194,739</u>	<u>223,506</u>	<u>-</u>	<u>-</u>
Totals	\$ <u>5,671,793</u>	<u>5,671,793</u>	<u>3,615,943</u>	<u>3,615,943</u>

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

(12) Deferred Inflows of Resources

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

	Governmental activities statement of <u>net position</u>	Balance sheet governmental <u>funds</u>
Tax revenue	\$ -	2,034,617
State aid	4,600,000	4,600,000
Grants	1,161,000	1,161,000
User fees - refuse	216,858	216,858
Other	41,916	105,418
Pensions	960,351	-
OPEB	<u>10,790,862</u>	<u>-</u>
	<u>\$ 17,771,587</u>	<u>8,118,493</u>

(13) Contingencies

The City is named as a defendant in various lawsuits and claims. At July 31, 2025, those matters either cannot be estimated due to early stages of the filing or are immaterial for disclosure purposes.

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

(14) Accounting Standards Issued But Not Yet Implemented

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

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

Statement No. 104 - Disclosure of Certain Capital Assets. Effective for years beginning after June 15, 2025.

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

(15) Certain Risk Disclosures

(a) Concentration - Workforce Covered by Collective Bargaining Agreements

The City's workforce has collective bargaining agreements which dictate employment terms including payroll and related expenditures as well as benefits. The following is a summary of the City's significant collective bargaining agreements:

<u>Collective bargaining units</u>	<u>Expiration date</u>
Lackawanna Police Benevolent Association	July 31, 2025
Fire Fighters Association	July 31, 2025

(b) Constraints

(i) Limitations on Raising Revenue

The City's ability to raise revenue through property taxes is subject to Article VIII of the New York State Constitution and the Real Property Tax Law, including the property tax levy limit (tax cap) imposed by Chapter 97 of the Laws of 2011. The annual increase in the property tax levy cannot exceed the lesser of 2% or change in the consumer price index, unless approved by a 60% supermajority of the City Council and must enact a local law.

(ii) Limitations on Spending

Expenditures must be authorized in accordance with the annual budget adopted by the City, pursuant to New York State General Municipal Law (GML) and local charter provisions. The City may not incur expenditures in excess of appropriations, except for legally authorized emergency expenditures.

(iii) Limitations on the Incurrence of Debt

The City is subject to a constitutional debt limit, which is 7% of the average full valuation of taxable real estate with the City over the last five years. The limit cannot be override without New York State Legislature approval.

(16) Subsequent Events

The City has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

CITY OF LACKAWANNA, NEW YORK
Required Supplementary Information
Schedule of Revenue, Expenditures and Changes in Fund Balance -
Budget to Actual - General Fund
Year ended July 31, 2025

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenue:				
Real property taxes	\$ 13,617,062	13,617,062	13,777,899	160,837
Real property tax items	692,835	692,835	985,027	292,192
Nonproperty tax items	8,330,000	8,330,196	8,729,577	399,381
Departmental income	348,627	348,627	362,491	13,864
Use of money and property	336,595	336,595	595,032	258,437
Licenses and permits	98,493	98,493	321,090	222,597
Fines and forfeitures	415,000	415,000	447,181	32,181
Sale of property and compensation for loss	427,750	485,100	275,679	(209,421)
Miscellaneous	14,000	61,465	231,674	170,209
State aid	7,379,924	7,558,228	7,624,663	66,435
Federal aid	102,044	728,580	887,387	158,807
Total revenue	<u>31,762,330</u>	<u>32,672,181</u>	<u>34,237,700</u>	<u>1,565,519</u>
Expenditures:				
General government support	3,098,552	3,437,030	3,176,181	260,849
Public safety	13,246,441	13,590,367	13,199,704	390,663
Transportation	3,249,229	4,169,950	3,038,543	1,131,407
Culture and recreation	794,893	846,850	765,672	81,178
Home and community services	50,000	50,000	40,463	9,537
Employee benefits	11,715,070	13,137,385	11,309,185	1,828,200
Debt service:				
Principal	621,883	621,883	621,883	-
Interest	131,834	406,834	392,977	13,857
Total expenditures	<u>32,907,902</u>	<u>36,260,299</u>	<u>32,544,608</u>	<u>3,715,691</u>
Excess (deficiency) of revenue over expenditures	<u>(1,145,572)</u>	<u>(3,588,118)</u>	<u>1,693,092</u>	<u>5,281,210</u>
Other financing sources (uses):				
Operating transfers in	-	-	1,864,929	1,864,929
Operating transfers out	-	(1,442,691)	(1,751,014)	(308,323)
Total other financing sources (uses)	<u>-</u>	<u>(1,442,691)</u>	<u>113,915</u>	<u>1,556,606</u>
Change in fund balance	<u>\$ (1,145,572)</u>	<u>(5,030,809)</u>	1,807,007	<u>6,837,816</u>
Fund balance at beginning of year			<u>10,738,921</u>	
Fund balance at end of year			<u>\$ 12,545,928</u>	

CITY OF LACKAWANNA, NEW YORK
 Required Supplementary Information
 Schedule of Revenue, Expenditures and Changes in Fund Balance -
 Budget to Actual - Refuse Fund
 Year ended July 31, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue:				
Departmental income	\$ 1,935,734	1,935,734	2,058,346	122,612
Use of money and property	52,000	52,000	2,082	(49,918)
Miscellaneous	<u>6,500</u>	<u>6,500</u>	<u>5,170</u>	<u>(1,330)</u>
Total revenue	<u>1,994,234</u>	<u>1,994,234</u>	<u>2,065,598</u>	<u>71,364</u>
Expenditures:				
Home and community services	1,509,166	1,509,166	1,621,232	(112,066)
Employee benefits	<u>512,911</u>	<u>512,911</u>	<u>494,145</u>	<u>18,766</u>
Total expenditures	<u>2,022,077</u>	<u>2,022,077</u>	<u>2,115,377</u>	<u>(93,300)</u>
Excess of expenditures over revenue	(27,843)	(27,843)	(49,779)	(21,936)
Other financing sources - operating transfers in	<u>27,843</u>	<u>27,843</u>	<u>27,843</u>	<u>-</u>
Change in fund balance	<u>\$ -</u>	<u>-</u>	(21,936)	<u>(21,936)</u>
Fund balance (deficit) at beginning of year			<u>(463,038)</u>	
Fund balance(deficit) at end of year			<u>\$ (484,974)</u>	

CITY OF LACKAWANNA, NEW YORK
 Required Supplementary Information
 Schedule of City's Proportionate Share of the Net Pension Asset/Liability
 Year ended July 31, 2025

<u>ERS</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
The City's proportion of the net pension asset (liability)	0.0142385%	0.0133463%	0.0141495%	0.0124544%	0.0122962%	0.0128118%	0.0126578%	0.0139677%	0.0133157%	0.0137573%
The City's proportionate share of the net pension asset (liability)	\$ (2,441,286)	(1,965,110)	(3,036,243)	1,018,096	(12,244)	(3,392,626)	(896,841)	(450,801)	(1,251,176)	(2,178,881)
The City's covered payroll	\$ 4,458,223	4,383,946	4,405,422	3,576,868	3,792,513	3,679,440	3,424,202	3,462,942	3,650,821	3,556,411
The City's proportionate share of the net pension asset (liability) as a percentage of covered payroll	54.76%	44.83%	68.92%	28.46%	0.32%	92.20%	26.19%	13.02%	34.27%	61.27%
Plan fiduciary net position as a percentage of the total pension liability	93.08%	93.88%	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%
<u>PFRS</u>										
The City's proportion of the net pension asset (liability)	0.2306512%	0.2422307%	0.2166232%	0.2224732%	0.2184996%	0.2051925%	0.2227669%	0.2133836%	0.2158040%	0.2180314%
The City's proportionate share of the net pension asset (liability)	\$ (14,016,351)	(11,488,579)	(11,936,963)	(1,263,747)	(3,793,757)	(10,967,412)	(3,735,942)	(2,156,789)	(4,472,866)	(6,455,445)
The City's covered payroll	\$ 9,228,246	10,001,249	8,211,059	8,481,629	7,845,654	7,808,938	7,920,582	7,793,700	7,352,610	7,204,108
The City's proportionate share of the net pension asset (liability) as a percentage of covered payroll	151.89%	114.87%	145.38%	14.90%	48.35%	140.45%	47.17%	27.67%	60.83%	89.61%
Plan fiduciary net position as a percentage of the total pension liability	87.53%	89.72%	87.43%	98.66%	95.79%	84.86%	95.09%	96.93%	93.50%	90.20%

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

CITY OF LACKAWANNA, NEW YORK
 Required Supplementary Information
 Schedule of City's Pension Contributions
 Year ended July 31, 2025

<u>ERS</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 615,262	557,069	633,423	601,776	574,603	558,587	536,876	528,506	551,111	691,383
Contribution in relation to the contractually required contribution	<u>615,262</u>	<u>557,069</u>	<u>633,423</u>	<u>601,776</u>	<u>574,603</u>	<u>558,587</u>	<u>536,876</u>	<u>528,506</u>	<u>551,111</u>	<u>691,383</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>								
City's covered payroll	\$ 4,458,223	4,383,946	4,405,422	3,576,868	3,792,513	3,679,440	3,424,202	3,462,942	3,650,821	3,556,411
Contribution as a percentage of covered payroll	13.80%	12.71%	14.38%	16.82%	15.15%	15.18%	15.68%	15.26%	15.10%	19.44%
 <u>PFRS</u>										
Contractually required contribution	\$ 3,033,309	2,802,936	2,271,350	2,468,607	1,938,298	1,855,672	1,797,126	1,832,206	1,703,226	1,369,841
Contribution in relation to the contractually required contribution	<u>3,033,309</u>	<u>2,802,936</u>	<u>2,271,350</u>	<u>2,468,607</u>	<u>1,938,298</u>	<u>1,855,672</u>	<u>1,797,126</u>	<u>1,832,206</u>	<u>1,703,226</u>	<u>1,369,841</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>								
City's covered payroll	\$ 9,228,246	10,001,249	8,211,059	8,481,629	7,845,654	7,808,938	7,920,582	7,793,700	7,352,610	7,204,108
Contribution as a percentage of covered payroll	32.87%	28.03%	27.66%	29.11%	24.71%	23.76%	22.69%	23.51%	23.16%	19.01%

CITY OF LACKAWANNA, NEW YORK
 Required Supplementary Information
 Schedule of Changes in the City's Total OPEB Liability and Related Ratios
 July 31, 2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability:								
Service cost	\$ 1,081,733	1,281,267	1,501,289	2,097,988	1,873,459	2,286,239	1,471,700	1,380,729
Interest on total OPEB liability	2,049,012	2,032,138	2,100,899	1,505,643	2,156,441	2,731,011	2,609,036	2,377,170
Changes in benefit terms	-	-	-	(3,393)	-	-	-	897,951
Differences between expected and actual experience	8,029,371	(2,593,376)	(5,520,412)	2,622,251	(14,351,334)	(16,034,056)	(4,322,303)	3,765,675
Changes of assumptions or other inputs	(1,745,898)	(2,388,190)	(3,096,218)	(12,929,011)	9,538,334	6,046,995	12,935,303	102,349
Benefit payments	<u>(2,301,885)</u>	<u>(2,292,456)</u>	<u>(2,287,869)</u>	<u>(2,271,257)</u>	<u>(2,289,413)</u>	<u>(2,309,982)</u>	<u>(2,192,836)</u>	<u>(1,976,294)</u>
Net change in total OPEB liability	7,112,333	(3,960,617)	(7,302,311)	(8,977,779)	(3,072,513)	(7,279,793)	10,500,900	6,547,580
Total OPEB liability - beginning	<u>50,953,445</u>	<u>54,914,062</u>	<u>62,216,373</u>	<u>71,194,152</u>	<u>74,266,665</u>	<u>81,546,458</u>	<u>71,045,558</u>	<u>64,497,978</u>
Total OPEB liability - ending	<u>\$58,065,778</u>	<u>50,953,445</u>	<u>54,914,062</u>	<u>62,216,373</u>	<u>71,194,152</u>	<u>74,266,665</u>	<u>81,546,458</u>	<u>71,045,558</u>
Covered payroll	<u>\$12,659,156</u>	<u>11,794,926</u>	<u>10,819,950</u>	<u>9,845,826</u>	<u>9,518,393</u>	<u>9,897,666</u>	<u>9,588,903</u>	<u>9,309,615</u>
Total OPEB liability as a percentage of covered payroll	458.7%	432.0%	507.5%	631.9%	748.0%	750.3%	850.4%	763.1%

Note to schedule:

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

<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
4.54%	4.12%	3.77%	3.42%	2.12%	2.92%	3.35%	3.71%

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

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lackawanna, New York (the City), as of and for the year ended July 31, 2025, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 23, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

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.

Purpose of This Report

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

EFPR Group, CPAs, PLLC

Williamsville, New York
January 23, 2026

CITY OF LACKAWANNA, NEW YORK
Federal Grant Compliance Audit
July 31, 2025

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Lackawanna, New York's (the City), compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on the City's major federal program for the year ended July 31, 2025. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended July 31, 2025.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

EFPR Group, CPAs, PLLC

Williamsville, New York
January 23, 2026

CITY OF LACKAWANNA, NEW YORK
Schedule of Expenditures of Federal Awards
Year ended July 31, 2025

<u>Federal Grantor/Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Pass-through Grantor and Number</u>	<u>Expenditures</u>	<u>Expenditures to Subrecipients</u>
U.S. Department of Agriculture - Passed through Lackawanna City School District, New York - Summer Food Service Program for Children	10.559	N/A	\$ 74,692	-
U.S. Department of Housing and Urban Development- Passed through the County of Erie, New York - Community Development Block Grants/Entitlement Grants	14.218	N/A	39,539	-
U.S. Department of Justice:				
Public Safety Partnership and Community Policing Grants	16.710	N/A	23,253	-
Equitable Sharing Program	16.922	NY0140200	149,362	-
Total U.S. Department of Justice			172,615	-
U.S. Department of Treasury - COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	626,536	-
U.S. Department of Homeland Security:				
Passed through New York Division of Homeland Security and Emergency Services - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-4480-NY	13,544	-
Assistance to Firefighters Grant	97.044	EMW-2022-FG-00836	543,034	-
Total U.S. Department of Homeland Security			556,578	-
Total Expenditures of Federal Awards			\$ 1,469,960	-

See accompanying notes to schedule of expenditures of federal awards.

CITY OF LACKAWANNA, NEW YORK
Notes to Schedule of Expenditures of Federal Awards
July 31, 2025

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Lackawanna, New York (the City) under programs of the Federal government for the year ended July 31, 2025. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position and changes in financial position of the City.

(2) Summary of Significant Accounting Policies

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

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

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

(3) Indirect Costs

Indirect costs are included in the reported expenditures to the extent that such costs are included in the Federal financial reports used as the source for the data presented. The de minimis election allows the City to allocate 10% of indirect costs to grants with periods ending on or before September 30, 2025 and 15% of indirect costs to grants with periods after September 30, 2025. The City does not use the de minimis election.

(4) Subrecipients

No amounts were provided to subrecipients.

CITY OF LACKAWANNA, NEW YORK
 Schedule of Findings and Questioned Costs
 Year ended July 31, 2025

Part I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

- | | |
|--|----------------------------------|
| Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| Internal control over financial reporting: | |
| 1. Material weakness(es) identified? | ___ Yes <u> x </u> No |
| 2. Significant deficiency(ies) identified? | ___ Yes <u> x </u> None reported |
| 3. Noncompliance material to financial statements noted? | ___ Yes <u> x </u> No |

Federal Awards:

- | | |
|--|----------------------------------|
| Internal control over major programs: | |
| 4. Material weakness(es) identified? | ___ Yes <u> x </u> No |
| 5. Significant deficiency(ies) identified? | ___ Yes <u> x </u> None reported |

- | | |
|--|-----------------------|
| Type of auditors' report issued on compliance for major programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) (Uniform Guidance)? | ___ Yes <u> x </u> No |

- | | |
|---|-----------------------|
| 7. The City's major program audited was: | Assistance Listing |
| <u>Name of Federal Program</u> | <u>Number</u> |
| COVID-19 Coronavirus State and Local Fiscal Recovery Funds | 21.027 |
| 8. Dollar threshold used to distinguish between Type A and Type B programs. | \$750,000 |
| 9. Auditee qualified as low-risk auditee? | ___ Yes <u> x </u> No |

Part II - FINANCIAL STATEMENT FINDINGS SECTION

No reportable findings.

Part III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No reportable findings.

CITY OF LACKAWANNA, NEW YORK

Status of Prior Year Audit Findings

July 31, 2025

2024-001: Required Financial Reporting

Condition - The City did not file their Annual Financial Report (AFR) with the Office of the New York State Comptroller (OSC) within the timeframe required by General Municipal Law §30 for the year ended July 31, 2024.

Status - The City submitted their AFR to OSC before the filing deadline for the year ended July 31, 2025. This finding is resolved.

APPENDIX B - NOTICE OF SALE

(Remainder of page intentionally left blank)

CITY OF LACKAWANNA
ERIE COUNTY, NEW YORK

(the "City")

\$13,865,000* CAPITAL IMPROVEMENT SERIAL BONDS, SERIES 2026

(the "Bonds")

NOTICE OF COMPETITIVE BOND SALE

SEALED PROPOSALS via BiDCOMP/PARITY® Electronic Bid Submission System ("BiDCOMP/PARITY"®) or, at the option of bidders, proposals delivered via facsimile transmission, will be received by the undersigned City Comptroller of the City of Lackawanna, Erie County, New York (the "City") at the Boston, Massachusetts office of Masterson Advisors LLC (the "Municipal Advisor"), Telephone No. (646) 483-4941, Fax: (713) 814-0551 on Wednesday, April 1, 2026 until 11:00 A.M., (Eastern Time) (the "Sale Date"), at which time and place they will be publicly opened and announced, for the purchase, in federal funds, at not less than par and accrued interest of \$13,865,000* Capital Improvement Serial Bonds, Series 2026 (the "Bonds"), to be dated their Date of Delivery, bearing interest from that date, starting November 1, 2026 and semiannually thereafter on May 1 and November 1 in each year to maturity. Such interest, calculated on a 30-day month and 360-day year basis, will be payable to the registered owners of the Bonds as shown on the registration books of the City as of the close of business on the Record Date, being the fifteenth calendar day of the month preceding the payment date of the Bonds. The Bonds will be payable in annual installments on November 1, in the annual principal installments as shown below:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2027	\$460,000	2037	\$690,000
2028	480,000	2038	720,000
2029	500,000	2039	745,000
2030	520,000	2040	775,000
2031	540,000	2041	810,000
2032	565,000	2042	840,000
2033	590,000	2043	875,000
2034	610,000	2044	910,000
2035	635,000	2045	950,000
2036	660,000	2046	990,000

The aggregate principal amount of the Bonds, the purchase price thereof and the principal amount of each maturity is subject to change depending upon the actual interest rate bid and the successful bidder's initial reoffering yield, in order to (i) meet the requirements of New York Local Finance Law and (ii) ensure the Bonds comply with applicable Federal tax law provisions. Accordingly, the City reserves the right, after selecting the lowest bidder, to adjust the par amount of the Bonds to the extent necessary to satisfy such requirements. However the City will not adjust the Revised Aggregate principal amount by more than 15%. The successful bidder may neither withdraw nor modify its bid as a result of any such post-bid adjustment. Any such adjustment shall be conclusive, shall be promptly communicated to the successful bidder, and shall be binding upon the successful bidder.

*Preliminary Subject to Change

The Bonds, as adjusted, will bear interest at the same interest rate as specified for that maturity in the Proposal for Bonds submitted by the successful bidder for the Bonds, and must have the same initial reoffering yield as thereafter specified by such bidder. Notwithstanding any post-bid adjustment and, provided the City will receive at the time of delivery of such Bonds an amount at least equal to the par amount (as the same may have been adjusted) of the Bonds, the City will hold constant, the successful bidder's underwriting spread with respect to such Bonds. However, the award shall be made to the bidder whose bid produces the lowest true interest cost rate solely on the basis of the Bonds offered, without taking into account any adjustment in the principal amount of the Bonds pursuant to this paragraph.

The Bonds stated to mature on or after November 1, 2037 shall be subject to redemption prior to maturity, at the option of the City, as a whole or in part, on or after November 1, 2036 from time to time, in any order of maturity or payment at a redemption price of 100% of the principal. If less than all of the Bonds of any maturity are to be redeemed, the particular Bonds of such maturity to be redeemed shall be selected by the City by lot in any customary manner of selection as determined by the City Comptroller. Notice of such call for redemption shall be given by transmitting such notice to the registered holder not more than sixty (60) or no less than thirty (30) days prior to such date. Notice of redemption having been given as aforesaid, the Bonds so called for redemption shall, on the date for redemption set forth in such call for redemption, become due and payable, together with interest to such redemption date, and interest shall cease to be paid thereon after such redemption date.

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

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

The Bonds will be issued pursuant to the Constitution and Laws of the State of New York, including among others, the Local Finance Law and the City Charter, and a pursuant to a bond resolution that was adopted by the City Council of the City on September 3, 2024, authorizing the issuance of up to \$15,250,000 of serial bonds for the construction of a new City Hall building (the "Project"). Proceeds of the Bonds along with City contributions, will be used to redeem and retire, in full, the outstanding bond anticipation note of the City that was issued on June 12, 2025. The remaining proceeds of the Bonds will pay for issuance costs.

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

BOOK-ENTRY-ONLY SYSTEM - The timely delivery of all proposals submitted by facsimile transmission (FAX) must be in legible and completed form, signed by an authorized representative of the bidder, and shall be the sole responsibility of the bidder. The City shall not be responsible for any errors

and/or delays in transmission and/or receipt of such bids, mechanical or technical failures or disruptions, or any omissions or irregularities in any bids submitted in such manner.

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

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

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

RATINGS — Moody’s Investors Service, Inc. has assigned ratings of “A1”, respectively, to the Bonds.

TYPES OF BIDS AND INTEREST RATES — Each proposal must be for all of the Bonds at an issue price no less than 100.300% of the Bonds total par value. Interest rates shall be bid in multiples of one-eighth (1/8) or one-twentieth (1/20) of one percent (1%). The rate or rates of interest per annum that the Bonds are to bear may vary, and different rates of interest may be stated for Bonds maturing in different calendar years; provided, however, that (i) only one rate of interest may be bid for all Bonds maturing in any one calendar year and (ii) the maximum difference between the highest and lowest rate of interest bid for the Bonds may not exceed three per centum, per annum. No interest rate shall exceed 5.00%. Interest rate for bonds maturing on or after November 1, 2037 must be at least 4.00%.

Unless all bids are rejected the Bonds of each series will be awarded to the bidder offering to purchase the Bonds of such series at the lowest true interest cost.

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

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

Prospective bidders wishing to submit electronic bids via Parity must be contracted customers of Parity. Prospective bidders who do not have a contract with Parity must call (212) 849-5023 to become a customer. By submitting an electronic bid for the Bonds, a bidder represents and warrants to the City that such bidder’s bid for the purchase of the Bonds is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the bidder to a legal, valid and enforceable contract for the purchase of the Bonds.

Each prospective bidder who wishes to submit electronic bids shall be solely responsible to register to bid via Parity. Each qualified prospective bidder shall be solely responsible to make necessary arrangements to access Parity for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the City nor Parity shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure such access to any qualified prospective bidder, and neither the City nor Parity shall be responsible for a bidder’s failure to register to bid or for proper operation of; or have any liability for any delays or interruptions of, or any damages caused by Parity. The City is using Parity as a communications mechanism, and not as the City’s agent, to conduct the electronic bidding for the City’s Bonds. The City is not bound by any advice or determination of Parity as to whether any bid complies with the terms of this Notice of Sale. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via Parity are the sole responsibility of the bidders, and the City is not responsible, directly or indirectly, for any such costs or expenses. If a prospective bidder encounters any difficulty in registering to bid, or submitting or modifying a bid for the Bonds, it should telephone Parity and notify the Municipal Advisor (provided that the City shall have no obligation to take any action whatsoever upon receipt of such notice).

If any provisions of this Notice of Sale shall conflict with information provided by Parity, as approved provider of electronic bidding services, the provisions of this Notice of Sale shall control. Further, information about Parity, including any fee charged, may be obtained from Parity at 212-849-5023. The time maintained by Parity shall constitute the official time with respect to all bids submitted

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

Award of the Bonds will be made without taking into consideration any adjustment to be made to the installments of principal or any reduction in the aggregate principal amount of the Bonds to

be made to ensure compliance with New York State Local Finance Law or applicable Federal tax law restrictions.

The Bonds will be delivered in Jersey City, New Jersey (through the facilities of DTC) or at such other place as may be agreed with the purchaser on or about April 14, 2026. The purchase price of the Bonds, in accordance with the purchaser's bid, shall be paid in Federal Funds or other funds available for immediate credit on such delivery date.

As a condition to a purchaser's obligation to accept delivery of and pay for the Bonds, such purchaser will be furnished, without cost, the following, dated as of the date of the delivery of and payment for the Bonds: (i) a certificate of the City Comptroller certifying that (a) as of the date of the Official Statement furnished by the City in relation to the Bonds, the Official Statement did not contain any untrue statements of material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, subject to the condition that while information in the Official Statement obtained from sources other than the City is not guaranteed as to accuracy, completeness or fairness, the City Comptroller has no reason to believe and does not believe that such information is materially inaccurate or misleading, and (b) to the City Comptroller's knowledge, since the date of the Official Statement, there have been no material transactions not in the ordinary course of affairs entered into by the City and no material adverse changes in the general affairs of the City or in its financial condition as shown in the Official Statement other than as disclosed in or contemplated by the Official Statement; (ii) a closing certificate, constituting a receipt for the Bond proceeds and a signature certificate, which will include a statement that no litigation is pending, or to the knowledge of the signers, threatened affecting the Bonds; (iii) a tax certificate and a nonarbitrage certificate executed on behalf of the City which will include, among other things, covenants, relating to compliance with the Code, with the owners of the Bonds that the City will, among other things, (a) take all actions on its part necessary to cause interest on the Bonds not to be includable in the gross income of the owners thereof for federal income tax purposes, including without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Bonds and investment earnings thereon, making required payments to the federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (b) refrain from taking any action which would cause interest on the Bonds to be includable in the gross income of the owners thereof for federal income tax purposes, including, without limitation, refraining from spending the proceeds of the Bonds and investment earnings thereon on certain specified purposes, and; (iv) the approving opinion of Bond Counsel to the effect that the Bonds are valid and legally binding general obligations of the City for which the City has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the City is subject to the levy of ad valorem real property taxes to pay the Bonds and interest thereon, without limitation as to rate or amount (subject to certain statutory limitations imposed by Chapter 97 of the 2011 Laws of New York). We observe that interest on the Bonds will be included in the adjusted financial statement income of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. Reference is made to the Official Statement for additional details under the heading: Inflation Reduction Act of 2022. Further reference should be made to the Official Statement for a description of the scope of Bond Counsel's engagement in relation to the issuance of the Bonds and the matters covered by such legal opinion.

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

bidder if the Competitive Sale Requirements were met, at the same time it notifies the winning bidder of the award of the Bonds. **Bids will not be subject to cancellation in the event that the Competitive Sale Requirements are not satisfied.**

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

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

(1) Hold the Price. The winning bidder:

- (a) will make a bona fide offering to the public of all of the Bonds at the Initial Reoffering Price and provide the City and Bond Counsel with reasonable supporting documentation, such as a copy of the pricing wire or equivalent communication, the form of which is acceptable to Bond Counsel,
- (b) will neither offer nor sell to any person any Bonds at a price that is higher, or a yield that is lower, than the Initial Reoffering Price until the earlier of (i) the date on which the winning bidder has sold to the public at least ten percent of such maturity of the Bonds at a price that is no higher, or a yield that is no lower, than the Initial Reoffering Price or (ii) the close of business on the 5th business day after the date of the award of the Bonds, and
- (c) has or will include within any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the winning bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, language obligating each underwriter to comply with the limitations on the sale of each maturity of the Bonds as set forth above.

(2) Follow the Price. The winning bidder:

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

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

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

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

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

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

The City will provide the final Official Statement via electronic transmission with respect to the Bonds (the "Official Statement") to the successful bidder within five (5) business days following receipt of a written request therefor made to the City and its Municipal Advisor. Such request may specify the applicable (a) offering price(s), (b) selling compensation, (c) rating(s), (d) credit enhancement and (e) identity and complete name of such bidder and any participating underwriters, and if so, the Official Statement will be modified or supplemented by the information so specified. Neither the City nor its Municipal Advisor shall be liable in any manner for any delay, inaccuracy, or omission on the part of the successful bidder with respect to such request, nor shall the City's failure, as a result thereof, to provide the Official Statement

(whether or not modified or supplemented) within the above time period, constitute cause for a failure or refusal by such bidder to accept delivery of and pay for the Bonds in accordance with the terms hereof.

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

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

March 25, 2026
Lackawanna, New York

Jacquelyn Raymond Dole
City Comptroller

**PROPOSAL FOR \$13,865,000* CAPITAL IMPROVEMENT SERIAL BONDS, SERIES 2026
City of Lackawanna, Erie County, New York**

Jacquelyn Raymond Dole, City Comptroller
City of Lackawanna
c/o Masterson Advisors LLC.
225 Franklin Street, Floor 26
Boston, Massachusetts 02110
Telephone: (646) 483-4941
Fax: (714) 814-0581

Sale Date: April 1, 2026
11:00 A.M., Eastern Time

Dated: April 14, 2026

Maturity Date: November 1, 2027-2046

Dear Ms. Dole:

For the **\$13,865,000* Capital Improvement Serial Bonds, Series 2026 (the "Bonds") of the City of Lackawanna, Erie County, New York**, that are the subject of the annexed Notice of Competitive Bond Sale, which is hereby made a part of this bid, we will pay \$13,865,000* plus a premium of \$_____ and accrued interest from dated date to date of delivery, provided that the Bonds maturing as set forth below shall bear interest in the indicated multiple(s) of 1/8th or 1/20th of one per centum (1%), from their dated date until maturity at the respective rates per annum stated in the following table:

Year of Maturity	Interest Rate	Year of Maturity	Interest Rate	Year of Maturity	Interest	Year of Maturity	Interest Rate
2027	_____ %	2032	_____ %	2038	_____ %	2043	_____ %
2028	_____ %	2033	_____ %	2039	_____ %	2044	_____ %
2029	_____ %	2034	_____ %	2040	_____ %	2045	_____ %
2030	_____ %	2035	_____ %	2041	_____ %	2046	_____ %
2031	_____ %	2036	_____ %	2042	_____ %		

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

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

Please select one of the following:**

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

Signature

Name

Address

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

Telephone Number

- Hold the price
- Follow the price

Fax Number

Email Address

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