

PRELIMINARY OFFICIAL STATEMENT

RENEWAL ISSUE

BOND ANTICIPATION NOTES

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). In the further opinion of Bond Counsel, interest on the Notes is not a specific preference item for purposes of the federal individual alternative minimum tax. Interest on the Notes included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel is also of the opinion that interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Notes. See "TAX MATTERS" herein.

The Notes will be deemed designated as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code.

\$1,649,100

**CITY OF HORNELL
STEBEN COUNTY, NEW YORK**

GENERAL OBLIGATIONS

**\$1,649,100 Bond Anticipation Notes, 2026 (Renewals)
(the "Notes")**



Dated: April 8, 2026

Due: April 8, 2027

The Notes are general obligations of the City of Hornell, Steuben County, New York, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, subject to applicable statutory limits imposed by Chapter 97 of the Laws of 2011 of the State of New York. See "NATURE OF OBLIGATION" and "TAX LEVY LIMITATION LAW" herein.

The Notes will not be subject to redemption prior to maturity. Interest will be calculated on a 30-day month and 360-day year basis, payable at maturity.

At the option of the purchaser, the Notes will be issued in (i) registered form registered in the name of the successful bidder or (ii) registered book-entry-only form registered to Cede & Co., as the partnership nominee for The Depository Trust Company, New York, New York ("DTC").

If the Notes are issued registered in the name of the purchaser, a single note certificate will be issued for those Notes of an issue bearing the same rate of interest in the aggregate principal amount awarded to such purchaser at such interest rate. Principal of and interest on such Notes will be payable in Federal Funds by the City.

If the Notes are issued in book-entry-only form, such notes will be delivered to DTC, which will act as securities depository for the Notes. Beneficial owners will not receive certificates representing their interest in the Notes. Individual purchases may be made in denominations of \$5,000 or integral multiples thereof, except for a necessary odd denomination which is or includes \$9,100. A single note certificate will be issued for those Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser at such interest rate. Principal of and interest on said Notes will be paid in Federal Funds by the City to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the beneficial owners of the Notes as described herein. Transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The City will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. (See "BOOK-ENTRY-ONLY SYSTEM" herein).

The Notes are offered when, as and if issued and received by the purchaser and subject to the receipt of the approving legal opinion as to the validity of the Notes of Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel. It is anticipated that the Notes will be available for delivery through the facilities of DTC located in Jersey City, New Jersey, or at such place as may be agreed upon with the purchaser, on or about April 8, 2026.

ELECTRONIC BIDS for the Notes must be submitted via Fiscal Advisors Auction website ("Fiscal Advisors Auction") accessible via www.fiscaladvisorsauction.com on March 25, 2026 until 11:00 A.M., Prevailing Time, pursuant to the Notice of Sale. No other form of electronic bidding services will be accepted. No bid will be received after the time for receiving bids specified above. Bids may also be submitted by facsimile at (315) 930-2354. Once the bids are communicated electronically via Fiscal Advisors Auction or facsimile to the City, each bid will constitute an irrevocable offer to purchase the Notes pursuant to the terms provided in the Notice of Sale.

March 19, 2026

THE CITY DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 ("THE RULE"), EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH 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. THE CITY WILL COVENANT IN AN UNDERTAKING TO PROVIDE NOTICE OF CERTAIN ENUMERATED EVENTS AS DEFINED IN THE RULE WITH RESPECT TO THE NOTES. SEE APPENDIX C, "MATERIAL EVENT NOTICES WITH RESPECT TO THE NOTES" HEREIN.

CITY OF HORNELL

STEUBEN COUNTY, NEW YORK

CITY OFFICIALS



HON. JOHN J. BUCKLEY

Mayor

COMMON COUNCIL

DAVID SUTFIN
CHRISTINA HANCOCK
JOSEPH MCKAY
STEVEN PECK
DANIEL WARRINER
LITA BROWN
KEVIN VALENTINE
JAMES M. BASSAGE
SHANNON DAVIS
JOHN CARBONE

MICHELE L. SMITH

City Chamberlain

HEATHER LISI

City Clerk

TIMOTHY ROSELL

City Attorney

MUNICIPAL ADVISOR



Fiscal Advisors & Marketing, Inc.
250 South Clinton Street, Suite 502
Syracuse, New York 13202
(315) 752-0051

BOND COUNSEL



Orrick, Herrington & Sutcliffe LLP
51 West 52nd Street
New York, New York 10019
(212) 506-5151

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

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PREPARED WITH THE ASSISTANCE OF



Fiscal Advisors & Marketing, Inc.
 250 South Clinton Street, Suite 502
 Syracuse, New York 13202
 (315) 752-0051
<http://www.fiscaladvisors.com>

**OFFICIAL STATEMENT
OF THE
CITY OF HORNELL
STEUBEN COUNTY, NEW YORK**

**Relating To
\$1,649,100 Bond Anticipation Notes, 2026 (Renewals)**

This Official Statement, which includes the cover page and Appendices, has been prepared by the City of Hornell, Steuben County, New York (the "City," "County," and "State," respectively) in connection with the sale by the City of \$1,649,100 Bond Anticipation Notes, 2026 (Renewals) (the "Notes").

The factors affecting the City's financial condition and the Notes are described throughout this Official Statement. Inasmuch as many of these factors, including economic and demographic factors, are complex and may influence the City's tax base, revenues, and expenditures, this Official Statement should be read in its entirety.

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

THE NOTES

Description of the Notes

The Notes are general obligations of the City, and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Notes as required by the Constitution and laws of the State (State Constitution, Art. VIII, Section 2; Local Finance Law, Section 100.00). All the taxable real property within the City is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, subject to applicable statutory limits imposed by Chapter 97 of the Laws of 2011 of the State of New York. See "NATURE OF OBLIGATION" and "TAX LEVY LIMITATION LAW" herein.

The Notes are dated April 8, 2026 and will mature, without option of prior redemption, on April 8, 2027.

The Notes will be issued in registered form at the option of the Purchaser either (i) requested in the name of the purchaser, in denominations of \$5,000 or integral multiples thereof except for one necessary odd denomination which is or includes \$9,100, or (ii) registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC") which will act as the securities depository for the Notes. See "BOOK-ENTRY-ONLY SYSTEM" herein.

No Optional Redemption

The Notes are not subject to redemption prior to maturity.

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Purpose of Issue

The Bond Anticipation Notes are issued pursuant to the Constitution and statutes of the State including among others, the Local Finance Law and various bond resolutions adopted by the City Council authorizing the issuance of serial bonds to finance the cost of various City improvements as follows:

Purpose	Authorization Date	Authorized Project Amount	Amount Outstanding	Principal Reduction	New Money	Amount to be Issued
Union Square Park Improvements	4/17/2023	1,306,980	259,500	73,600	-	185,900
DRI Projects	9/25/2023	4,250,000	2,350,000	1,910,000	-	440,000
Park Improvements	2/26/2024	1,437,450	1,133,200	110,000	-	1,023,200
Totals:		\$ 6,994,430	\$ 3,742,700	\$ 2,093,600	\$ -	\$ 1,649,100

The proceeds of the Notes, together with \$2,093,600 available funds of the City, will partially redeem and renew the outstanding \$3,742,700 bond anticipation notes for the above mentioned purposes.

NATURE OF THE OBLIGATION

Each of the Notes when duly issued and paid for will constitute a contract between the City and the holder thereof.

Holders of any series of notes or bonds of the City may bring an action or commence a proceeding in accordance with the civil practice law and rules to enforce the rights of the holders of such series of notes or bonds.

The Notes will be 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 as required by the Constitution and laws of the State. For the payment of such principal and interest, the City has power and statutory authorization to levy ad valorem taxes on all real property within the City subject to such taxation by the City, subject to applicable statutory limitations.

Although the State Legislature is restricted by Article VIII, Section 12 of the State Constitution from imposing limitations on the power to raise taxes to pay "interest on or principal of indebtedness theretofore contracted" prior to the effective date of any such legislation, the New York State Legislature may from time to time impose additional limitations or requirements on the ability to increase a real property tax levy or on the methodology, exclusions or other restrictions of various aspects of real property taxation (as well as on the ability to issue new indebtedness). On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the "Tax Levy Limitation Law"). The Tax Levy Limitation Law applies to local governments and school districts in the State (with certain exceptions) and imposes additional procedural requirements on the ability of municipalities and school districts to levy certain year-to-year increases in real property taxes.

Under the Constitution of the State, the City is required to pledge its faith and credit for the payment of the principal of and interest on the Notes and is required to raise real estate taxes, and without specification, other revenues, if such levy is necessary to repay such indebtedness. While the Tax Levy Limitation Law imposes a statutory limitation on the City's power to increase its annual tax levy with the amount of such increase limited by the formulas set forth in the Tax Levy Limitation Law, it also provides the procedural method to surmount that limitation. See "Tax Information - Tax Levy Limitation Law," herein.

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The Constitutionally-mandated general obligation pledge of municipalities and school districts in New York State 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 this is what the courts have held they mean... 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 and 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 (1976) case has held that the payment of debt service on outstanding general obligation bonds and notes takes precedence over fiscal emergencies and the police power of political subdivisions in New York State.

The pledge has generally been understood as a promise to levy property taxes without limitation as to rate or amount to the extent necessary to cover debt service due to language in Article VIII Section 10 of the Constitution which provides an exclusion for debt service from Constitutional limitations on the amount of a real property tax levy, insuring the availability of the levy of property tax revenues to pay debt service. As the Flushing National Bank (1976) Court noted, the term “faith and credit” in its context is “not qualified in any way.” Indeed, in Flushing National Bank v. Municipal Assistance Corp., 40 N.Y.2d 1088 (1977) the Court of Appeals described the pledge as a direct constitutional mandate. In Quirk v. Municipal Assistance Corp., 41 N.Y.2d 644 (1977), the Court of Appeals stated that, while holders of general obligation debt did not have a right to particular revenues such as sales tax, “with respect to traditional real estate tax levies, the bondholders are constitutionally protected against an attempt by the State to deprive the city of those revenues to meet its obligations.” According to the Court in Quirk, the State Constitution “requires the city to raise real estate taxes, and without specification other revenues, if such a levy be necessary to repay indebtedness.”

In addition, the Constitution of the State requires that every county, city, town, village, and school district in the State provide annually by appropriation for the payment of all interest and principal on its serial bonds and certain other obligations, and that, if at any time the respective appropriating authorities shall fail to make such appropriation, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. In the event that an appropriating authority were to make an appropriation for debt service and then decline to expend it for that purpose, this provision would not apply. However, the Constitution of the State does also provide that the fiscal officer of any county, city, town, village, or school district may be required to set apart and apply such first revenues at the suit of any holder of any such obligations.

In Quirk v. Municipal Assistance Corp., the Court of Appeals described this as a “first lien” on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in New York State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy to pay debt service on such obligations, but that such pledge may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues.

While the courts in New York State have historically been protective of the rights of holders of general obligation debt of political subdivisions, it is not possible to predict what a future court might hold.

BOOK-ENTRY-ONLY SYSTEM

DTC will act as securities depository for the Notes and the Notes, if book-entry-only format is chosen by the successful bidder. The Notes and the Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Notes. A fully-registered note certificate will be issued for each note bearing the same rate of interest and CUSIP number, and will be deposited with DTC.

DTC 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 110 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts 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 or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment, principal and interest to DTC is the responsibility of the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

Source: The Depository Trust Company.

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

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

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

Certificated Notes

DTC may discontinue providing its services with respect to the Notes at any time by giving notice to the City and discharging its responsibilities with respect thereto under applicable law, or the City may terminate its participation in the system of book-entry-only system transfers through DTC at any time. In the event that such book-entry-only system is discontinued, the following provisions will apply:

The Notes will be issued in registered form registered in the name of the Purchaser in denominations of \$5,000 or integral multiples thereof except for one necessary odd denomination which is or includes \$9,100. Principal of and interest on the Notes will be payable at the City. The Notes will remain not subject to redemption prior to their stated final maturity date.

THE CITY

General Information

The City, with a land area of 2.7 square miles, is located in an area of New York State known as the Southern Tier. This area is situated near the New York State – Pennsylvania State border. The Southern Tier is approximately equidistant from Boston, Montreal, Washington D.C. and Cleveland. The City is approximately 60 miles south of the City of Rochester, 60 miles west of the City of Ithaca, 50 miles northwest of the City of Elmira and 80 miles east of the City of Jamestown.

Major highways within and in close proximity to the City include Interstate #390, New York State Routes #17, #21, #36, #53 and #248.

Air transportation is provided by the Elmira-Corning Regional Airport, which is located 50 miles east of the City on New York State Route #17. Rail freight is provided by Conrail. Several bus companies serve the area with direct service to New York City, Buffalo, Rochester and various other communities.

Electric utility and natural gas services are provided by New York State Electric & Gas Corporation. Police protection is provided by City, County and State agencies. Fire protection is provided by the City's full-time Fire Department. Water and sewer facilities and refuse collection are provided by the City. Waste disposal is provided by the County.

The City, like many other local governments in upstate New York, continues to face inflationary pressures and broader economic challenges. However, thanks to a strong and steadily growing commercial base developed over the past decade, the City remains in a solid financial position. This growth has supported increases in sales tax revenue, allowing the City to maintain essential services and keep taxes stable despite ongoing economic headwinds.

Source: City officials.

Recent Economic Development

Alstom continues to grow and is working on multiple projects simultaneously. They have completed the process of building a bridge over the Canisteo River to accommodate a new mile long test track. This test track was constructed for the next generation high speed Acela line resulting from the \$2.5 billion Amtrak contract they were awarded several years ago. Alstom continues to add jobs, currently employing roughly 800 people, with more expected in the coming months. Alstom was recently awarded a \$1.8 billion Metra contract to replace the aging Chicago metropolitan area fleet. This contract calls for a base order of 200 cars to be built in Hornell with the option of 300 more. Alstom plans to hire an additional 250 employees which means more, good paying jobs for years to come. In preparation for the Metra contract, a new 150,000 square foot factory for new Car Shell manufacturing has been erected and is operational. An EDA Grant for \$3.4 million was awarded to assist Alstom in the construction of their new Car Shell manufacturing facility. Additionally, Alstom was awarded a 714-million-dollar Philadelphia trolley car contract. As Alstom grows, so do other businesses.

Transportation & Transit Associates (“TTA”) has expanded operations, and is adding more fulltime employees, welcoming nearly 40 new employees over the last several years. TTA was awarded \$460,000 from the State to build an addition to its facility. This addition has helped TTA with assembling high-speed bogies (trucks), part of the Alstom/Amtrak contract. In addition, the project includes moving and retooling several workstations, the tear down and new build of the wash/water test booth, installing new cranes, upgrading the loading dock and sandblast booth, and repairing areas of the facility and purchasing additional equipment and tooling and training new employees. TTA has committed nearly \$900,000 of its own resources on top of the \$460,000 from the State.

Industrial services manufacturer supplier, Strobels Supply, has completed its expansion project in the City of Hornell. Strobels received a \$200,000 capital grant from Empire State Development to help with this expansion which brought Strobels from the Town of Hornellsville to the City of Hornell. Strobels has been adding full-time jobs and now employ 36 workers.

Two new housing developments have completed construction. The Residences of Hornell, adjacent to the airport on newly annexed land, now offers 63 luxury apartments with attached garages. The Basset Group, which owns the Residences, has started to move forward with stages two, which is now under construction. This will add an additional living unit, and will include a community center. The other housing project is being undertaken by Riedman Corporation on Fairlawn Ave., and now offers 60 townhouses with attached garages. Both housing developments are nearly full.

Park Grove Realty was awarded \$1 million from the Restore-NY Communities Initiatives to develop the old Marion-Rohr building into 20 multi-family loft apartments. Park Grove completed this project in June 2021 with all units already full. This project along with Basset and Riedman will help address the lack of market rate housing in the City. The Marion-Rohr project will reflect a \$6 million investment in the City. Park Grove has also purchased the former Bryant School and repurposed the building into 39 work force housing apartment units. Construction on this project is wrapped up in September of 2023 and all living units are full.

Indus Hospitality Group has built a new business-class Hampton Inn on state Route 36 just north of the Hornell Plaza. The hotel features 78 units, adding to the City’s lodging capacity. This project was completed in the fall with the help of a CDBG grant of roughly \$600,000 for FF&E. This project is expected to create between 25-30 jobs and represents a more than \$12 million investment in the City. The Hampton Inn will be Hornell’s first business class hotel with amenities such as a cocktail lounge, outdoor seating, fitness center, pool and more.

Economic development in the Maple City continues to stay in high gear as the City of Hornell Industrial Development Agency has several projects in development.

The City of Hornell Industrial Development Agency has acquired roughly 8 acres of vacant land for the purpose of developing the site and adding traditional single-family homes to add meet the increasing demand on housing stock.

The City’s Business Improvement District’s director is focused on helping and promoting local businesses.

The City was awarded a \$10 million Downtown Revitalization Initiative (“DRI”) grant in Fall 2019 by the State. See below for updates on each municipal project:

- Main Street enhancements – Complete
- Alleyway improvements at various locations - Complete
- Downtown wayfinding at various locations – Complete
- Public Art – Ongoing
- Hornell Community Arts Center – in design phase
- Union Square Park – Completed fall 2023

The City also completed a roughly \$1.8 million project at Veteran’s Memorial Park at James Street in 2024 which included the following:

- 2 new tennis courts
- 6 new pickleball courts
- New basketball courts
- New lighting
- New playground equipment
- New splashpad
- Renovations to the pool house
- New park benches and trash receptacles
- New tree plantings

Source: Mayor’s Office.

Population Trends

<u>Year</u>	<u>City of Hornell</u>	<u>Steuben County</u>	<u>New York State</u>
1980	10,234	99,135	17,558,072
1990	9,877	99,081	17,990,455
2000	9,019	98,726	18,976,457
2010	8,563	98,990	19,378,102
2020	8,263	93,584	20,201,249
2024 (estimate)	8,078	92,015	19,867,248

Source: U.S. Census Bureau, Population Estimates Program (PEP)

Major Employers

Some of the major employers located within and/or surrounding the City are as follows:

<u>Employer</u>	<u>Type</u>	<u>Approximate Number of Employees</u>
Alstom, Inc.	Transportation	800
Alfred State College	Higher Education	550
Alfred University	Higher Education	488
Hornell City School District	Education	482
NYS Dept. Transportation	State Government Department	399
St. James Mercy Hospital	Health Care	356
The Gunlocke Company	Furniture Manufacturing	340
Wegmans	Grocery/Retail	320
Walmart	Retail	195
City of Hornell	Government	157

Source: City officials.

Selected Wealth and Income Indicators

Per capita income statistics are available for the City, County and State. Listed below are select figures from the 2006-2010, 2016-2020 and 2020-2024 Census reports.

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>2006-2010</u>	<u>2016-2020</u>	<u>2020-2024</u>	<u>2006-2010</u>	<u>2016-2020</u>	<u>2020-2024</u>
City of:						
Hornell	\$ 19,938	\$ 23,069	\$ 29,000	\$ 44,021	\$ 60,021	\$ 70,987
County of:						
Steuben	23,279	30,844	37,718	52,867	68,744	88,154
State of:						
New York	30,948	40,898	50,712	67,405	87,270	106,873

Note: 2021-2025 American Community Survey estimates are not available as of the date of this Official Statement.

Source: U.S. Census Bureau, 2006-2010, 2016-2020, and 2020-2024 5-Year American Community Survey.

Unemployment Rate Statistics

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

	<u>Annual Averages</u>							
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Steuben County	5.6%	4.8%	4.3%	7.8%	5.0%	3.6%	3.8%	3.9%
New York State	4.6	4.1	3.9	9.8	7.1	4.3	4.1	4.3

	<u>2025 Monthly Figures</u>											
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
Steuben County	5.0%	5.2%	4.5%	3.2%	2.9%	3.2%	3.7%	3.9%	3.9%	N/A	4.0%	4.3%
New York State	4.6	4.3	4.1	3.7	3.5	3.8	4.6	4.7	4.7	N/A	4.5	4.4

Note: Certain unemployment rates for the month of October 2025, January and February 2026, and annual averages for 2025 are not available as of the date of this Official Statement.

Source: State of New York, Department of Labor. (Note: Figures not seasonally adjusted).

Form of City Government

The governing board of the City is the Common Council, comprised of an elected Mayor and ten Aldermen elected from their respective wards. The Mayor and the City Chamberlain are each elected for a four-year term. The Aldermen are elected for a two-year term and the City Attorney is appointed by the Common Council.

Financial Organization

The City Chamberlain is the Chief Fiscal Officer of the City, and is responsible for the receiving and collecting of funds. It is the responsibility of the City Chamberlain to disburse and account for all financial transactions.

Budgetary Procedures

On the first day of February in each year, department heads submit their tentative departmental budgets to the Common Council for the fiscal year commencing the following April 1. The Common Council has the power to reduce any estimate submitted to them.

After public hearings are conducted to obtain taxpayer comments, the Common Council adopts the budget no later than March 31 of each year. A notice of the original estimates, along with revisions, is published in the official newspaper. The budget is not subject to voter approval.

The City voted to override its tax cap for the 2019 through 2026 fiscal years.

State Aid

The City receives financial assistance from the State. In its General Fund budget for the 2026 fiscal year, approximately 17.1% of the revenues of the City are estimated to be received 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 State aid levels will be maintained in the future. In view of the State's continuing budget problems, future State aid reductions are likely. State budgetary restrictions, which eliminate or substantially reduce State aid could have a material adverse effect upon the City requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures.

Should the City fail to receive State aid expected from the State in the amounts and at the times expected, occasioned by a delay in the payment of such monies or by a mid-year reduction in State aid, the City is authorized by the Local Finance Law to provide operating funds by borrowing in anticipation of the receipt of uncollected State aid.

The table below illustrates the percentage of total revenues of the City for each of the below completed fiscal years as well the budgeted figures for the 2025-2026 fiscal years comprised of State aid.

<u>Fiscal Year</u>	<u>Total Revenues</u> ⁽¹⁾	<u>Total State Aid</u>	<u>Percentage of Total Revenues Consisting of State Aid</u>
2020-2021	\$ 13,618,585	\$ 2,266,402	16.64%
2021-2022	14,501,174	2,468,118	17.02
2022-2023	16,139,265	2,657,235	16.46
2023-2024	16,472,743	2,763,165	16.77
2024-2025	17,043,764	2,851,961	16.73
2025-2026 (Budgeted)	17,096,362	2,923,943	17.10

⁽¹⁾ General Fund only. Does not include inter-fund transfers.

Source: Audited financial reports and adopted budget for the 2025-2026 fiscal year. This table is not audited.

Employees

The City provides services through approximately 103 full-time and 55 part-time employees, 76 of which are represented by five labor organizations. Membership of each and expiration dates are as follows:

<u>Union</u>	<u>Approximate Number of Employees</u>	<u>Contract Expiration Dates</u>
City of Hornell Building Association	8	March 31, 2029
City of Hornell Police Benevolent Association	21	March 31, 2029
City of Hornell Fire Association	22	March 31, 2027
DPW	18	March 31, 2027
Water and Wastewater	7	March 31, 2029

Source: City officials.

Status and Financing of Employee Pension Benefits

Substantially all employees of the City are members of the New York State and Local Employees' Retirement System ("ERS") or the New York State and Local Police and Fire Retirement System ("PFRS"; with ERS, the "Retirement Systems"). The ERS is generally also known as the "Common Retirement Fund". The Retirement Systems are cost-sharing multiple public employer retirement systems. The obligation of employers and employees to contribute and the benefit to employees are governed by the New York State Retirement System and Social Security Law (the "Retirement System Law"). The Retirement Systems 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 had vested after ten years of credited service; however, this was changed to five years as of April 9, 2022. 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 ERS is non-contributory with respect to members hired prior to July 27, 1976 (Tier 1 & 2); members hired from July 27, 1976 through December 31, 2009 (Tier 3 & 4) contribute 3% for the first 10 years of service and then become non-contributory; members hired from January 1, 2010 through March 31, 2012 (Tier 5) must contribute 3% for their entire careers; members hired April 1, 2012 (Tier 6) or after will contribute between 3 and 6 percent for their entire careers based on their annual wage.

The PFRS is non-contributory with respect to members hired prior to January 8, 2010 (Tier 1, 2 & 3); members hired from January 9, 2010 through March 31, 2012 (Tier 5) must contribute 3% for their entire careers; members hired April 1, 2012 (Tier 6) or after will contribute between 3 and 6 percent for their entire careers based on their annual wage.

For both ERS & PFRS, Tier 5 provides for:

- Raising the minimum age at which most civilians can retire without penalty from 55 to 62 and imposing a penalty of up to 38% for any civilian who retires prior to age 62.
- Requiring employees to continue contributing 3% of their salaries toward pension costs so long as they accumulate additional pension credits.
- Increasing the minimum years of service required to draw a pension from 5 years to 10 years, which has since been changed to 5 years as of April 9, 2022.
- Capping the amount of overtime that can be considered in the calculation of pension benefits for civilians at \$15,000 per year, and for police & firefighters at 15% of non-overtime wages.

For both ERS & PFRS, Tier 6 provides for:

- Increase contribution rates of between 3% and 6% base on annual wage.
- Increase in the retirement age from 62 years to 63 years.
- A readjustment of the pension multiplier.
- The time period for final average salary calculation is 3 years.
- Tier 6 employees will vest in the system after five years of employment and will continue to make employee pension contributions throughout employment.

The City's payments to the Retirement System for the past five fiscal years, and budgeted payment for fiscal year ending 2026, are as follows:

<u>Year</u>	<u>ERS</u>	<u>PFRS</u>
2021	\$ 344,445	\$ 788,333
2022	353,618	972,670
2023	258,213	865,018
2024	320,206	896,394
2025	406,043	1,052,745
2026 (Budgeted)	478,602	1,231,326

Pursuant to various laws enacted between 1991 and 2002, the State Legislature authorized local governments to make available certain early retirement incentive programs to its employees. The City does not have any early retirement incentives outstanding.

The City did not amortize the ERS & PFRS pension bill for the 2016-2026 fiscal years, and does not plan to amortize in the foreseeable future.

Historical Trends and Contribution Rates. Historically there has been a State mandate requiring full (100%) funding of the annual actuarially required local governmental contribution out of current budgetary appropriations. With the strong performance of the Retirement System in the 1990s, the locally required annual contribution declined to zero. However, with the subsequent decline in the equity markets, the pension system became underfunded. As a result, required contributions increased substantially to 15% to 20% of payroll for the employees' and the police and fire retirement systems, respectively. Wide swings in the contribution rate resulted in budgetary planning problems for many participating local governments.

A chart of average ERS and PFRS rates (2022 to 2027) is shown below:

<u>Year</u>	<u>ERS</u>	<u>PFRS</u>
2022	16.2%	28.3%
2023	11.6	27.0
2024	13.1	27.8
2025	15.2	31.2
2026	16.5	33.7
2027	17.6	36.5

Chapter 49 of the Laws of 2003 amended the Retirement and Social Security Law and Local Finance Law. The amendments empowered the State Comptroller to implement a comprehensive structural reform program that establishes a minimum contribution for any employer equal to 4.5% of pensionable salaries for required contributions due December 15, 2003 and for all years thereafter where the actual rate would otherwise be 4.5% or less. In addition, it instituted a billing system that will advise employers over one year in advance concerning actual pension contribution rates.

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

Stable Rate Pension Contribution Option. The 2013-14 Adopted State Budget included a provision that authorized local governments, including the City, with the option to “lock-in” long-term, stable rate pension contributions for a period of years determined by the State Comptroller and ERS and PFRS. The pension contribution rates under this program would reduce near-term payments for employers, but require higher than normal contributions in later years.

The City is not participating in the Stable Rate Pension Contribution Option nor does it intend to do so in the foreseeable future.

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

Other Post-Employment Benefits

Healthcare Benefits. It should also be noted that the City provides post-retirement healthcare benefits to various categories of former employees. These costs may rise substantially in the future. Accounting rule, GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB"), requires governmental entities, such as the City, to account for post-retirement healthcare benefits with respect to vested pension benefits. GASB 45 is now fully implemented for all government entities.

OPEB. Other Post-Employment Benefits ("OPEB") refers to "other post-employment benefits," meaning other than pension benefits, disability benefits and OPEB consist primarily of health care benefits, and may include other benefits such as disability benefits and life insurance. Until now, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements.

GASB 75. In 2015, the GASB released new accounting standards for public other postemployment benefits (OPEB) plans and participating employers. These standards, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"), have substantially revised the valuation and accounting requirements previously mandated under GASB Statements No. 43 and 45. For the fiscal year ended December 31, 2018, the City implemented GASB 75. The implementation of this statement requires municipalities to report Other Post-Employment Benefits ("OPEB") liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. GASB Statement No. 75 replaced GASB Statement 45, which also required municipalities to calculate and report a net other postemployment benefit obligation. However, under GASB 45 municipalities could amortize the OPEB liability over a period of years, whereas GASB 75 requires municipalities to report the entire OPEB liability on the statement of net position.

Summary of Changes from the Last Valuation. The City contracted with Burke Group to calculate its OPEB liability under GASB 75. Prior valuations performed under GASB 45 guidelines have not been restated and are not reflected in historic exhibits. The following outlines the changes to the Total OPEB Liability for the fiscal years ended 2024 and 2025, by source.

	Balance beginning at April 1:	2023	2024
<u>Changes for the year:</u>		\$ 9,646,482	\$ 10,578,534
Service cost		284,397	281,915
Interest		385,791	391,768
Differences between expected and actual experience		294,326	1,369,316
Changes in assumptions or other inputs		372,725	(489,809)
Changes of benefit terms		-	-
Contributions - Employer		-	-
Benefit payments		(405,187)	(468,733)
Net Changes		\$ 932,052	\$ 1,084,457
	Balance ending at March 31:	2024	2025
		\$ 10,578,534	\$ 11,662,991

Source: Audited Financial Statements of the City. The above table is not audited. For additional information regarding the City's OPEB liability, see "APPENDIX - E" attached hereto.

Actuarial valuation will be required every 2 years for OPEB plans with more than 200 members, every 3 years if there are fewer than 200 members.

There is no authority in current State law to establish a trust account or reserve fund for this liability. The City has reserved \$0 towards its OPEB liability. The City funds this liability on a pay-as-you-go basis.

Financial Statements

The City retains an independent certified public accountant firm for a continuous independent audit of all financial transactions of the City. The last audited financial report completed is for the period ending March 31, 2025 and is attached hereto as "APPENDIX – E". Certain financial information of the City may be found in the Appendices to this Official Statement.

The City complies with the Uniform System of Accounts as prescribed for cities in New York State by the State Comptroller. This system differs from generally accepted accounting principles 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).

Beginning with the fiscal year ending December 31, 2003 the City was required to issue its financial statements in accordance with GASB Statement No. 34. This statement includes reporting of all assets including infrastructure and depreciation in the Government Wide Statement of Activities, as well as a Management's Discussion and Analysis. The City is in compliance with Statement No. 34.

New York State Comptroller Reports of Examination

The State Comptroller's office ("OSC"), i.e., the Department of Audit and Control, periodically performs a compliance review to ascertain whether the City has complied with the requirements of various State and Federal statutes. These audits can be found by visiting the Audits of Local Governments section of the Office of the State Comptroller website. State Comptroller audits of the City that have been published in the past five years are summarized below.

The OSC released an audit report of the City on April 8, 2022. The purpose of the audit was to determine whether the City's Common Council (Council) provided sufficient oversight of the Business Improvement District (BID) to ensure it operated in accordance with the BID Plan (Plan).

Key Findings:

The Council did not provide sufficient oversight of the BID and the Plan lacked sufficient detail to allow City officials to adequately monitor the use of BID funds. As a result, the Council cannot evaluate the BID's effectiveness in achieving program goals or ensure the appropriate use of BID funds.

The Council did not:

- Enter into a written agreement with the district management association (Association).
- Monitor the manner in which the Association used BID funds, resulting in revenues of at least \$3,915 that were unaccounted for and 138 questionable disbursements by the Association's Executive Director (Executive Director) totaling \$24,955.

Based upon OSC audit findings and a subsequent investigation, the Executive Director of the Association was arrested in January 2020 and charged with Grand Larceny in the Fourth Degree and Falsifying Business Records in the First Degree. On January 7, 2022, the Executive Director pled guilty to Grand Larceny in the Fourth Degree and was ordered to pay \$1,711 in restitution.

Key Recommendations:

- Enter into a written agreement with the Association for services to be provided and monitor BID financial operations.

City officials generally agreed with OSC recommendations and indicated they planned to initiate corrective action. A copy of the complete report and the City's response can be found via the website of the Office of the New York State Comptroller.

There are no other State Comptroller's audits of the City currently in progress or pending release at this time.

Note: Reference to website implies no warranty of accuracy of information therein, and the website is not incorporated herein by reference.

The State Comptroller’s Fiscal Stress Monitoring System

The New York State Comptroller has reported that New York State’s school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller has developed a Fiscal Stress Monitoring System (“FSMS”) to provide independent, objectively measured and quantifiable information to school district and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State’s school districts and municipalities are operating.

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

The reports of the State Comptroller for the 2019-2020 through the 2023-2024 fiscal years of the City are as follows:

<u>Fiscal Year Ending In</u>	<u>Stress Designation</u>	<u>Fiscal Score</u>
2024	No Designation	0.0
2023	No Designation	0.0
2022	No Designation	0.0
2021	No Designation	3.3
2020	No Designation	16.3

Note: The fiscal stress score for the fiscal year ended March 31, 2025 has not been calculated as of the date of this Official Statement.

For additional details regarding the Fiscal Stress Monitoring System visit the State Comptroller’s official website.

Source: Website of the Office of the New York State Comptroller. Reference to websites implies no warranty of accuracy of information therein, nor inclusion herein by reference.

Other Information

The statutory authority for the power to spend money for the objects or purposes is the Charter of the City, the General City Law and the Local Finance Law.

The City is in compliance with the procedure for validation with respect to the Notes as provided in Title 6 of Article 2 of the Local Finance Law.

No principal or interest upon any obligation of this City is past due.

The fiscal year of the City is April 1 through March 31.

Except for as shown under “STATUS OF INDEBTEDNESS – Estimated Overlapping Indebtedness”, this Official Statement does not include the financial data of any political subdivision having power to levy taxes within the City.

TAX INFORMATION

Taxable Valuations

<u>Fiscal Year Ending March 31:</u>	<u>2021-2022</u>	<u>2022-2023</u>	<u>2023-2024</u>	<u>2024-2025</u>	<u>2025-2026</u>
Assessed Valuation	\$ 307,230,873	\$ 311,026,514	\$ 314,490,854	\$ 317,192,326	\$ 319,887,896
New York State Equalization Rate	100.00%	96.50%	95.00%	91.00%	85.00%
Total Taxable Full Valuation	\$ 307,230,873	\$ 322,307,268	\$ 331,043,004	\$ 348,562,996	\$ 376,338,701

Source: City officials.

Tax Rate Per \$1,000 (Assessed)

<u>Fiscal Year Ending March 31:</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
General City	\$ 13.01	\$ 13.26	\$ 13.52	\$ 13.45	\$ 13.45

Source: City officials.

Tax Levy and Tax Collection Record

<u>Fiscal Year Ending March 31:</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Tax Levy ⁽¹⁾	\$ 4,171,587	\$ 4,320,604	\$ 4,453,592	\$ 4,479,988	\$ 4,519,887
Uncollected ⁽²⁾	224,793	390,167	539,997	435,054	415,531 ⁽³⁾
% Uncollected	5.39%	9.03%	12.12%	9.71%	9.19%

(1) Includes City and BID Levy less adjustments to tax roll.

(2) See "Tax Collection Procedure" herein.

(3) Uncollected as of February 27, 2026.

Source: City officials.

Tax Collection Procedure

Steuben County prepares the levy, tax rolls and billings for the City's real property taxes. On April 1 of each year, or upon receipt of the tax warrant, property taxes become a lien on the property. Tax payments are due within 30 days of delivery of the tax warrant without penalty; a 1% penalty is added for taxes paid the next fifteen days; 2% for the next 15 days; 6% for the next 15 days; 8% for the next 15 days and 10% thereafter. The City returns unpaid City taxes on March 15 to the Steuben County Treasurer for collection. The Steuben County Treasurer will collect the unpaid taxes and penalties on behalf of the city, and pay the City the whole amount due within one year.

The City collects property taxes for Steuben County. The Steuben County Legislature prepares its levy in late December of each year and the taxes become due January 1. The tax roll is returned to the Steuben County Commissioner of Finance on April 1, at which time all unpaid taxes and penalties are payable to that office. The City has no further liability for collection of County taxes.

The City also collects property taxes for the Hornell City School District. School taxes are levied on October 1 each year. The County of Steuben assumes full enforcement responsibility for taxes levied by the Hornell City School District on properties within the City.

Constitutional Tax Margin

Computation of Constitutional Tax Margin for fiscal years ending March 31, 2024 through 2026:

<u>Fiscal Year Ending December 31:</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Five Year Average Full Valuation.....	\$ 296,997,442	\$ 309,380,457	\$ 322,251,448
Tax Limit - (2%).....	5,939,949	6,187,609	6,445,029
Add: Exclusions from Tax Limit.....	872,888	888,168	1,215,928
Total Tax Power.....	\$ 6,812,837	\$ 7,075,777	\$ 7,660,957
Less: Total Levy.....	4,453,592	4,479,988	4,519,887
Constitutional Tax Margin.....	<u>\$ 2,359,245</u>	<u>\$ 2,595,789</u>	<u>\$ 3,141,070</u>

Source: City officials.

Ten Larger Taxpayers – 2025 Assessment Roll for 2025-26 City Tax Roll

<u>Name</u>	<u>Type</u>	<u>Assessed Valuation</u>
Walmart/Wegmans	Shopping Center	\$ 23,250,000
NYSEG	Utility	11,281,951
Lowe’s Home Center	Home Center	9,900,000
National Fuel	Utility	6,547,581
Biotek, LLC	Vacant Properties	4,635,100
Community Bank, NA	Bank	4,212,900
LLC Walgreens	Shopping Center	2,969,000
Pennsylvania Lines	Railroad	2,787,579
Hornell RRC, LLC	Shopping Center	2,709,000
Maple City Lodging	Motel	2,356,000

The ten largest taxpayers listed above have a total assessed valuation of \$70,649,111 which represents approximately 18.77% of the City’s taxable assessed valuation for the 2025-2026 fiscal year.

As of the date of this Official Statement, the City currently has pending or outstanding tax certioraris that could have a material impact on the City. Seneca Street LLC, not listed above, is seeking to reduce its assessment from \$2,025,000 to \$600,000.

Sales Tax

The City receives quarterly sales tax payments from Steuben County, and scheduled sales tax payments from New York State. The total City receipts since 2021 are as follows:

<u>Fiscal Year Ending March 31,</u>	<u>Amount Collected</u>
2021	\$ 3,782,792
2022	4,507,013
2023	4,916,340
2024	4,691,228
2025	4,752,020
2026 (Budgeted)	4,415,000
2026 (Collected as of February 27, 2026)	3,028,857

Source: City officials.

Additional Tax Information

Real property located in the City is assessed by the City.

Veterans and senior citizens' exemptions are offered to those who qualify.

The estimated total annual property tax bill of a \$100,000 market value residential property located in the City is approximately \$3,720 including County, City and City School District taxes.

The City assessment roll is estimated to be constituted as follows: 49.26% residential, 26.92% commercial, 7.23% industrial, and 16.59% other.

TAX LEVY LIMITATION LAW

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the "Tax Levy Limitation Law"). The Tax Levy Limitation Law applies to virtually all local governments, including school districts (with the exception of New York City, Yonkers, Syracuse, Rochester and Buffalo, the latter four of which are indirectly affected by applicability to their respective city). 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. It was set to expire on June 15, 2020, however it was made permanent by subsequent legislation. 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 due to 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 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 Law (June 24, 2011).

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.

STATUS OF INDEBTEDNESS

Constitutional Requirements

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

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

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

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose or, in the alternative (in the use of level debt service described below), the weighted average period of probable usefulness of the several purposes, for which it is contracted and in no event may this period exceed forty years. No installment may be more than fifty per centum in excess of the smallest prior installment unless the City authorizes and determines to issue debt amortizing on the basis of substantially level or declining annual debt service. The City is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and such required annual installments on its bonds and bond anticipation 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 or appropriations for current debt service. The constitutional method for determining full valuation is 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 Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined. Average full valuation is determined by taking the sum of the full valuation of the last completed 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 the Local Finance Law subject, of course, to the provisions set forth above. The power to spend money, however, generally derives from other law, including specifically the City Law and the General Municipal Law.

Pursuant to the Local Finance Law, the City authorizes the issuance of bonds by the adoption of a bond resolution approved by at least two-thirds of the members of the City Common Council, the finance board of the City. Customarily, the Common Council has delegated to the Director of Administration & Finance, as chief fiscal officer of the City, the power to authorize and sell bond anticipation notes in anticipation of authorized 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) Such obligations are authorized for a purpose for which the City is not authorized to expend money, or
- (2) There has not been substantial compliance with the provisions of law which should have been complied with in the authorization of such obligations and an action contesting such validity is commenced within twenty days after the date of such publication, or,
- (3) Such obligations are authorized in violation of the provisions of the Constitution.

Except on rare occasions the City complies with this estoppel procedure. It is a procedure that is recommended by Bond Counsel, but it is not an absolute legal requirement. This procedure will be complied with by the issue date of the Notes.

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

The Common Council, as the finance board of the City, has the power to enact bond resolutions. In addition, such finance board has the power to authorize the sale and issuance of obligations. However, such finance board may, and generally does, delegate the power to sell the obligations to the Director of Administration & Finance, the chief fiscal officer of the City, pursuant to the Local Finance Law.

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, and "Details of Outstanding Indebtedness" 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, tax and bond anticipation notes and budget notes (see "Details of Outstanding Indebtedness" herein).

Debt Outstanding End of Fiscal Year

<u>Fiscal Years Ending March 31:</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Serial Bonds	\$ 4,346,544	\$ 3,728,139	\$ 6,882,293	\$ 6,207,636	\$ 6,305,615
EFC Grid Note Payable ⁽¹⁾	3,940,000	3,947,399	1,357,142	2,076,689	3,766,961
Capital Leases ⁽²⁾	355,002	232,063	603,735	349,735	179,108
Bond Anticipation Notes	<u>2,350,000</u>	<u>2,785,000</u>	<u>2,072,094</u>	<u>2,852,980</u>	<u>8,885,326</u>
Totals	<u>\$ 10,991,546</u>	<u>\$ 10,692,601</u>	<u>\$ 10,915,264</u>	<u>\$ 11,480,000</u>	<u>\$ 19,137,010</u>

- (1) Represents New York State Environmental Facilities Corporation (“EFC”) Clean Water Facility Notes. See “New York State Environmental Facilities Corporation Loan Advances” herein.
- (2) Not general obligation debt but does count toward debt limit. See “Capital Leases” herein.

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the City evidenced by bonds and notes as of March 19, 2026:

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Amount</u>
<u>Bonds</u>	2026-2053	\$ 8,089,970
<u>EFC Clean Water Facility Note</u>		
EFC Project # C8-6801-06-00 (Sewer)	January 21, 2027	4,789,700
<u>Bond Anticipation Notes</u>		
Various City Projects	April 9, 2026	<u>3,742,700</u>
	Total	<u>\$ 16,622,370</u>

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Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of March 19, 2026:

Five-Year Average Full Valuation of Taxable Real Property	\$ 337,096,568
Debt Limit – 7% thereof.....	23,596,760

Inclusions:

Bonds	\$ 8,089,970
EFC Clean Water Facility Note (BANs):.....	4,789,700
Bond Anticipation Notes (BANs):	<u>3,742,700</u>
Total Inclusions prior to issuance of the Bonds and Notes ...	<u>16,622,370</u>
Less: BANs being redeemed from appropriations	(2,093,600)
Add: New money proceeds of the Notes.....	<u>0</u>
Total Net Inclusions after issuance of the Notes	<u>\$ 14,528,770</u>

Exclusions:

Appropriations ⁽¹⁾	\$ 0
Water Indebtedness ⁽²⁾	3,408,803
Sewer Indebtedness ⁽³⁾	<u>6,454,700</u>
Total Exclusions.....	<u>\$ 9,863,503</u>

Total Net Indebtedness	<u>\$ 4,665,267</u>
Net Debt-Contracting Margin.....	<u>\$ 18,931,493</u>
The percent of debt contracting power exhausted is.....	19.77%

- (1) Appropriations are excluded pursuant to Section 136.00 of the Local Finance Law.
- (2) Water Debt is excluded pursuant to Article VIII, Section 5B of the New York State Constitution.
- (3) Sewer Debt is excluded pursuant to Section 124.10 of the Local Finance Law. The City received a sewer exclusion from the Office of the State Comptroller on October 12, 2023.

Note: The debt statement does not include capital leases. See “Capital Leases” herein.

Bonded Debt Service

A schedule of bonded debt service may be found in “APPENDIX – B” to this Official Statement.

Cash Flow Borrowings

The City does not anticipate issuing any revenue anticipation notes or tax anticipation notes nor budget or deficiency notes in the foreseeable future.

Source: City officials.

New York State Environmental Facilities Corporation Loan Advances

On January 21, 2021, the City entered into an agreement with EFC for Project No. C8-6801-06-00 (the “Project”), authorizing the City to draw up to \$1,000,000 Short-Term Market Rate Financing (“SMRF”) and \$4,858,200 Short-Term Interest Free Hardship financing (“STIFF”), along with \$1,189,550 of Water Infrastructure Improvement (WIIA) grant funding. This project consists of planning, design and construction of a disinfection system and other wastewater treatment plant improvements. The City is obligated to repay the loans in annual principal installments in amounts and at times specified or determined in accordance with the Financing Agreement between the City and EFC, plus any accrued interest. To date, the City has drawn \$4,828,700 of STIFF, of which \$4,789,700 remains outstanding as of the date of this Official Statement. The City plans to convert the outstanding STIFF to long term financing through EFC in 2026.

Capital Project Plans

On August 25, 2025, the City adopted a resolution authorizing improvements to four existing wet wells and replacement of aging pumping equipment in the City sewer system at maximum cost of \$2,570,000.

Capital Leases

The City finances various equipment, machinery and vehicles through various lease purchase agreements. Payments under these leases are made monthly or annually in accordance with such agreements. The future minimum payments for these lease purchase agreements are as follows:

Year Ending <u>March 31st</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ <u>179,108</u>	\$ <u>8,287</u>
Total	\$ <u>179,108</u>	\$ <u>8,287</u>

Source: City officials. Tables are not audited.

Estimated Overlapping Indebtedness

In addition to the City, the following political subdivisions have the power to issue bonds and notes and to levy taxes or cause taxes to be levied on taxable real property in the City. Estimated bonds and bond anticipation notes are listed as of the close of the last fiscal year of the respective municipalities.

<u>Municipality</u>	<u>Status of Debt as of</u>	<u>Gross Indebtedness</u> ⁽¹⁾	<u>Estimated Exclusions</u>	<u>Net Indebtedness</u>	<u>District Share</u>	<u>Net Overlapping Indebtedness</u>
County of:						
Steuben	6/30/2024	\$ 2,822,293 ⁽²⁾	\$ - ⁽³⁾	\$ 2,822,293	4.80%	\$ 135,470
School District:						
Hornell	10/16/2025	32,850,000 ⁽²⁾	32,193,000 ⁽⁴⁾	657,000	67.47%	<u>443,278</u>
					Total:	<u>\$ 578,748</u>

- (1) Outstanding bonds and bond anticipation notes of the respective municipality. Not adjusted to include subsequent issuances, if any, from the date of the status of indebtedness stated in the table above for each respective municipality.
- (2) Gross indebtedness, exclusions, and net-indebtedness sourced from available annual financial information & operating data filings and/or official statements of the respective municipality.
- (3) Water debt, sewer debt and budgeted appropriations as applicable to the respective municipality. Water Indebtedness excluded pursuant to Article VIII, Section 5B of the New York State Constitution. Sewer Indebtedness excluded pursuant to Article VIII, Section 5E of the New York State Constitution, as further prescribed under section 124.10 of the Local Finance Law. Appropriations are excluded pursuant to Section 136.00 of the Local Finance Law.
- (4) Amount excluded represents State building aid on existing bonded indebtedness estimated to be received by the district pursuant to the Provisions of Chapter 760 of the Laws of New York State of 1963.

Debt Ratios

The following table sets forth certain ratios relating to the City's indebtedness as of March 19, 2026:

	<u>Amount</u>	<u>Per Capita</u> ^(a)	<u>Percentage of Full Value</u> ^(b)
Net Indebtedness ^(c)	\$ 4,665,267	\$ 577.53	1.24%
Net Indebtedness Plus Net Overlapping Indebtedness ^(d)	5,244,015	649.17	1.39

- (a) The City's 2024 estimated population is 8,078. (See "THE CITY – Population Trends" herein.)
- (b) The City's full valuation of taxable real estate for 2025-2026 City tax roll is \$376,338,701. (See "TAX INFORMATION - Taxable Valuations" herein.)
- (c) See "Debt Statement Summary" herein for the calculation of Net Direct Indebtedness.
- (d) The City's applicable share of net overlapping indebtedness is \$578,748. (See "Estimated Overlapping Indebtedness" herein.)

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

General Municipal Law Contract Creditors' Provision. Each Note when duly issued and paid for will constitute a contract between the City and the holder thereof. Under current law, provision is made for contract creditors of the City to enforce payments upon such contracts, if necessary, through court action. 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 on an amount adjudged due to a creditor shall not exceed nine per centum per annum from the date due to the date of payment. This provision might be construed to have application to the holders of the Notes in the event of a default in the payment of the principal of and interest on the Notes.

Execution/Attachment of Municipal Property. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment, although judicial mandates have been issued to officials to appropriate and pay judgments out of certain funds or the proceeds of a tax levy. 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.

Authority to File for Municipal Bankruptcy. The Federal Bankruptcy Code allows public bodies, such as the City, recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State or its emergency control board to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness.

The State has consented that any municipality in the State may file a petition with the United States District Court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness. Subject to such State consent, under the United States Constitution, Congress has jurisdiction over such matters and has enacted amendments to the existing federal bankruptcy statute, being Chapter 9 thereof, generally to the effect and with the purpose of affording municipal corporations, under certain circumstances, with easier access to judicially approved adjustment of debt including judicial control over identifiable and unidentifiable creditors.

No current state law purports to create any priority for holders of the Notes should the City be under the jurisdiction of any court, pursuant to the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness.

The rights of the owners of Notes to receive interest and principal from the City could be adversely affected by the restructuring of the City's debt under Chapter 9 of the Federal Bankruptcy Code. No assurance can be given that any priority of holders of debt obligations issued by the City to payment from monies retained in any debt service fund or from other cash resources would be recognized if a petition were filed by or on behalf of the City under the Federal Bankruptcy Code or pursuant to other subsequently enacted laws relating to creditors' rights; such monies might, under such circumstances, be paid to satisfy the claims of all creditors generally.

Under the Federal Bankruptcy Code, a petition may be filed in the Federal Bankruptcy court by a municipality which is insolvent or unable to meet its debts as they mature. Generally, the filing of such a petition operates as a stay of any proceeding to enforce a claim against the municipality. The Federal Bankruptcy Code also requires that a plan be filed for the adjustment of the municipality's debt, which may modify or alter the rights of creditors and which could be secured. Any plan of adjustment confirmed by the court must be approved by the requisite number of creditors. If confirmed by the bankruptcy court, the plan would be binding upon all creditors affected by it.

State Debt Moratorium Law. There are separate State law provisions regarding debt service moratoriums enacted into law in 1975.

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

As a result of the Court of Appeals decision in *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), 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 county, city, 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.

Right of Municipality or State to Declare a Municipal Financial Emergency and Stay Claims Under State Debt Moratorium Law. The State Legislature is authorized to declare by special act that a state of financial emergency exists in any county, city, town or village. (The provision does not by its terms apply to school districts or fire districts.) In addition, the State Legislature may authorize by special act establishment of an "emergency financial control board" for any county, city, town or village upon determination that such a state of financial emergency exists. Thereafter, unless such special act provides otherwise, a voluntary petition to stay claims may be filed by any such municipality (or by its emergency financial control board in the event said board requests the municipality to petition and the municipality fails to do so within five days thereafter). A petition filed in supreme court in county in which the municipality is located in accordance with the requirements of Title 6-A of the Local Finance Law ("Title 6-A") effectively prohibits the doing of any act for ninety days in the payment of claims, against the municipality including payment of debt service on outstanding indebtedness.

This includes staying the commencement or continuation of any court proceedings seeking payment of debt service due, the assessment, levy or collection of taxes by or for the municipality or the application of any funds, property, receivables or revenues of the municipality to the payment of debt service. The stay can be vacated under certain circumstances with provisions for the payment of amounts due or overdue upon a demand for payment in accordance with the statutory provisions set forth therein. The filing of a petition may be accompanied with a proposed repayment plan which upon court order approving the plan, may extend any stay in the payment of claims against the municipality for such "additional period of time as is required to carry out fully all the terms and provisions of the plan with respect to those creditors who accept the plan or any benefits thereunder." Court approval is conditioned, after a hearing, upon certain findings as provided in Title 6-A.

A proposed plan can be modified prior to court approval or disapproval. After approval, modification is not permissible without court order after a hearing. If not approved, the proposed plan must be amended within ten days or else the stay is vacated and claims including debt service due or overdue must be paid. It is at the discretion of the court to permit additional filings of amended plans and continuation of any stay during such time. A stay may be vacated or modified by the court upon motion of any creditor if the court finds after a hearing, that the municipality has failed to comply with a material provision of an accepted repayment plan or that due to a "material change in circumstances" the repayment plan is no longer in compliance with statutory requirements.

Once an approved repayment plan has been completed, the court, after a hearing upon motion of any creditor, or a motion of the municipality or its emergency financial control board, will enter an order vacating any stay then in effect and enjoining of creditors who accepted the plan or any benefits thereunder from commencing or continuing any court action, proceeding or other act described in Title 6-A relating to any debt included in the plan.

Title 6-A requires notice to all creditors of each material step in the proceedings. Court determinations adverse to the municipality or its financial emergency control board are appealable as of right to the appellate division in the judicial department in which the court is located and thereafter, if necessary, to the Court of Appeals. Such appeals stay the judgment or appealed from and all other actions, special proceedings or acts within the scope of Section 85.30 of Title 6-A pending the hearing and determination of the appeals.

Whether Title 6-A is valid under the Constitutional provisions regarding the payment of debt service is not known. However, based upon the decision in the *Flushing National Bank* case described above, its validity is subject to doubt.

While the State Legislature has from time to time adopted legislation in response to a municipal fiscal emergency and established public benefit corporations with a broad range of financial control and oversight powers to oversee such municipalities, generally such legislation has provided that the provisions of Title 6-A are not applicable during any period of time that such a public benefit corporation has outstanding indebtedness issued on behalf of such municipality.

Fiscal Stress and State Emergency Financial Control Boards. Pursuant to Article IX Section 2(b)(2) of the State Constitution, any local government in the State may request the intervention of the State in its “property, affairs and government” by a two-thirds vote of the total membership of its legislative body or on request of its chief executive officer concurred in by a majority of such membership. This has resulted in the adoption of special acts for the establishment of public benefit corporations with varying degrees of authority to control the finances (including debt issuance) of the cities of Buffalo, Troy and Yonkers and the County of Nassau. The specific authority, powers and composition of the financial control boards established by these acts varies based upon circumstances and needs. Generally, the State legislature has granted such boards the power to approve or disapprove budget and financial plans and to issue debt on behalf of the municipality, as well as to impose wage and/or hiring freezes and approve collective bargaining agreements in certain cases. Implementation is left to the discretion of the board of the public benefit corporation. Such a State financial control board was first established for New York City in 1975. In addition, on a certificate of necessity of the governor reciting facts which in the judgment of governor constitute an emergency requiring enactment of such laws, with the concurrences of two-thirds of the members elected in each house of the State legislature the State is authorized to intervene in the “property, affairs and governments” of local government units. This occurred in the case of the County of Erie in 2005. The authority of the State to intervene in the financial affairs of local government is further supported by Article VIII, Section 12 of the Constitution which declares it to be the duty of the State legislature to restrict, subject to other provisions of the Constitution, the power of taxation, assessment, borrowing money and contracting indebtedness and loaning the credit of counties, cities, towns and villages so as to prevent abuses in taxation and assessment and in contracting indebtedness by them.

In 2013, the State established a new state advisory board to assist counties, cities, towns and villages in financial distress. The Financial Restructuring Board for Local Governments (the “FRB”), is authorized to conduct a comprehensive review of the finances and operations of any such municipality deemed by the FRB to be fiscally eligible for its services upon request by resolution of the municipal legislative body and concurrence of its chief executive. The FRB is authorized to make recommendations for, but cannot compel improvement of fiscal stability, management and delivery of municipal services, including shared services opportunities and is authorized to offer grants and/or loans of up to \$5,000,000 through a Local Government Performance and Efficiency Program to undertake certain recommendations. If a municipality agrees to undertake the FRB recommendations, it will be automatically bound to fulfill the terms in order to receive the aid.

The FRB is also authorized to serve as an alternative arbitration panel for binding arbitration.

Although from time to time, there have been proposals for the creation of a statewide financial control board with broad authority over local governments in the State, the FRB does not have emergency financial control board powers to intervene such as the public benefit corporations established by special acts as described above.

Several municipalities in the State are presently working with the FRB. The City has not requested FRB assistance, nor does it reasonably expect to do so in the foreseeable future. School districts and fire districts are not eligible for FRB assistance.

Constitutional Non-Appropriation Provision. There is in the Constitution of the State, Article VIII, Section 2, the following provision relating to the annual appropriation of monies for the payment of due principal of and interest on indebtedness of every county, city, town, village and school district in the State: “If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness.” This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service, but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. See “General Municipal Law Contract Creditors’ Provision” herein.

The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

Default Litigation. In prior years, certain events and legislation affecting a holder's remedies upon default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of bondholders, such courts might hold that future events including financial crises as they may occur in the State and in political subdivisions of the State require the exercise by the State or its political subdivisions of emergency and police powers to assure the continuation of essential public services prior to the payment of debt service. See "Nature of Obligation" and "State Debt Moratorium Law" herein.

No Past Due Debt. No principal of or interest on City indebtedness is past due.

MARKET AND RISK FACTORS

There are various forms of risk associated with investing in the Notes. The following is a discussion of certain events that could affect the risk of investing in the Notes. In addition to the events cited herein, there are other potential risk factors that an investor must consider. In order to make an informed investment decision, an investor should be thoroughly familiar with the entire Official Statement, including its appendices, as well as all areas of potential risk.

The financial condition of the City as well as the market for the Notes could be affected by a variety of factors, some of which are beyond the City's control. There can be no assurance that adverse events in the State and in other jurisdictions in the country, 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 for the Notes. If a significant default or other financial crisis should occur in the affairs of the State or another jurisdiction, or any of their respective agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the City to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

The City is dependent in part on financial assistance from the State. However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes and revenues in order to pay State aid to municipalities and school districts in the State, including the City, in this year or future years, the City may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the City. In several recent years, 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 "THE CITY - State Aid").

There are a number of general factors which could have a detrimental effect on the ability of the City to continue to generate revenues, particularly property taxes. For instance, the termination of a major commercial enterprise or an unexpected increase in tax certiorari proceedings could result in a significant reduction in the assessed valuation of taxable real property in the City. Unforeseen developments could also result in substantial increases in City expenditures, thus placing strain on the City's financial condition. These factors may have an effect on the market price of the Notes.

If a holder elects to sell his investment prior to its scheduled maturity date, market access or price risk may be incurred. If and when a holder of any of the Notes should elect to sell a Bond prior to its maturity, there can be no assurance that a market shall have been established, maintained and be in existence for the purchase and sale of any of the Notes. Recent global financial crises have included limited periods of significant disruption. In addition, the price and principal value of the Notes is dependent on the prevailing level of interest rates; if interest rates rise, the price of a bond or note will decline, causing the bondholder or noteholder to incur a potential capital loss if such bond or note is sold prior to its maturity.

Amendments to U.S. Internal Revenue Code could reduce or eliminate the favorable tax treatment granted to municipal debt, including the Notes and other debt issued by the City. Any such future legislation would have an adverse effect on the market value of the Notes (See "Tax Exemption" herein).

The enactment of the Tax Levy Limitation Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts and have restrictions in the State, including the City without providing an exclusion for debt service on obligations issued by municipalities or fire districts, including the City, could have an impact upon the market price of the Notes. See "TAX LEVY LIMITATION LAW" herein.

Cybersecurity.

The City, like many other public and private entities, relies on technology to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the City faces multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. No assurances can be given that such security and operational control measures implemented would be completely successful to guard against cyber threats and attacks. The results of any such attack could impact business operations and/or damage City digital networks and systems and the costs of remedying any such damage could be substantial.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel is of the further opinion that interest on the Notes is not a specific preference item for purposes of the federal individual alternative minimum tax. Interest on the Notes included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in “APPENDIX – D”.

To the extent the issue price of any maturity of the Notes is less than the amount to be paid at maturity of such Notes (excluding amounts stated to be interest and payable at least annually over the term of such Notes), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Notes which is excluded from gross income for federal income tax purposes and exempt from State of New York personal income taxes. For this purpose, the issue price of a particular maturity of the Notes is the first price at which a substantial amount of such maturity of the Notes is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Notes accrues daily over the term to maturity of such Notes on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Notes to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Notes. Owners of the Notes should consult their own tax advisors with respect to the tax consequences of ownership of Notes with original issue discount, including the treatment of owners who do not purchase such Notes in the original offering to the public at the first price at which a substantial amount of such Notes is sold to the public.

Notes purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Notes”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Notes, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and an owner’s basis in a Premium Note, will be reduced by the amount of amortizable bond premium properly allocable to such owner. Owners of Premium Notes should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Bond Counsel is of the further opinion that the amount treated as interest on the Notes and excluded from gross income will depend upon the taxpayer’s election under Internal Revenue Notice 94-84. Notice 94-84, 1994-2 C.B. 559, states that the Internal Revenue Service (the “IRS”) is studying whether the amount of the stated interest payable at maturity on short-term debt obligations (i.e., debt obligations with a stated fixed rate of interest which mature not more than one year from the date of issue) that is excluded from gross income for federal income tax purposes should be treated (i) as qualified stated interest or (ii) as part of the stated redemption price at maturity of the short-term debt obligation, resulting in treatment as accrued original issue discount (the “original issue discount”). The Notes will be issued as short-term debt obligations. Until the IRS provides further guidance with respect to tax-exempt short-term debt obligations, taxpayers may treat the stated interest payable at maturity either as qualified stated interest or as includable in the stated redemption price at maturity, resulting in original issue discount as interest that is excluded from gross income for federal income tax purposes. However, taxpayers must treat the amount to be paid at maturity on all tax-exempt short-term debt obligations in a consistent manner. Taxpayers should consult their own tax advisors with respect to the tax consequences of ownership of Notes if the taxpayer elects original issue discount treatment.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. The Town has covenanted to comply with certain restrictions designed to ensure that interest on the Notes will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Notes being included in gross income for federal income

tax purposes possibly from the date of original issuance of the Notes. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Notes may adversely affect the value of, or the tax status of interest on, the Notes. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Notes.

Certain requirements and procedures contained or referred to in the Arbitrage Certificate, and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Notes) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Notes or the interest thereon if any such change occurs or action is taken or omitted.

Although Bond Counsel is of the opinion that interest on the Notes is excluded from gross income for federal income tax purposes and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), the ownership or disposition of, or the amount, accrual or receipt of interest on, the Notes may otherwise affect an owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the owner or the owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Notes to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Notes. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Notes for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Town, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Town has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Notes ends with the issuance of the Notes, and, unless separately engaged, Bond Counsel is not obligated to defend the Town or the owners regarding the tax-exempt status of the Notes in the event of an audit examination by the IRS. Under current procedures, owners would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Town legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Notes for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Notes, and may cause the Town or the owners to incur significant expense.

Payments on the Notes generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate owner of Notes may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Notes and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Notes. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against an owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Notes are subject to the approving legal opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Bond Counsel expects to deliver such opinion at the time of issuance of the Notes substantially in the form set forth in "APPENDIX – D" hereto.

LITIGATION

The City is subject to a number of lawsuits in the ordinary conduct of its affairs. The City does not believe, however, that such suits, individually or in the aggregate, are likely to have a material adverse effect on the financial condition of the City.

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

CONTINUING DISCLOSURE

In order to assist the purchasers in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12” or the “Rule”), the City will enter into an Undertaking to provide notice of certain enumerated events as described in Rule 15c2-12 with respect to the Notes, the form, substantially of which, is attached hereto as “APPENDIX – C”.

Historical Compliance

The City has maintained compliance, in all material respects, within the last five years with all previous undertakings made pursuant to the Rule.

MUNICIPAL ADVISOR

Fiscal Advisors & Marketing, Inc. (the "Municipal Advisor"), is a municipal advisor, registered with the SEC and the MSRB. The Municipal Advisor serves as independent financial advisor to the City on matters relating to debt management. The Municipal Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Notes. The advice on the plan of financing and the structuring of the Notes was based on materials provided by the City and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the City or the information set forth in this Official Statement or any other information available to the City with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement. The fees to be paid by the City to the Municipal Advisor are partially contingent on the successful closing of the Notes.

CUSIP IDENTIFICATION NUMBERS

It is anticipated that CUSIP (an acronym that refers to Committee on Uniform Security Identification Procedures) identification numbers will be printed on the Notes. All expenses in relation to the printing of CUSIP numbers on the Notes will be paid for by the City; provided, however, the City assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers.

RATINGS

The Notes are not rated.

Moody's Investors Service, Inc. ("Moody's") has assigned its rating of "A2" to the City's outstanding general obligation bonds. A rating reflects only the view of the rating agency assigning such rating, and any explanation of the significance of such rating may be obtained from Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich St., New York, New York 10007. Phone: (212) 553-0038, Fax: (212) 553-1390.

Generally, rating agencies base their ratings on the information and materials furnished to it and on investigations, studies and assumptions by the respective rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of the rating of the outstanding bonds may have an adverse effect on the market price of the outstanding bonds and Notes.

MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion or estimates whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the holders of the Notes.

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. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the City's files with the repositories. When used in City documents or oral presentation, the words "anticipate", "estimate", "expect", "objective", "projection", "forecast", "goal", or similar words are intended to identify forward-looking statements.

To the extent any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holder of the Notes.

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

References herein to the Constitution of the State and various State and federal laws are only brief outlines of certain provisions thereof and do not purport to summarize or describe all of such provisions.

Concurrently with the delivery of the Notes, the City will furnish a certificate to the effect that as of the date of the Official Statement, the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, subject to a limitation as to information in the Official Statement obtained from sources other than the City.

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

The City hereby disclaims any obligation to update developments of the various risk factors or to announce publicly any revision to any of the forward-looking statements contained herein or to make corrections to reflect future events or developments except to the extent required by Rule 15c2-12 promulgated by the Securities and Exchange Commission.

Fiscal Advisors & Marketing, Inc. may place a copy of this Official Statement on its website at www.fiscaladvisors.com. Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Fiscal Advisors & Marketing, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the City nor Fiscal Advisors & Marketing, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Fiscal Advisors & Marketing, Inc. and the City disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Fiscal Advisors & Marketing, Inc. and the City also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

The City's contact information is as follows: Michele L. Smith, City Chamberlain, City Hall, 82 Main Street, P.O. Box 627, Hornell, New York 14843, Phone: (607) 324-7421, Fax: (607) 324-3150, Email: msmith@cityofhornell.com.

Additional copies of the Notice of Sale and the Official Statement may be obtained upon request from the offices of Fiscal Advisors & Marketing, Inc., Phone: (315) 752-0051, or at www.fiscaladvisors.com.

This Official Statement has been duly executed and delivered by the City Chamberlain.

CITY OF HORNELL

Dated: March 19, 2026

MICHELE L. SMITH
CITY CHAMBERLAIN

GENERAL FUND

Balance Sheets

Fiscal Years Ending March 31:	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
ASSETS					
Cash and Cash Equivalents	\$ 2,041,708	\$ 3,146,635	\$ 4,231,631	\$ 5,555,377	\$ 5,590,658
Restricted Cash	170,764	582,919	533,454	362,983	187,780
Receivables:					
Taxes	255,892	270,013	280,389	238,165	125,925
Accounts	563,481	488,645	427,452	391,512	432,494
Other	-	-	-	-	-
Due from Other Funds	16,281	-	26,441	29,674	13,676
Due from Other Governments	1,291,701	1,526,464	2,285,493	2,421,323	2,795,829
Prepaid Items	-	-	-	4,902	-
TOTAL ASSETS	\$ 4,339,827	\$ 6,014,676	\$ 7,784,860	\$ 9,003,936	\$ 9,146,362
LIABILITIES AND FUND EQUITY					
Accounts Payable	\$ 168,938	\$ 152,309	\$ 162,760	\$ 242,178	\$ 354,426
Accrued Liabilities	157,611	178,296	198,705	251,373	286,963
Other Liabilities	-	-	-	-	-
Due to Other Funds	-	-	-	-	-
Due to Other Governments	311,616	319,518	311,702	252,930	164,087
Deferred Revenue	-	-	-	-	-
Unearned Revenue	-	425,742	358,143	191,858	-
TOTAL LIABILITIES	638,165	1,075,865	1,031,310	938,339	805,476
FUND EQUITY					
Nonspendable	\$ -	\$ -	\$ -	\$ 4,902	\$ -
Restricted	170,764	157,177	459,665	171,125	187,780
Committed	22,378	107,951	-	257,089	342,543
Assigned	406,903	417,151	414,360	762,689	1,740,904
Unassigned	3,101,617	4,256,532	5,879,525	6,874,694	6,069,659
TOTAL FUND EQUITY	3,701,662	4,938,811	6,753,550	8,070,499	8,340,886
TOTAL LIABILITIES and FUND EQUITY	\$ 4,339,827	\$ 6,014,676	\$ 7,784,860	\$ 9,008,838	\$ 9,146,362

Source: Audited financial reports of the City. This Appendix is not itself audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending March 31:	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
REVENUES					
Real Property Taxes	\$ 3,960,480	\$ 4,028,802	\$ 4,159,852	\$ 4,286,477	\$ 4,314,736
Real Property Tax Items	360,707	405,745	521,169	539,857	552,056
Non-Property Tax Items	3,857,524	4,596,513	4,916,340	4,783,548	4,847,307
Departmental Income	2,354,971	2,398,507	2,902,088	3,002,546	3,185,511
Intergovernmental Charges	-	-	-	-	-
Use of Money & Property	50,298	49,163	94,974	365,678	506,310
Licenses and Permits	65,338	74,979	72,598	58,438	47,756
Fines and Forfeitures	39,007	34,095	27,286	28,096	24,675
Sale of Property and Compensation for Loss	36,062	35,361	29,635	68,451	20,303
Miscellaneous	167,548	105,255	97,296	155,421	162,592
Revenues from State Sources	2,266,402	2,468,118	2,657,235	2,763,165	2,851,961
Revenues from Federal Sources	460,248	304,636	660,792	421,066	530,557
Total Revenues	\$ 13,618,585	\$ 14,501,174	\$ 16,139,265	\$ 16,472,743	\$ 17,043,764
EXPENDITURES					
General Government Support	\$ 1,230,735	\$ 1,268,261	\$ 1,358,894	\$ 1,494,232	\$ 1,648,351
Public Safety	3,620,487	3,371,195	3,738,927	4,042,074	4,485,690
Health	765,297	1,053,726	748,458	865,318	1,288,199
Transportation	1,755,450	2,014,512	2,404,900	2,546,822	2,710,002
Economic Assistance and Opportunity	-	-	-	-	-
Culture and Recreation	157,795	344,226	335,714	452,397	621,750
Home and Community Services	1,287,153	1,293,331	1,757,852	1,583,668	1,648,562
Employee Benefits	2,970,733	3,093,036	3,030,225	3,238,136	3,518,866
Debt Service	740,757	785,738	823,213	825,979	645,722
Total Expenditures	\$ 12,528,407	\$ 13,224,025	\$ 14,198,183	\$ 15,048,626	\$ 16,567,142
Excess of Revenues Over (Under) Expenditures	<u>1,090,178</u>	<u>1,277,149</u>	<u>1,941,082</u>	<u>1,424,117</u>	<u>476,622</u>
Other Financing Sources (Uses):					
Proceeds from capital lease	-	-	-	-	-
Operating Transfers In	16,281	-	26,441	29,674	13,676
Operating Transfers Out	(10,000)	(40,000)	(152,784)	(141,744)	(215,009)
Total Other Financing	<u>6,281</u>	<u>(40,000)</u>	<u>(126,343)</u>	<u>(112,070)</u>	<u>(201,333)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>1,096,459</u>	<u>1,237,149</u>	<u>1,814,739</u>	<u>1,312,047</u>	<u>275,289</u>
FUND BALANCE					
Fund Balance - Beginning of Year	2,605,203	3,701,662	4,938,811	6,753,550	8,065,597
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	\$ 3,701,662	\$ 4,938,811	\$ 6,753,550	\$ 8,065,597	\$ 8,340,886

Source: Audited financial reports of the City. This Appendix is not itself audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Fiscal Years Ending March 31:	2025			2026
	Original Budget	Final Budget	Audited Actual	Adopted Budget
REVENUES				
Real Property Taxes	\$ 4,297,962	\$ 4,297,962	\$ 4,314,736	\$ 4,337,861
Real Property Tax Items	537,852	537,852	552,056	554,318
Non-Property Tax Items	4,443,600	4,443,600	4,847,307	4,500,000
Departmental Income	2,902,850	2,902,850	3,185,511	3,088,664
Intergovernmental Charges	-	-	-	168,480
Use of Money & Property	297,550	297,550	506,310	259,100
Licenses and Permits	69,350	69,350	47,756	68,350
Fines and Forfeitures	36,200	36,200	24,675	36,200
Sale of Property and Compensation for Loss	20,800	20,800	20,303	22,800
Miscellaneous	116,332	116,332	162,592	15,000
Interfund Revenues	-	-	-	236,797
Revenues from State Sources	2,566,338	2,569,567	2,851,961	2,923,943
Revenues from Federal Sources	592,882	1,017,647	530,557	884,849
Total Revenues	\$ 15,881,716	\$ 16,309,710	\$ 17,043,764	\$ 17,096,362
EXPENDITURES				
General Government Support	\$ 1,609,331	\$ 1,760,263	\$ 1,648,351	\$ 1,885,251
Public Safety	4,262,692	4,595,488	4,485,690	4,758,137
Health	1,004,909	1,318,181	1,288,199	1,094,725
Transportation	3,123,445	3,410,207	2,710,002	3,684,744
Economic Assistance and Opportunity	-	-	-	-
Culture and Recreation	498,997	708,488	621,750	489,197
Home and Community Services	1,617,142	1,821,470	1,648,562	1,800,116
Employee Benefits	3,773,083	3,588,129	3,518,866	4,077,278
Debt Service	679,444	679,444	645,722	1,181,211
Total Expenditures	\$ 16,569,043	\$ 17,881,670	\$ 16,567,142	\$ 18,970,659
Excess of Revenues Over (Under) Expenditures	(687,327)	(1,571,960)	476,622	(1,874,297)
Other Financing Sources (Uses):				
Appropriated Reserve & Restricted Fund Balance	897,336	1,781,969	-	226,797
Appropriated Fund Balance	-	-	-	1,687,500
Operating Transfers In	197,836	197,836	13,676	-
Operating Transfers Out	(407,845)	(407,845)	(215,009)	(40,000)
Total Other Financing	687,327	1,571,960	(201,333)	1,874,297
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	275,289	-
FUND BALANCE				
Fund Balance - Beginning of Year	-	-	8,065,597	-
Prior Period Adjustments (net)	-	-	-	-
Fund Balance - End of Year	\$ -	\$ -	\$ 8,340,886	\$ -

Source: 2024 Audited financial report and budgets (unaudited) of the City. This Appendix is not itself audited.

BONDED DEBT SERVICE

Fiscal Year Ending March 31st	Principal	Interest	Total
2026	\$ 515,194	\$ 177,062	\$ 692,256
2027	558,551	187,288	745,839
2028	525,556	170,449	696,005
2029	541,546	154,586	696,132
2030	532,814	138,048	670,862
2031	504,174	121,139	625,313
2032	516,038	105,236	621,274
2033	371,252	88,748	460,000
2034	381,252	78,895	460,147
2035	386,252	68,689	454,941
2036	396,252	58,236	454,488
2037	406,252	47,109	453,361
2038	416,252	35,582	451,834
2039	211,252	27,956	239,208
2040	216,252	24,429	240,681
2041	216,252	20,695	236,947
2042	221,252	16,855	238,107
2043	221,252	12,801	234,053
2044	226,252	8,747	234,999
2045	231,252	4,480	235,732
2046	126,252	-	126,252
2047	126,252	-	126,252
2048	126,252	-	126,252
2049	126,252	-	126,252
2050	126,252	-	126,252
2051	126,252	-	126,252
2052	126,252	-	126,252
2053	126,252	-	126,252
TOTALS	\$ 8,605,164	\$ 1,547,031	\$ 10,152,195

Note: The table above does not include any energy performance contracts, capital lease, or installment purchase indebtedness, to the extent any such indebtedness may be applicable to the City.

APPENDIX - B1
City of Hornell

CURRENT BONDS OUTSTANDING

Fiscal Year Ending March 31st	2007 EFC Water Bond			2024 Fire Truck		
	Principal	Interest	Total	Principal	Interest	Total
	2026	\$ 129,000	\$ -	\$ 129,000	\$ 73,318	\$ 28,412
2027	-	-	-	76,830	24,900	101,730
2028	-	-	-	80,510	21,220	101,730
2029	-	-	-	84,366	17,364	101,730
2030	-	-	-	88,407	13,322	101,730
2031	-	-	-	92,642	9,088	101,730
2032	-	-	-	97,080	4,650	101,730
TOTALS	\$ 129,000	\$ -	\$ 129,000	\$ 593,152	\$ 118,956	\$ 712,108

Fiscal Year Ending March 31st	2015B EFC Water Bond			2016B EFC Water Bond			2025 Various Purposes		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
	2026	\$ 70,000	\$ 64,866	\$ 134,866	\$ 25,000	\$ 1,430	\$ 26,430	\$ 7,719	\$ 70,962
2027	70,000	62,951	132,951	25,000	1,070	26,070	130,000	76,600	206,600
2028	70,000	60,862	130,862	25,000	658	25,658	135,000	71,300	206,300
2029	75,000	58,619	133,619	20,000	216	20,216	145,000	65,700	210,700
2030	75,000	56,053	131,053	-	-	-	150,000	59,800	209,800
2031	75,000	53,392	128,392	-	-	-	155,000	53,700	208,700
2032	75,000	50,653	125,653	-	-	-	160,000	47,400	207,400
2033	80,000	47,848	127,848	-	-	-	165,000	40,900	205,900
2034	80,000	44,795	124,795	-	-	-	175,000	34,100	209,100
2035	80,000	41,689	121,689	-	-	-	180,000	27,000	207,000
2036	85,000	38,536	123,536	-	-	-	185,000	19,700	204,700
2037	85,000	35,009	120,009	-	-	-	195,000	12,100	207,100
2038	85,000	31,482	116,482	-	-	-	205,000	4,100	209,100
2039	85,000	27,956	112,956	-	-	-	-	-	-
2040	90,000	24,429	114,429	-	-	-	-	-	-
2041	90,000	20,695	110,695	-	-	-	-	-	-
2042	95,000	16,855	111,855	-	-	-	-	-	-
2043	95,000	12,801	107,801	-	-	-	-	-	-
2044	100,000	8,747	108,747	-	-	-	-	-	-
2045	105,000	4,480	109,480	-	-	-	-	-	-
TOTALS	\$ 1,665,000	\$ 762,718	\$ 2,427,718	\$ 95,000	\$ 3,373	\$ 98,373	\$ 1,987,719	\$ 583,362	\$ 2,571,081

APPENDIX - B2
City of Hornell

CURRENT BONDS OUTSTANDING

Fiscal Year Ending March 31st	2019 Reconstruction and Resurfacing			2019 Various Purposes			2025 Fire Truck		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
	2026	\$ 40,200	\$ 7,940	\$ 48,140	\$ 43,705	\$ 3,453	\$ 47,158	\$ -	\$ -
2027	40,200	6,352	46,552	43,719	1,727	45,446	46,551	13,689	60,240
2028	40,200	4,764	44,964	-	-	-	48,595	11,645	60,240
2029	40,200	3,176	43,376	-	-	-	50,728	9,512	60,240
2030	40,200	1,588	41,788	-	-	-	52,955	7,285	60,240
2031	-	-	-	-	-	-	55,280	4,960	60,240
2032	-	-	-	-	-	-	57,706	2,533	60,240
TOTALS	\$ 201,000	\$ 23,819	\$ 224,819	\$ 87,424	\$ 5,180	\$ 92,604	\$ 311,814	\$ 49,624	\$ 361,438

Fiscal Year Ending March 31st	2022 EFC Water SIB		
	Principal	Interest	Total
	2026	\$ 126,252	\$ -
2027	126,251	-	126,251
2028	126,252	-	126,252
2029	126,252	-	126,252
2030	126,252	-	126,252
2031	126,252	-	126,252
2032	126,252	-	126,252
2033	126,252	-	126,252
2034	126,252	-	126,252
2035	126,252	-	126,252
2036	126,252	-	126,252
2037	126,252	-	126,252
2038	126,252	-	126,252
2039	126,252	-	126,252
2040	126,252	-	126,252
2041	126,252	-	126,252
2042	126,252	-	126,252
2043	126,252	-	126,252
2044	126,252	-	126,252
2045	126,252	-	126,252
2046	126,252	-	126,252
2047	126,252	-	126,252
2048	126,252	-	126,252
2049	126,252	-	126,252
2050	126,252	-	126,252
2051	126,252	-	126,252
2052	126,252	-	126,252
2053	126,252	-	126,252
TOTALS	\$ 3,535,055	\$ -	\$ 3,535,055

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the provisions of Rule 15c2-12, as the same may be amended or officially interpreted from time to time (the "Rule"), promulgated by the United States Securities and Exchange Commission (the "SEC") pursuant to the Securities Exchange Act of 1934, the City has agreed to provide or cause to be provided, in a timely manner not in excess of ten (10) business days after the occurrence of the event, during the period in which the Notes are outstanding, to the Electronic Municipal Market Access System ("EMMA") of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, notice of the occurrence of any of the following events with respect to the Notes:

- (a) principal and interest payment delinquencies
- (b) non-payment related defaults, if material
- (c) unscheduled draws on debt service reserves reflecting financial difficulties
- (d) in the case of credit enhancement, if any, provided in connection with the issuance of the Notes, unscheduled draws on credit enhancements reflecting financial difficulties
- (e) substitution of credit or liquidity providers, or their failure to perform
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Note, or other material events affecting the tax status of the Notes
- (g) modifications to rights of Note holders, if material
- (h) note calls, if material and tender offers
- (i) defeasances
- (j) release, substitution, or sale of property securing repayment of the Note
- (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" (as defined in the Rule) of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect Note holders, if material; and
- (p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

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

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

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

With respect to events (o) and (p), the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

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

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

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

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

FORM OF BOND COUNSEL'S OPINION

April 8, 2026

City of Hornell
County of Steuben
State of New York

Re: City of Hornell, Steuben County, New York
\$1,649,100 Bond Anticipation Notes, 2026 (Renewals)

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of \$1,649,100 Bond Anticipation Notes, 2026 (Renewals) (the "Obligations"), of the City of Hornell, Steuben County, New York (the "Obligor"), dated April 8, 2026, numbered 1, of the denomination of \$ _____, bearing interest at the rate of ___% per annum, payable at maturity, and maturing April 8, 2027.

The Obligations shall not be subject to redemption prior to maturity.

We have examined:

- (1) the Constitution and statutes of the State of New York;
- (2) the Internal Revenue Code of 1986, including particularly Sections 103 and 141 through 150 thereof, and the applicable regulations of the United States Treasury Department promulgated thereunder (collectively, the "Code");
- (3) an arbitrage certificate executed on behalf of the Obligor which includes, among other things, covenants, relating to compliance with the Code, with the owners of the Obligations that the Obligor will, among other things, (i) take all actions on its part necessary to cause interest on the Obligations 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 Obligations 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 (ii) refrain from taking any action which would cause interest on the Obligations 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 Obligations and investment earnings thereon on certain specified purposes (the "Arbitrage Certificate"); and
- (4) a certificate executed on behalf of the Obligor which includes, among other things, a statement that compliance with such covenants is not prohibited by, or violative of, any provision of local or special law, regulation or resolution applicable to the Obligor.

We also have examined a certified copy of proceedings of the finance board of the Obligor and other proofs authorizing and relating to the issuance of the Obligations, including the form of the Obligations. In rendering the opinions expressed herein we have assumed (i) the accuracy and truthfulness of all public records, documents and proceedings, including factual information, expectations and statements contained therein, examined by us which have been executed or certified by public officials acting within the scope of their official capacities, and have not verified the accuracy or truthfulness thereof, and (ii) compliance by the Obligor with the covenants contained in the Arbitrage Certificate. We also have assumed the genuineness of the signatures appearing upon such public records, documents and proceedings and the certifications thereof.

In our opinion:

- (a) The Obligations 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 Obligor all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Obligations and interest thereon subject to applicable statutory limitations; provided however that, the enforceability (but not the validity) of the Obligations: (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State of the Federal government affecting the enforcement of creditors' rights, and (ii) may be subject to the exercise of judicial discretion in appropriate cases.

- (b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligations; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights.
- (c) Interest on the Obligation is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Interest on the Obligations is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that interest on the Obligations included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligations.

Certain agreements, requirements and procedures contained or referred to in the Arbitrage Certificate and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Obligations) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Obligations has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Arbitrage Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Obligations to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Obligations and the Arbitrage Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against municipal corporations such as the Obligor in the State of New York. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, or waiver provisions contained in the foregoing documents.

The scope of our engagement in relation to the issuance of the Obligations has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein. Such opinions 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 Obligor, together with other legally available sources of revenue, if any, will be sufficient to enable the Obligor to pay the principal of or interest on the Obligations as the same respectively become due and payable. Reference should be made to the Official Statement prepared by the Obligor in relation to the Obligations for factual information which, in the judgment of the Obligor, could materially affect the ability of the Obligor to pay such principal and interest. While we have participated in the preparation of such Official Statement, we have not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, we express no opinion as to whether the Obligor, in connection with the sale of the Obligations, 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.

Very truly yours,

/s/ ORRICK, HERRINGTON & SUTCLIFFE LLP

**CITY OF HORNELL
STEUBEN COUNTY, NEW YORK**

AUDITED FINANCIAL STATEMENTS

For the Year Ended March 31, 2025

Such Audited Financial Statement and opinion were prepared as of date thereof and have not been reviewed and/or updated in connection with the preparation and dissemination of this Official Statement.

The City's independent auditor has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The City's independent auditor also has not performed any procedures relating to this Official Statement.

**CITY OF HORNELL,
NEW YORK**

*Basic Financial Statements,
Required Supplementary Information and Federal
Awards Information for the Year Ended
March 31, 2025 and Independent Auditors' Reports*

CITY OF HORNELL, NEW YORK
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DRESCHER & MALECKI LLP

2721 Transit Road, Suite 111
Elma, New York 14059
Telephone: 716.565.2299
Fax: 716.389.5178



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Common Council of
the City of Hornell, New York:

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, the financial statements have been restated for the implementation of GASB Statement No. 101, *Compensated Absences* and a correction of an error. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

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 Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2025 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.

Drescher + Malecki LLP

September 22, 2025

CITY OF HORNELL, NEW YORK
Management’s Discussion and Analysis
Year Ended March 31, 2025

As management of the City of Hornell, New York (the “City”), we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended March 31, 2025. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the City’s financial statements, which follow this narrative.

Financial Highlights

- The assets and the deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$35,296,467 (*net position*). This consists of \$38,493,951 net investment in capital assets, \$535,288 restricted for specific purposes, offset by an unrestricted net position of \$(3,732,772).
- The City’s total net position increased by \$3,924,912 during the year ended March 31, 2025.
- At the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$6,552,762, a decrease of \$1,402,987 in comparison with the prior year’s fund balance of \$7,955,749.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$6,069,659 or approximately 36.2 percent of total General Fund expenditures and transfers out. This total amount is *available for spending* at the City’s discretion and constitutes approximately 72.8 percent of the General Fund’s total fund balance of \$8,340,886.
- During the year ended March 31, 2025, the City’s total long-term bonds and notes outstanding increased \$2,788,219 as the result of the issuance of a statutory installment bond in the amount of \$593,152 and the draw down of long-term Environmental Facilities Corporation (“EFC”) notes payable in the amount of \$2,708,772, partially offset by scheduled principal payments of \$513,705.

Overview of the Financial Statements

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

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

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

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

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

The government-wide financial statements can be found on pages 13-14 of this report.

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

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

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

The City maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Water Fund, Community Development Fund, Library Fund and Capital Projects Fund, which are presented as major funds.

The basic governmental fund financial statements can be found on pages 15-18 of this report.

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support City's own programs. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The City maintains one fiduciary fund, the Custodial Fund.

The fiduciary fund financial statements can be found on pages 19-20 of this report.

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

The notes to the financial statements can be found on pages 21-46 of this report.

Other information—In addition to the basic financial statements and the accompanying notes, this report also presents *Required Supplementary Information* concerning the City’s net pension liability/(asset), the City’s progress in funding its obligation to provide postemployment benefits (“OPEB”) to its employees, and the City’s budgetary comparison for each major fund with a legally adopted budget. Required Supplementary Information and related notes to the Required Supplementary Information can be found on pages 47-55 of this report.

Finally, the Federal Awards Information presents the City’s Schedule of Expenditures of Federal Awards and can be found on pages 56-65 of this report.

Government-wide Financial Analysis

As noted earlier, net position over time may serve as useful indicator of a government’s financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$35,296,467 at the close of the most recent fiscal year, as compared to \$31,371,555 at the close of the fiscal year ended March 31, 2024, as restated.

Table 1, shown below, presents condensed statements of net position as of March 31, 2025 and March 31, 2024.

Table 1—Condensed Statements of Net Position

	<u>Governmental Activities</u>	
	<u>March 31,</u>	
	<u>2025</u>	<u>2024</u>
		<u>(as restated)</u>
Current assets	\$ 17,033,812	\$ 12,900,415
Noncurrent assets	<u>54,373,299</u>	<u>46,113,113</u>
Total assets	<u>71,407,111</u>	<u>59,013,528</u>
Deferred outflows of resources	<u>6,569,305</u>	<u>5,596,491</u>
Current liabilities	10,855,810	4,991,317
Noncurrent liabilities	<u>27,457,132</u>	<u>24,807,675</u>
Total liabilities	<u>38,312,942</u>	<u>29,798,992</u>
Deferred inflows of resources	<u>4,667,007</u>	<u>3,439,472</u>
Net position:		
Net investment in capital assets	38,493,951	35,297,087
Restricted	535,288	439,705
Unrestricted	<u>(3,732,772)</u>	<u>(4,365,237)</u>
Total net position	<u>\$ 35,296,467</u>	<u>\$ 31,371,555</u>

The largest portion of the City’s net position, \$38,493,951, reflects its investment in capital assets (such as land, buildings, machinery and equipment, and infrastructure and right-to-use assets); net of accumulated depreciation/amortization and less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens. Accordingly, these assets are not available for future spending. Although the City’s investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City’s net position, \$535,288, represents resources that are subject to external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The remaining balance of net position, \$(3,732,772), is considered to be an unrestricted deficit. This deficit does not mean that the City does not have the resources available to meet its obligations in the ensuing year. Rather, it reflects liabilities not related to the County’s capital assets and are not expected to be repaid from current resources. These long-term liabilities include OPEB obligations, bonds and notes payable, compensated absences, lease liability, and the net pension liability.

Table 2, as presented below, shows the changes in net position for the years ended March 31, 2025 and March 31, 2024.

Table 2—Condensed Statements of Changes in Net Position

	<u>Governmental Activities</u>	
	<u>Year Ended March 31,</u>	
	<u>2025</u>	<u>2024</u>
Program revenues:		
Charges for services	\$ 5,499,013	\$ 5,255,912
Operating grants and contributions	3,466,158	2,598,031
Capital grants and contributions	3,734,121	1,995,047
General revenues	<u>12,849,421</u>	<u>12,559,778</u>
Total revenues	<u>25,548,713</u>	<u>22,408,768</u>
Program expenses	<u>21,623,801</u>	<u>19,516,034</u>
Change in net position	3,924,912	2,892,734
Net position—beginning	31,371,555	27,839,332
Restatement	<u>-</u>	<u>639,489</u>
Net position—ending	<u>\$ 35,296,467</u>	<u>\$ 31,371,555</u>

Overall revenues increased 14.0 percent from the prior year. The increase was primarily the result of increases in capital grants and contributions related to grants for ongoing development of regional impact projects. Total expenses increased 10.8 percent from the prior year, which is primarily attributable to an increase in culture and recreation expenses due to a large increase in park improvements.

A summary of sources of revenues for the years ended March 31, 2025 and March 31, 2024 is presented in Table 3 on the following page.

Table 3—Summary of Sources of Revenues – Governmental Activities

	Year Ended March 31,		Increase/(Decrease)	
	2025	2024	Dollar (\$)	Percent (%)
Program revenues:				
Charges for services	\$ 5,499,013	\$ 5,255,912	\$ 243,101	4.6
Operating grants and contributions	3,466,158	2,598,031	868,127	33.4
Capital grants and contributions	3,734,121	1,995,047	1,739,074	87.2
General revenues:				
Real property taxes and other tax items	5,237,747	5,187,810	49,937	1.0
Sales tax	4,847,307	4,783,548	63,759	1.3
Mortgage tax	77,207	75,455	1,752	2.3
Use of money and property	609,446	465,321	144,125	31.0
Sale of property and compensation for loss	180,168	323,970	(143,802)	(44.4)
Miscellaneous	225,833	225,886	(53)	(0.0)
State aid—unrestricted	1,671,713	1,497,788	173,925	11.6
Total revenues	<u>\$ 25,548,713</u>	<u>\$ 22,408,768</u>	<u>\$ 3,139,945</u>	14.0

The City’s most significant sources of revenues for the year ended March 31, 2025 were charges for services of \$5,499,013, or 21.5 percent of total revenues, real property taxes and other tax items of \$5,237,747, or 20.5 percent of total revenues, and sales tax of \$4,847,307, or 19.0 percent of total revenues. For the year ended March 31, 2024 the most significant sources of revenues were charges for services of \$5,255,912, or 23.5 percent of total revenues, real property taxes and other tax items of \$5,187,810, or 23.2 percent of total revenues, and sales tax of \$4,783,548, or 21.3 percent of total revenues.

A summary of program expenses for the years ended March 31, 2025 and March 31, 2024 is presented below in Table 4.

Table 4 – Summary of Program Expenses – Governmental Activities

	Year Ended March 31,		Increase/(Decrease)	
	2025	2024	Dollars (\$)	Percent (%)
General government support	\$ 2,438,691	\$ 2,333,467	\$ 105,224	4.5
Public safety	6,288,298	6,351,609	(63,311)	(1.0)
Health	2,118,921	1,254,156	864,765	69.0
Transportation	2,545,430	2,995,557	(450,127)	(15.0)
Culture and recreation	2,832,315	1,355,500	1,476,815	108.9
Home and community services	5,169,056	5,098,487	70,569	1.4
Interest and other fiscal charges	231,090	127,258	103,832	81.6
Total expenses	<u>\$ 21,623,801</u>	<u>\$ 19,516,034</u>	<u>\$ 2,107,767</u>	10.8

The City’s most significant expenses for the year ended March 31, 2025 were public safety of \$6,288,298, or 29.1 percent of total expenses, home and community services of \$5,169,056, or 23.9 percent of total expenses, and culture and recreation of \$2,832,315, or 13.1 percent of total expenses. For the year ended March 31, 2024 the most significant expenses were public safety of \$6,351,609, or 32.5 percent of total expenses, home and community services of \$5,098,487, or 26.1 percent of total expenses, and transportation of \$2,995,557, or 15.3 percent of total expenses.

Financial Analysis of the Governmental Funds

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

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

At March 31, 2025, the City’s governmental funds reported combined ending fund balances of \$6,552,762, a decrease of \$1,402,987 in comparison with the prior year. Approximately 45.5 percent, or \$2,983,148, of this fund balance constitutes *unassigned fund balance* which is available for spending at the City’s discretion. The remainder of fund balance is *restricted, committed or assigned* to indicate that it is 1) restricted for particular purposes, \$535,288, 2) committed to a particular purpose, \$342,543, or 3) assigned for particular purposes, \$2,691,783.

The General Fund is the chief operating fund of the City. At March 31, 2025, the *unassigned fund balance* of the General Fund was \$6,069,659, while the total fund balance increased to \$8,340,886. As a measure of the General Fund’s liquidity, it may be useful to compare both the *unassigned fund balance* and total fund balances to total fund expenditures and transfers out. *Unassigned fund balance* represents approximately 36.2 percent of total General Fund expenditures and transfers out, while total fund balance represents approximately 49.7 percent of that same amount. The total fund balance of the General Fund increased by \$275,289 during the current fiscal year, due to favorable sales tax revenue, combined with lower than anticipated spending related to transportation. This compares favorably to the planned use of \$897,336 of fund balance included with the original budget, which included an appropriated use of restricted fund balance.

The City’s Water Fund ending fund balance was \$845,050. Approximately 49.1 percent, \$415,264, of this amount is reported as specific Water Fund use. The fund balance of the Water Fund decreased by \$71,434 during the year ended March 31, 2025 due to an increase in home and community service expenditures.

The City’s Community Development Fund ending fund balance was \$235,722. All of the reported fund balance is restricted for specific Community Development Fund use. The fund balance of the Community Development Fund decreased by \$28,993 during the year ended March 31, 2025 due to an increase in home and community service expenditures.

The City’s Library Fund ending fund balance was \$217,615. The fund balance of the Library Fund decreased \$25,023 during the year ended March 31, 2025. The decrease was planned during the budget process and is primarily due to an increase in culture and recreation expenditures.

The City’s Capital Projects Fund ending fund balance deficit was \$3,086,511 at March 31, 2025. During the year ended March 31, 2025, the fund balance decreased \$1,552,826 primarily due to capital outlay expenditures exceeding revenues and other financing sources. The deficit will be eliminated as resources are obtained to make the scheduled debt service principal and interest payments on the BANs or retire the BANs.

General Fund Budgetary Highlights

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

A summary of the General Fund results of operations for the year ended March 31, 2025 is presented below in Table 5.

Table 5—General Fund Budget

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues and other financing sources	\$ 16,079,552	\$ 16,507,546	\$ 17,057,440	\$ 549,894
Expenditures and other financing uses	16,976,888	18,289,515	16,782,151	1,507,364
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (897,336)	\$ (1,781,969)	\$ 275,289	\$ 2,057,258

Original budget compared to final budget—During the year, there was a \$1,312,627 net increase between the original and final amended budget appropriations within the General Fund. This increase was primarily due to an increase in appropriations related to public safety and health that were partially funded through additional state and federal aid and appropriated fund balance.

Final budget compared to actual results—A review of actual revenues and expenditures compared to the estimated revenues and appropriations in the final budget yields a variance in General Fund expenditures and transfers out of \$1,507,364 and a variance in General Fund revenues and other financing sources of \$549,894. The following are the main components of the variances:

- Transportation expenditures were \$700,205 less than the final budget primarily due to the lack of supply on anticipated equipment purchases.
- Transfers out were \$192,836 less than the final budget due to less than budgeted transfers to capital.
- Non-property tax item revenues were \$403,707 more than the final budget due to more than anticipated sales and use taxes.
- Departmental revenues were \$282,661 more than the final budget due to more than anticipated ambulance revenue.

Capital Assets and Debt Administration

Capital assets—The City’s investment in capital assets for its governmental activities as of March 31, 2025, amounted to \$54,373,299 (net of accumulated depreciation/amortization). This investment in capital assets includes land, construction in progress, land improvements, buildings, machinery and equipment, infrastructure, and right-to-use assets. All depreciable capital assets were depreciated/amortized by taking their historical cost, less any residual value, and dividing by the estimated life. One half of the annual depreciation/amortization is expensed in the year of acquisition, regardless of the actual purchase date, as outlined in the City’s capital asset policy.

Capital assets, net of accumulated depreciation/amortization, for the governmental activities, at the years ended March 31, 2025 and 2024 are presented below in Table 6.

Table 6—Summary Capital Assets (Net of Accumulated Depreciation/Amortization)

	<u>Governmental Activities</u>	
	<u>March 31,</u>	
	<u>2025</u>	<u>2024</u>
Land	\$ 669,498	\$ 669,498
Construction in progress	9,094,408	4,587,050
Land improvements	7,083,355	4,220,293
Buildings	13,333,651	12,784,327
Machinery and equipment	4,735,732	3,384,479
Infrastructure	19,012,518	19,856,980
Right-to-use assets	444,137	610,486
Total	<u>\$ 54,373,299</u>	<u>\$ 46,113,113</u>

Additional information on the City’s capital assets can be found in Note 5 to the financial statements.

Long-term liabilities—At March 31, 2025, the City had total long-term liabilities outstanding of \$27,457,132, as compared to \$24,807,675 at March 31, 2024, as restated. Of the total long-term debt outstanding at March 31, 2025, \$10,072,576 represents serial bonds and notes issued by the City. A summary of the City’s long-term outstanding liabilities is presented in Table 7 below.

Table 7—Summary of Long-Term Liabilities

	<u>Governmental Activities</u>	
	<u>March 31,</u>	
	<u>2025</u>	<u>2024</u>
		(as restated)
Serial bonds and notes	\$ 10,072,576	\$ 7,284,357
Due to NYS retirement systems	-	17,857
Lease liability	179,109	349,651
Compensated absences	397,408	360,511
OPEB obligation	11,662,991	10,578,534
Net pension liability	5,145,048	6,216,765
Total	<u>\$ 27,457,132</u>	<u>\$ 24,807,675</u>

The City's most recent bond rating from Standard and Poor's is A+. Additional information on the City's long-term debt can be found in Note 12 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the year ending March 31, 2025, there are many other factors outside the City's control that exert significant influence on the budget. Some of these factors are as follows:

- The unemployment rate (not seasonally adjusted) for the County of Steuben, which encompasses the City, was 4.5 percent at March 31, 2025. This rate is higher than New York State's rate of 4.2 and higher than the national rate of 4.2 percent.
- During the City's budget process for the 2025-2026 fiscal year, the City's General Fund appropriated a total of \$1,687,500 of fund balance. This amount is reported as assigned to subsequent year's expenditures as of March 31, 2025.

Requests 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 City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Chamberlain's Office, City of Hornell, 82 Main Street, Hornell, New York 14843.

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BASIC FINANCIAL STATEMENTS

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CITY OF HORNELL, NEW YORK
Statement of Net Position
March 31, 2025

	Primary Government
	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 6,377,707
Restricted cash and cash equivalents	5,871,995
Receivables (net of allowance for uncollectibles)	668,739
Taxes receivable	125,925
Loans receivable	104,296
Intergovernmental receivables	3,885,150
Capital assets not being depreciated/amortized	9,763,906
Capital assets, net of accumulated depreciation/amortization	44,609,393
Total assets	71,407,111
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows—relating to pensions	5,074,206
Deferred outflows—relating to OPEB	1,495,099
Total deferred outflows of resources	6,569,305
LIABILITIES	
Accounts payable	1,093,554
Retainage payable	348,991
Accrued liabilities	354,901
Intergovernmental payable	170,038
Other liabilities	3,000
Bond anticipation notes	8,885,326
Noncurrent liabilities:	
Due within one year	996,175
Due within more than one year	26,460,957
Total liabilities	38,312,942
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows—relating to pensions	1,990,697
Deferred inflows—relating to OPEB	2,376,310
Total deferred inflows of resources	4,367,007
NET POSITION	
Net investment in capital assets	38,493,951
Restricted for:	
Public safety	84,470
Parklands/playgrounds	14,365
Repairs	111,786
Debt	14,130
Community development	235,722
Special purpose	63,478
Tax stabilization	11,337
Unrestricted	(3,732,772)
Total net position	\$ 35,296,467

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

CITY OF HORNELL, NEW YORK
Balance Sheet-Governmental Funds
March 31, 2025

	<u>Special Revenue</u>				<u>Capital Projects</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Water</u>	<u>Community Development</u>	<u>Library</u>		
ASSETS						
Cash and cash equivalents	\$ 5,590,658	\$ 557,427	\$ -	\$ 229,622	\$ -	\$ 6,377,707
Restricted cash and cash equivalents	187,780	111,786	151,053	-	5,421,376	5,871,995
Receivables:						
Accounts (net of allowance for uncollectibles)	432,494	228,106	-	8,139	-	668,739
Taxes	125,925	-	-	-	-	125,925
Loans	-	-	104,296	-	-	104,296
Due from other funds	13,676	-	-	-	-	13,676
Intergovernmental receivables	2,795,829	-	-	-	1,089,321	3,885,150
Total assets	<u>\$ 9,146,362</u>	<u>\$ 897,319</u>	<u>\$ 255,349</u>	<u>\$ 237,761</u>	<u>\$ 6,510,697</u>	<u>\$ 17,047,488</u>
LIABILITIES						
Accounts payable	\$ 354,426	\$ 24,232	\$ -	\$ 6,014	\$ 708,882	\$ 1,093,554
Accrued liabilities	286,963	28,037	-	14,132	-	329,132
Due to other funds	-	-	13,676	-	-	13,676
Intergovernmental payable	164,087	-	5,951	-	-	170,038
Other liabilities	-	-	-	-	3,000	3,000
Bond anticipation notes	-	-	-	-	8,885,326	8,885,326
Total liabilities	<u>805,476</u>	<u>52,269</u>	<u>19,627</u>	<u>20,146</u>	<u>9,597,208</u>	<u>10,494,726</u>
FUND BALANCES (DEFICIT)						
Restricted	187,780	111,786	235,722	-	-	535,288
Committed	342,543	-	-	-	-	342,543
Assigned	1,740,904	733,264	-	217,615	-	2,691,783
Unassigned	6,069,659	-	-	-	(3,086,511)	2,983,148
Total fund balances (deficit)	<u>8,340,886</u>	<u>845,050</u>	<u>235,722</u>	<u>217,615</u>	<u>(3,086,511)</u>	<u>6,552,762</u>
Total liabilities and fund balances (deficit)	<u>\$ 9,146,362</u>	<u>\$ 897,319</u>	<u>\$ 255,349</u>	<u>\$ 237,761</u>	<u>\$ 6,510,697</u>	<u>\$ 17,047,488</u>

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

CITY OF HORNELL, NEW YORK
Reconciliation of the Balance Sheet—Governmental Funds
to the Government-wide Statement of Net Position
March 31, 2025

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

Total fund balances (deficit)—governmental funds (page 15)	\$	6,552,762
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements. The cost of the assets is \$142,576,003 and the accumulated depreciation/amortization is \$88,202,704.		54,373,299
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the fund statements:		
Deferred outflows related to employer contributions	\$ 1,440,368	
Deferred outflows related to experience, changes of assumptions, investment earnings, and changes in proportion	3,633,838	
Deferred inflows of resources related to pensions	<u>(1,990,697)</u>	3,083,509
Deferred outflows and inflows of resources related to other postemployment benefits ("OPEB") are applicable to future periods and, therefore, are not reported in the fund statements:		
Deferred outflows of resources related to OPEB	\$ 1,495,099	
Deferred inflows of resources related to OPEB	<u>(2,376,310)</u>	(881,211)
Retained percentages are not a current liability and, therefore, are not reported in the fund statements.		(348,991)
Net accrued interest expense for serial bonds is not reported in the fund statements.		(25,769)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements. The effects of these items are:		
Bonds and notes payable	\$ (10,072,576)	
Lease liability	(179,109)	
Compensated absences	(397,408)	
OPEB obligation	(11,662,991)	
Net pension liability	<u>(5,145,048)</u>	<u>(27,457,132)</u>
Net position of governmental activities	\$	<u><u>35,296,467</u></u>

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

CITY OF HORNELL, NEW YORK
Statement of Revenues, Expenditures, and Changes in
Fund Balances (Deficit)—Governmental Funds
Year Ended March 31, 2025

	Special Revenue				Capital Projects	Total Governmental Funds
	General	Water	Community Development	Library		
REVENUES						
Real property taxes	\$ 4,314,736	\$ -	\$ -	\$ 370,955	\$ -	\$ 4,685,691
Other tax items	552,056	-	-	-	-	552,056
Non-property tax items	4,847,307	-	-	-	-	4,847,307
Departmental income	3,185,511	2,234,792	1,121	5,158	-	5,426,582
Use of money and property	506,310	37,264	538	6,552	187,317	737,981
Licenses and permits	47,756	-	-	-	-	47,756
Fines and forfeitures	24,675	-	-	-	-	24,675
Sale of property and compensation for loss	20,303	1,722	-	-	29,608	51,633
Miscellaneous	162,592	-	-	11,642	51,599	225,833
State aid	2,851,961	-	-	-	3,628,329	6,480,290
Federal aid	530,557	-	1,938,352	-	-	2,468,909
Total revenues	<u>17,043,764</u>	<u>2,273,778</u>	<u>1,940,011</u>	<u>394,307</u>	<u>3,896,853</u>	<u>25,548,713</u>
EXPENDITURES						
Current:						
General government support	1,648,351	111,514	-	6,250	-	1,766,115
Public safety	4,485,690	-	-	-	-	4,485,690
Health	1,288,199	-	-	-	-	1,288,199
Transportation	2,710,002	-	-	-	-	2,710,002
Culture and recreation	621,750	-	-	360,955	-	982,705
Home and community service	1,648,562	1,576,034	1,955,328	-	-	5,179,924
Employee benefits	3,518,866	402,404	-	52,125	-	3,973,395
Debt service:						
Principal	428,987	255,260	-	-	-	684,247
Interest	216,735	-	-	-	-	216,735
Capital outlay	-	-	-	-	8,966,612	8,966,612
Total expenditures	<u>16,567,142</u>	<u>2,345,212</u>	<u>1,955,328</u>	<u>419,330</u>	<u>8,966,612</u>	<u>30,253,624</u>
Excess (deficiency) of revenues over expenditures	<u>476,622</u>	<u>(71,434)</u>	<u>(15,317)</u>	<u>(25,023)</u>	<u>(5,069,759)</u>	<u>(4,704,911)</u>
OTHER FINANCING SOURCES (USES)						
Serial bonds issued	-	-	-	-	3,301,924	3,301,924
Transfers in	13,676	-	-	-	215,009	228,685
Transfers out	(215,009)	-	(13,676)	-	-	(228,685)
Total other financing sources (uses)	<u>(201,333)</u>	<u>-</u>	<u>(13,676)</u>	<u>-</u>	<u>3,516,933</u>	<u>3,301,924</u>
Net change in fund balances	275,289	(71,434)	(28,993)	(25,023)	(1,552,826)	(1,402,987)
Fund balances (deficit)—beginning	8,065,597	916,484	264,715	242,638	(1,533,685)	7,955,749
Fund balances (deficit)—ending	<u>\$ 8,340,886</u>	<u>\$ 845,050</u>	<u>\$ 235,722</u>	<u>\$ 217,615</u>	<u>\$ (3,086,511)</u>	<u>\$ 6,552,762</u>

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

CITY OF HORNELL, NEW YORK
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances (Deficit)—Governmental Funds to the Government-wide Statement of Activities
Year Ended March 31, 2025

Amounts reported for governmental activities in the statement of activities (page 14) are different because:

Net change in fund balances (deficit)—total governmental funds (page 17) \$ (1,402,987)

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

Capital asset additions	\$ 10,947,103	
Depreciation/amortization expense	<u>(2,686,917)</u>	8,260,186

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

Direct pension contributions	\$ 1,179,003	
Cost of benefits earned net of employee contributions	<u>(1,632,776)</u>	(453,773)

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

Changes of assumptions	\$ (77,651)	
Differences between expected and actual experience	<u>1,648,420</u>	1,570,769

Governmental funds report retained percentages expenditures on construction contracts when the retained percentage is paid. However, in the statement of activities retained percentages on construction contracts is reported as an expense as it accrues. (313,754)

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. (14,355)

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

Bonds and notes issued	\$ (3,301,924)	
Repayment of bonds and notes	513,705	
Change in due to NYS retirement systems	17,857	
Lease payments	170,542	
Change in compensated absences	(36,897)	
Change in OPEB obligation	<u>(1,084,457)</u>	<u>(3,721,174)</u>

Change in net position of governmental activities \$ 3,924,912

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

CITY OF HORNELL, NEW YORK
Statement of Fiduciary Net Position—Custodial Fund
March 31, 2025

	<u>Custodial Fund</u>
ASSETS	
Restricted cash and cash equivalents	\$ 118,667
Total assets	<u>118,667</u>
LIABILITIES	
Accounts payable	<u>255</u>
Total liabilities	<u>255</u>
NET POSITION	
Restricted for fire insurance	<u><u>\$ 118,412</u></u>

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

CITY OF HORNELL, NEW YORK
Statement of Changes in Fiduciary Net Position—Custodial Fund
Year Ended March 31, 2025

	<u>Custodial Fund</u>
ADDITIONS	
Interest income	\$ 294
Funds received on behalf of others	<u>37,802</u>
Total additions	<u>38,096</u>
DEDUCTIONS	
Funds distributed on behalf of others	<u>16,067</u>
Total deductions	<u>16,067</u>
Change in fiduciary net position	22,029
Net position—beginning	<u>96,383</u>
Net position—ending	<u>\$ 118,412</u>

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

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CITY OF HORNELL, NEW YORK
Notes to the Financial Statements
Year Ended March 31, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Description of Government-Wide Financial Statements

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

Financial Reporting Entity

The City, which was incorporated in 1888, is governed by the Charter of the City of Hornell, the General City Law and other laws of the State of New York and various local laws and ordinances. The Common Council, which is the legislative body responsible for the overall operation of the City, consists of ten aldermen. The Mayor serves as chief executive officer and the Chamberlain serves as chief fiscal officer of the City.

The City provides the following basic services: police and law enforcement, fire protection, street maintenance, culture and recreation, sanitation, water facilities and community development.

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

Related Organizations—Although the following organizations, functions or activities are related to the City, they are not included in the City reporting entity.

The City of Hornell Industrial Development Agency (the “Agency”) is a Public Benefit Corporation created under Article 18-A, Title 1, of New York State General Municipal Law to promote the economic welfare, recreation opportunities and prosperity of the City’s inhabitants. Members of the Agency are appointed by the City Common Council. Agency members have complete responsibility for management of the Agency and accountability for fiscal matters. The City is not responsible for the Agency’s debt.

The City of Hornell Housing Authority (the “Housing Authority”) was established by the state legislature to provide for low rent housing in accordance with state and federal legislation. Housing Authority board members are approved by the City. Housing Authority members have complete responsibility for management and accountability for fiscal matters. The City is not responsible for the Housing Authority’s debt.

Basis of Presentation—Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and its fiduciary fund, even though the latter is excluded from the government-wide financial statements.

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

Basis of Presentation—Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The City reports the following major governmental funds:

- *General Fund*—This fund constitutes the primary operating fund of the City and includes all operations not required to be recorded in other funds. The principal source of revenue for the General Fund is non-property tax items.
- *Water Fund*—This fund is used to record all revenues and expenditures related to operation and maintenance of the City's water system. The principal source of revenue for the Water Fund is departmental income.
- *Community Development Fund*—This fund is used to record all revenues and expenditures related to various development activities within the City. The principal source of revenue for the Community Development Fund is federal aid.
- *Library Fund*—This fund is used to record all revenues and expenditures related to the operation of the City's public library. Revenue sources arise from real property taxes and transfers. The principal source of revenue for the Library Fund is real property taxes.
- *Capital Projects Fund*—This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities. The principal source of revenue for the Capital Projects Fund are federal and state grants, debt proceeds, and transfers from the City's operating funds.

Additionally, the City reports the following fund type:

- *Custodial Fund*—These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Trust funds account for resources received and disbursements made in accordance with trust agreements or applicable legislative enactments for each particular fund. Fiduciary funds include the *Custodial Fund*. Activities reported in the fiduciary funds include monies from outside entities, controlled and administered by the City for the benefit of others.

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

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

Measurement Focus and Basis of Accounting

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

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

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

Property taxes, non-property taxes, charges for services and state and federal aid associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met and the amount is received during the period or within the period of availability. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements are met and amount is received during the period of availability. All other revenue items are considered to be measurable and available only when cash is received by the City.

The Custodial Fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

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

Cash and Cash Equivalents—Cash and cash equivalents include cash on hand, demand deposits, time deposits and short-term, highly liquid investments which are readily convertible to known amounts of cash and have an original maturity of 90 days or less.

Restricted Cash and Cash Equivalents—Represent unspent proceeds from debt, as well as restricted fund balances, and amounts held on behalf of others.

Investments—Permissible investments include obligations of the U.S. Treasury and U.S. agencies and repurchase agreements. There were no investments at March 31, 2025; however, it is the City’s policy to state investments at fair value, when applicable.

Receivables—Receivables are recorded and revenues are recognized as earned. Allowances are recorded when appropriate.

Capital Assets—Capital assets, which include land, land improvements, buildings, machinery and equipment, infrastructure (e.g. roads, bridges, drainage systems and similar items), and right-to-use assets are reported in the applicable governmental activities in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Right-to-use lease assets were initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs and are amortized on a straight-line basis over their useful lives.

Land and construction in progress are not depreciated. The other capital assets of the City are depreciated/amortized using the straight line method over the estimated useful lives presented below:

Assets	Years
Buildings	40
Land improvements	20
Machinery and equipment	5-20
Infrastructure:	
Dams and drainage systems	100
Water and sewer systems	50
Traffic control systems	40
Bridges and culverts	50
Roads	20
Right-to-use assets	5-20

The *capital outlays* character classification is employed only for expenditures reported in the Capital Projects Fund. Routine capital expenditures in other funds are included in the appropriate functional category (i.e. purchase of new highway equipment as part of *expenditures–transportation*). At times, amounts reported as *capital outlays* in the Capital Projects Fund will also include non-capitalized, project-related costs (i.e. furnishings).

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At March 31, 2025, the City has two items that qualify for reporting in this category that are reported in the government-wide financial statements. The first item represents the effect of the net change in the City’s proportion of the collective net pension liability, and the difference during the measurement period between the City’s contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense and any contributions made to the pension systems subsequent to the measurement date. The second item represents the effects of the change in the City’s proportion of the collective OPEB liability and difference during the measurement period between certain employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective OPEB liability.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At March 31, 2025, the City has two items that qualify for reporting in this category. These items are reported in the government-wide financial statements. The first item represents the net change in the City’s proportion of the collective net pension liability and the difference during the measurement periods between the City’s contribution and its proportionate share of the total contributions to the pension system not included in the pension expense. The second item represents the effects of the change in the City’s proportion of the collective OPEB liability and difference during the measurement period between certain employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective OPEB liability.

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

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

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

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

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

Revenues and Expenses/Expenditures

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

Property Taxes—Steuben County prepares the levy, tax rolls and billings for the City of Hornell real property taxes. On April 1 of each year, or upon receipt of the tax warrant, property taxes become a lien on the property.

Tax payments are due within 30 days of delivery of the tax warrant without penalty; a 1% penalty is added for taxes paid the next fifteen days; 2% for the next 15 days; 6% for the next 15 days; 8% for the next 15 days and 10% thereafter. The City enforces all liens.

The Steuben County Legislature prepares its levy in late December of each year and the taxes are mailed January 1 and become due January 31. The tax roll is returned to the Steuben County Commissioner of Finance on April 1, at which time all unpaid taxes and penalties are payable to that office. The City has no further liability for collection of County taxes.

The City also collects property taxes for Steuben County and various school districts within the City's limits. School taxes are levied on October 1 each year and become due on October 31. The County of Steuben assumes full enforcement responsibility for taxes levied by the Hornell City School District on properties within the City.

Compensated Absences—Most City employees are granted vacation and sick leave and earn compensatory absences in varying amounts. Vacations and compensatory absences must be used by the end of the fiscal year in which they are earned. Employees may accumulate sick leave, but they are not entitled to receive payment for unused sick leave in the event of termination or upon retirement. The compensated absences liability for the City's governmental activities at March 31, 2025 totaled \$397,408, and is reported in the government-wide financial statements. Refer to Note 2 for more information regarding the City's restatement of the compensated absences liability as a result of the implementation of GASB Statement No. 101, *Compensated Absences*.

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

Pensions—The City is mandated by New York State law to participate in the New York State Local Employees' Retirement System ("ERS") and the New York State Police and Fire Retirement System ("PFRS"). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position

of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 7.

Other Postemployment Benefits—In addition to providing pension benefits, the City provides health insurance coverage and/or payments for fractional values of unused sick leave for certain retired employees at the time of retirement as discussed in Note 8.

Other

Estimates—The preparation of the financial statements in conformity with accounting principles generally accepted in the United States required management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred outflows of resources and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expense/expenditures during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements—During the year ended March 31, 2025, the City implemented the remainder of GASB Statement No. 99, *Omnibus 2022*; and GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*; and GASB Statement No. 101, *Compensated Absences*. GASB Statement No. 99 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53. GASB Statement No. 100 improves financial reporting by enhancing accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. GASB Statement No. 101 will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. The implementation of GASB Statements No. 99, 100, and 101 did not have a material impact on the City’s financial position or results from operations.

Future Impacts of Accounting Pronouncements—The City has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 102, *Certain Risk Disclosures*, effective for the year ending March 31, 2026; and No. 103, *Financial Reporting Model Improvements*; and No. 104, *Disclosure of Certain Capital Assets*, effective for the year ending March 31, 2027. The City is, therefore, unable to disclose the impact that adopting GASB Statements No. 102, 103, and 104 will have on its financial position and results of operations when such statements are adopted.

Stewardship, Compliance and Accountability

Legal Compliance—Budgets—The City follows these procedures in establishing most of the budgetary data reflected in the financial statements:

- On the first day of February in each year, department heads submit their tentative departmental budgets to the Common Council for the fiscal year commencing the following April 1. The Common Council has the power to reduce any estimate submitted to them.
- After public hearings are conducted to obtain taxpayer comments, the Common Council adopts the budget no later than March 31 of each year. Notices of the original estimates along with revisions are published in the official newspaper.

- Formal annual budgetary accounts are adopted and employed for control of the General, Water and Library Funds detailed to the department level. These budgets are adopted on a basis consistent with generally accepted accounting principles accepted in the United States of America. A form of encumbrance accounting is employed as an extension of budgetary control in all governmental funds, under which certain contracts and other commitments outstanding at year-end for the expenditure of monies (encumbrances) are recorded as an assignment of fund balance. All unencumbered appropriations lapse at the end of the fiscal year. On January 1, encumbrance assignments outstanding at year-end are reappropriated to the ensuring year's original budget.
- Capital Projects Fund and Community Development Fund appropriations are not included in the City's annual budget. Instead appropriations are approved through Common Council resolution at the projects' inception and lapse upon termination of the project.

Deficit Fund Balances—At March 31, 2025, the Capital Projects Fund, a major governmental fund, has a deficit fund balance of \$3,086,511. The primary reason for this deficit is that the City issued bond anticipation notes (“BANs”), which do not qualify for treatment as a long-term liability. Accordingly, the BANs are reported as a fund liability in the Capital Projects Fund balance sheet (rather than an inflow on the statement of revenues, expenditures, and changes in fund balances). When the cash from the BANs is spent, expenditures are reported and fund balance is reduced. Since the BANs are the main source of resources for the fund, the result is an overall fund deficit. This deficit will be eliminated as resources are obtained (e.g., from revenues, long-term debt issuances, and transfers in) to make the scheduled debt service principal and interest payments on the BANs or retire the BANs.

2. RESTATEMENT OF NET POSITION

During the year ended March 31, 2025, the City implemented GASB Statement No. 101, *Compensated Absences*. As a result, the City restated its compensated absences liability as of March 31, 2024 by \$360,511. Additionally, the City noted a long-term debt payment of \$1,000,000, made in the prior year that was not recorded in government-wide financial statements. As a result, the City restated serial bonds/EFC notes liability as of March 31, 2024 by \$1,000,000. The City's governmental activities net position at March 31, 2024 has been restated from \$30,732,066 to \$31,371,555.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

The City's investment policies are governed by New York State statutes. The City may use FDIC-insured commercial banks or trust companies located within the State. The City Chamberlain is authorized to use demand accounts and certificates of deposit. Investments with maturities of less than three months are considered to be cash equivalents.

Collateral is required for demand deposits and certificates of deposit in an amount equal to or greater than the amount of all deposits not covered by federal deposit insurance. The City has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York.

Cash and cash equivalents and restricted cash and cash equivalents at March 31, 2025 are as follows:

	Governmental Activities	Fiduciary Fund	Total
Petty cash (uncollateralized)	\$ 860	\$ -	\$ 860
Deposits	<u>12,248,842</u>	<u>118,667</u>	<u>12,367,509</u>
Total	<u>\$ 12,249,702</u>	<u>\$ 118,667</u>	<u>\$ 12,368,369</u>

Deposits—All deposits are carried at fair value and are classified by custodial risk at March 31, 2025 as follows:

	Bank Balance	Carrying Amount
FDIC insured	\$ 250,000	\$ 250,000
Uninsured:		
Collateral held by pledging bank's agent in the City's name	<u>12,701,032</u>	<u>12,117,509</u>
Total deposits	<u>\$ 12,951,032</u>	<u>\$ 12,367,509</u>

Custodial Credit Risk—Deposits—In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. At March 31, 2025, all uninsured bank deposits were fully collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Restricted Cash and Cash Equivalents—The City's governmental activities report unspent proceeds of debt, and amounts to support restricted fund balances as restricted cash and cash equivalents totaling \$5,871,995. The City also reports restricted cash of \$118,667 for cash that is restricted for purposes of the Custodial Fund.

Investments—The City had no investments at March 31, 2025.

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

4. RECEIVABLES

Revenues accrued by the City at March 31, 2025 consisted of the following:

Accounts Receivable—Accounts receivable and their respective allowance for doubtful accounts, of the City at March 31, 2025 consisted of the following:

General Fund:		
Ambulance billings	\$ 1,201,883	
Allowance for doubtful accounts	(1,007,960)	
Garbage billings	41,691	
Sewer billings	10,983	
Other	<u>185,897</u>	\$ 432,494
Water Fund:		
Water billings		228,106
Library Fund:		
Fees		<u>8,139</u>
Total governmental funds		<u>\$ 668,739</u>

Taxes Receivable—Represents unpaid taxes collected on behalf of Steuben County. At March 31, 2025, the General Fund reported taxes receivable of \$125,925. These amounts are offset by a corresponding intergovernmental payable within the General Fund.

Loans Receivable—Represents outstanding loans made by the City’s Department of Community Development under the Community Development Block Grant (“CDBG”). These loans are made to local businesses for economic development and to local homeowners living in areas of blight for the rehabilitation of their homes. Principal balances outstanding at March 31, 2025 amounted to \$104,296.

Loans receivable are offset by restricted fund balance as they represent funds which are legally or contractually required to be maintained intact. Undisbursed funds associated with CDBG loans are maintained in a separate interest bearing bank account and reported as restricted cash in the Community Development Fund. The restricted cash balance on undisbursed CDBG loans is also offset by restricted fund balance as it represents funds which are subject to externally enforceable legal restrictions.

Intergovernmental Receivables—Represents amounts due from other units of government, such as Federal, New York State, County of Steuben or other local governments. Intergovernmental receivables at March 31, 2025 are shown below:

Governmental funds:

General Fund:

Hornell Area Transit CARES Act	\$ 111,894	
Steuben County - property and sales tax	1,005,000	
State Transit Operating Assistance	99,137	
Unpaid City Taxes	435,246	
Mortgage Taxes	33,757	
Edward Byrne Police Grant	232,907	
Utility Payment from County	128,694	
True-up	731,032	
NYS Court Aid	<u>18,162</u>	\$ 2,795,829

Capital Projects Fund:

Downtown Revitalization Initiative Pay Requests	\$ 261,847	
Environmental Facilities Corporation Grant	698,707	
Parks Grant - Veterans Park	42,750	
Downtown Revitalization Initiative Small Grant Fund	30,292	
Parks Grant - Union Square Park	<u>55,725</u>	<u>1,089,321</u>
Total governmental funds		<u>\$ 3,885,150</u>

5. CAPITAL ASSETS

Capital asset activity for the City’s governmental activities for the year ended March 31, 2025 is as follows:

	Balance 4/1/2024	Increases	Decreases	Balance 3/31/2025
Capital assets, not being depreciated/amortized:				
Land	\$ 669,498	\$ -	\$ -	\$ 669,498
Construction in progress	<u>4,587,050</u>	<u>7,789,607</u>	<u>3,282,249</u>	<u>9,094,408</u>
Total capital assets, not being depreciated/amortized	<u>5,256,548</u>	<u>7,789,607</u>	<u>3,282,249</u>	<u>9,763,906</u>
Capital assets, being depreciated/amortized				
Land improvements	8,084,714	3,273,400	-	11,358,114
Buildings	19,972,547	1,078,774	32,204	21,019,117
Machinery and equipment	15,986,484	2,063,071	612,125	17,437,430
Infrastructure	80,550,943	24,500	-	80,575,443
Right-to-use assets	<u>1,133,335</u>	<u>-</u>	<u>-</u>	<u>1,133,335</u>
Total capital assets, being depreciated/amortized	<u>125,728,023</u>	<u>6,439,745</u>	<u>644,329</u>	<u>132,812,097</u>
Less accumulated depreciation/amortization for:				
Land improvements	3,864,421	410,338	-	4,274,759
Buildings	7,188,220	529,450	32,204	7,685,466
Machinery and equipment	12,602,005	711,818	612,125	12,701,698
Infrastructure	60,693,963	868,962	-	61,562,925
Right-to-use assets	<u>522,849</u>	<u>166,349</u>	<u>-</u>	<u>689,198</u>
Total accumulated depreciation/amortization	<u>84,871,458</u>	<u>2,686,917</u>	<u>644,329</u>	<u>88,202,704</u>
Total capital assets, being depreciated/amortized, net	<u>40,856,565</u>	<u>3,752,828</u>	<u>-</u>	<u>44,609,393</u>
Governmental activities capital assets, net	<u>\$ 46,113,113</u>	<u>\$ 11,542,435</u>	<u>\$ 3,282,249</u>	<u>\$ 54,373,299</u>

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

General government support	\$ 289,131
Public safety	734,354
Health	210,891
Transportation	443,655
Culture and recreation	160,879
Home and community service	<u>848,007</u>
Total	<u>\$ 2,686,917</u>

6. ACCRUED LIABILITIES

Accrued liabilities reported by the City’s governmental funds at March 31, 2025 were as follows:

	General	Water	Library	Total Governmental Funds
Salaries and employee benefits	\$ 286,963	\$ 28,037	\$ 14,132	\$ 329,132
Total accrued liabilities	<u>\$ 286,963</u>	<u>\$ 28,037</u>	<u>\$ 14,132</u>	<u>\$ 329,132</u>

7. PENSION PLANS

Plan Descriptions and Benefits Provided

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

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

Pension Liability, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At March 31, 2025, the City reported the following liabilities for its proportionate share of the net pension liability for PFRS and ERS. The net pension liability were measured as of March 31, 2024. The total pension liability used to calculate the net pension liability were determined by actuarial valuations as of April 1, 2023, with update procedures used to roll forward the total net pension liability to the measurement date. The City’s proportion of the net pension liabilities were based on projections of the City’s long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the System in reports provided to the City.

	<u>PFRS</u>	<u>ERS</u>
Measurement date	March 31, 2024	March 31, 2024
Net pension liability	\$ 3,971,892	\$ 1,173,156
City's portion of the Plan's total net pension liability	0.0837453%	0.0079676%

For the year ended March 31, 2024, the City recognized pension expenses of \$1,315,841 and \$535,566, respectively, for PFRS and ERS. At March 31, 2025 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources below:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>PFRS</u>	<u>ERS</u>	<u>PFRS</u>	<u>ERS</u>
Difference between expected and actual experiences	\$ 1,223,687	\$ 377,873	\$ -	\$ 31,989
Changes of assumptions	1,498,201	443,544	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	1,078,177	573,080
Changes in proportion and differences between the City's contributions and proportionate share of contributions	26,801	63,732	304,842	2,609
City contributions subsequent to the measurement date	1,034,325	406,043	-	-
Total	<u>\$ 3,783,014</u>	<u>\$ 1,291,192</u>	<u>\$ 1,383,019</u>	<u>\$ 607,678</u>

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

<u>Year Ending March 31,</u>	<u>PFRS</u>	<u>ERS</u>
2026	\$ (369,714)	\$ (192,474)
2027	1,114,500	240,041
2028	603,603	348,926
2029	(143,666)	(119,022)
2030	160,947	-

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

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

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

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

	PFRS and ERS	
	Target Allocation	Long-Term Expected Real Rate of Return
	March 31, 2024	
Measurement date		
Asset class:		
Domestic equities	32.0 %	4.0 %
International equity	15.0	6.7
Private equity	10.0	7.3
Real estate	9.0	4.6
Opportunistic/absolute return strategy	3.0	5.3
Credit	4.0	5.4
Real assets	3.0	5.8
Fixed income	23.0	1.5
Cash	1.0	0.3
Total	<u>100 %</u>	

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

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

	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
Employer's proportionate share of the net pension liability/(asset)—PFRS	\$ 9,283,244	\$ 3,971,892	\$ (416,060)
Employer's proportionate share of the net pension liability/(asset)—ERS	3,688,522	1,173,156	(927,697)

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

	(Dollars in Thousands)		
	PFRS	ERS	Total
Valuation date	March 31, 2024	March 31, 2024	
Employers' total pension liability	\$ 46,137,717	\$ 240,696,851	\$ 286,834,568
Plan fiduciary net position	41,394,895	225,972,801	267,367,696
Employers' net pension liability	<u>\$ 4,742,822</u>	<u>\$ 14,724,050</u>	<u>\$ 19,466,872</u>
System fiduciary net position as a percentage of total pension liability	89.7%	93.9%	93.2%

8. OTHER POSTEMPLOYMENT BENEFITS (“OPEB”) OBLIGATION

Plan Description—The City may pay for a portion of eligible retirees’ health insurance depending on the type of health plan provided. The plan is a single-employer defined benefit healthcare Plan administered by the City. Eligibility for post-employment benefits depends upon union group as follows: (1) *The City Building Employee’s Association*—employee must be eligible under the rules and regulation of NYSERS, (2) *Hornell Police Association*—employee must have 20 years of service and be eligible under the rules and regulations of NYSPFRS, (3) *Hornell Firefighters Association Local 835*—employee must have 20 years of service and be eligible under the rules and regulations of NYSPFRS, (4) *The Department of Public Works Association*—employee must be eligible under the rules and regulation of NYSERS, and (5) *Water and Waste Water Treatment Plant Operators*—employee must be eligible under the rules and regulation of NYSERS. The plan does not issue a stand-alone financial report. Authorization for the City to pay a portion of retiree health insurance premiums was enacted through a union contract, which was ratified by the City’s Common Council. Upon retirement, the City pays 50% of the cost of the medical and dental plan in effect at the time of retirement for the employee and 35% of the dependent coverage. The City pays 35% for individual or family coverage for surviving spouses and their dependents.

Employees Covered by Benefit Terms—At March 31, 2025, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	68
Active employees	<u>77</u>
Total	<u><u>145</u></u>

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

Total OPEB Liability

The City’s total OPEB liability of \$11,662,991 was measured as of March 31, 2025, and was determined by an actuarial valuation as of April 1, 2024.

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

In the April 1, 2024 actuarial valuation, the Entry Age Normal Method, over a level percent of pay, was used. The single discount rate changed from 3.77% effective March 31, 2024 to 4.16% effective March 31, 2025. The salary scale changed from 3.42% effective April 1, 2024 to 3.30% for the fiscal year ending March 31, 2025. The initial healthcare rate as of April 1, 2024 was 5.30%, while the ultimate healthcare cost trend rate is 3.71%. Mortality rates are based on Pub-2010 Public Retirement Plans Mortality Tables, Headcount-Weighted, without separate Contingent Survivor mortality, fully generational using scale MP-2024.

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

	Total OPEB Liability
Balance at March 31, 2024	<u>\$ 10,578,534</u>
Changes for the year:	
Service cost	281,915
Interest	391,768
Changes of assumptions	(489,809)
Difference between expected and actual experience	1,369,316
Benefit payments	<u>(468,733)</u>
Net changes	<u>1,084,457</u>
Balance at March 31, 2025	<u><u>\$ 11,662,991</u></u>

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

	1% Decrease (3.16%)	Current Discount Rate (4.16%)	1% Increase (5.16%)
Total OPEB liability	\$ 13,455,447	\$ 11,662,991	\$ 10,228,271

Additionally, healthcare costs can be subject to considerable volatility over time. The following table presents the effect on the OPEB liability of a 1% change in the initial (5.30%)/ultimate (3.71%) healthcare cost trend rates.

	1% Decrease (2.71%/4.30%)	Healthcare Cost Trend Rates (3.71%/5.30%)	1% Increase (4.71%/6.30%)
Total OPEB liability	\$ 10,098,392	\$ 11,662,991	\$ 13,635,285

Funding Policy—Authorization for the City to pay a portion of retiree health insurance premiums was enacted through a union contract, which was ratified by the City’s Common Council. Upon retirement, the City pays 50% of the cost of the medical and dental plan in effect at the time of retirement for the employee and 35% of the dependent coverage. The City pays 35% for individual or family coverage for surviving spouses and their dependents.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—The City reports deferred inflows and deferred outflows of resources due to actuarial gains due to plan experience or changes in assumptions and other inputs. The table below presents the City’s deferred inflows and deferred outflows of resources at March 31, 2025.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,277,676	\$ 448,138
Changes of assumptions	217,423	1,928,172
Total	<u>\$ 1,495,099</u>	<u>\$ 2,376,310</u>

City benefit payments subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending March 31, 2026. Other 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 March 31,</u>	
2026	\$ (792,281)
2027	(572,204)
2028	280,311
2029	169,136
2030	33,827

9. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The City purchases commercial insurance to cover such potential risks. The liability insurance limits are as follows: Commercial property coverage with a blanket limit of \$43,572,260, general liability coverage with a general aggregate limit of \$3,000,000, commercial automobile coverage with a liability limit of \$1,000,000, commercial inland marine coverage with a scheduled equipment limit of \$5,364,177, commercial umbrella coverage with a general aggregate limit of \$10,000,000, public official and police professional liability coverage with a liability limit of \$1,000,000, crime coverage with employee dishonesty limit per employee of \$20,000, excess limit for CFO of \$50,000, and money and securities limit of \$5,000, owners and contractors protective coverage with a liability limit of \$2,000,000 and airport liability coverage with a general aggregate limit of \$2,000,000.

There have not been any significant changes in any type of insurance coverage from the prior year, nor have there been any settlements which have exceeded insurance coverage in the past five fiscal years.

10. LEASE LIABILITY

The City is a lessee for a noncancellable lease of various machinery and equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements for governmental activities. The City recognizes lease liabilities when they are considered significant, individually or in the aggregate, to the financial statements. At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

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

- The City uses the interest rates charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease terms include the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

The City entered into long-term, lease agreements as the lessee for the acquisition and use of various property and equipment and the City reports these as lease liabilities. As of March 31, 2025, the value of the lease liabilities was \$179,109 for governmental activities. The leases have interest rates ranging from 3.62% - 5.94%. The value of the right-to-use lease assets as of the end of the current fiscal year was \$1,133,335 and had accumulated amortization of \$689,198 for governmental activities.

11. SHORT-TERM DEBT

Liabilities for bond anticipation notes (“BANS”) are generally accounted for in the Capital Projects Fund. Principal payments on BANS must be made annually. State law requires that BANS issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANS used for assessable improvement projects may be renewed for periods equivalent to the life of the permanent financing, provided that the annual reductions of principal are made.

A summary of changes in the City’s short-term debt for the year ended March 31, 2025 is presented below:

Description	Issue/ Maturity	Interest Rate	Balance 4/1/2024	Issues	Redemptions	Balance 3/31/2025
Capital Projects Fund:						
Various capital projects	2023/2024	4.01%	\$ 1,546,000	\$ -	\$ 1,546,000	\$ -
DRI/Park Engineering	2023/2024	4.54%	325,000	-	325,000	-
Various capital projects	2023/2024	3.49%	1,306,980	-	1,306,980	-
Various capital projects	2024/2025	4.00%	-	8,305,326	-	8,305,326
DPW Garage Project	2024/2025	4.59%	-	580,000	-	580,000
Total			<u>\$ 3,177,980</u>	<u>\$ 8,885,326</u>	<u>\$ 3,177,980</u>	<u>\$ 8,885,326</u>

12. LONG-TERM OBLIGATIONS

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

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

The City’s outstanding long-term liabilities include bonds and notes payable, due to New York State (“NYS”) retirement systems, lease liability, other postemployment benefits (“OPEB”) obligation, and net pension liability. The serial bonds of the City are secured by its general credit and revenue raising powers, as per State statute.

A summary of changes in the City's long-term liabilities for the year ended March 31, 2025 is presented below:

	Balance 4/1/2024 (as restated)	Additions	Deletions	Balance 3/31/2025	Due Within One Year
Bonds and notes payable	\$ 7,284,357	\$ 3,301,924	\$ 513,705	\$ 10,072,576	\$ 507,242
Due to NYS					
retirement systems	17,857	-	17,857	-	-
Lease liability	349,651	-	170,542	179,109	179,109
Compensated absences*	360,511	36,897	-	397,408	309,824
OPEB obligation	10,578,534	2,042,999	958,542	11,662,991	-
Net pension liability*	6,216,765	-	1,071,717	5,145,048	-
Total	<u>\$ 24,807,675</u>	<u>\$ 5,381,820</u>	<u>\$ 2,732,363</u>	<u>\$ 27,457,132</u>	<u>\$ 996,175</u>

*Additions/reductions to compensated absences and the net pension liability are shown net of additions/reductions.

Bonds and Notes Payable—The City issues general obligation bonds to provide funds for the acquisition, construction, and renovation of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 5 to 30 years.

On January 21, 2021, the City entered into an agreement with the Environmental Facilities Corporation to issue bond anticipation notes at an amount not to exceed \$5,858,200. The long-term bond anticipation notes mature on January 21, 2026. The City made additional draws of \$2,708,772 and payments of \$18,500 during the year ended March 31, 2025.

During the year ending March 31, 2025, the City issued a Statutory Installment bond for the amount of \$593,152 at an interest rate of 4.79. The long-term installment bond matures on December 13, 2031 and no principal payment had been made.

A default will have occurred if the payment of principal or interest are not paid when due and payable. If there is an occurrence of an event of default on the EFC notes payable, 12% per annum may be charged on the amount due and payable until such sum has been paid in full to the Corporation. The City does not have any lines of credit.

A summary of additions and payments of the City's bond indebtedness for the year ended March 31, 2025 is shown below:

Description	Original Issue Amount	Year of Issue/ Maturity	Interest Rate	Balance 4/1/2024 (as restated)	Increases	Decreases	Balance 3/31/2025
Water improvements	\$ 2,463,432	2007/2026	0.0%	\$ 258,000	\$ -	\$ 129,000	\$ 129,000
WPCP improvements	2,343,470	2016/2045	0.2-4.3%	1,735,000	-	70,000	1,665,000
WPCP improvements	295,020	2016/2028	0.6-2.2%	120,000	-	25,000	95,000
Ladder truck	424,000	2018/2025	2.9%	61,000	-	61,000	-
Public improvements	349,654	2019/2027	3.95%	131,129	-	43,705	87,424
Public improvements	402,000	2020/2029	3.95%	241,200	-	40,200	201,000
EFC bond 2023 - WTP	3,787,559	2023/2052	0.00%	3,661,339	-	126,300	3,535,039
EFC notes 2021 - WPCP	5,858,200	2021/2026	0.00%	1,076,689	2,708,772	18,500	3,766,961
Fire Truck	593,152	2024/2032	4.79%	-	593,152	-	593,152
Total				<u>\$ 7,284,357</u>	<u>\$ 3,301,924</u>	<u>\$ 513,705</u>	<u>\$ 10,072,576</u>

Lease Liability—As described in Note 10, the City has entered into long-term lease agreements for certain machinery and equipment. The outstanding balance at March 31, 2025 was \$179,109.

Compensated Absences—As explained in Note 1, the liability for compensated absences, which totals \$397,408 for governmental activities, represents amounts relating to sick and personal leave for employees. Payments of these liabilities are dependent on many factors (including retirement, termination, or employees leaving service) and, therefore, timing of future payments of such is not readily available. The City has estimated that \$309,824 for governmental activities, will be paid in the next fiscal year.

Other Postemployment Benefits (“OPEB”) Obligation—As explained in Note 8, the City provides health insurance coverage for retirees. The City’s annual OPEB cost is calculated based on the annual required contributions of the employer, an amount actuarially determined in accordance with GASB. The estimated long-term OPEB liability is estimated to be \$11,662,991 as of March 31, 2025.

Net Pension Liability—The City reports a liability for its proportionate share of the net pension liability for the Police and Fire Retirement System and Employees’ Retirement System. The total net pension liability is estimated to be \$5,145,048 in the governmental activities. Typically, the General, Water, Community Development, and Library Funds that pay NYS retirement have been used to liquidate this liability within governmental funds. Refer to Note 7 for additional information related to the City’s net pension liability.

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

Year Ending March 31,	Bonds and Notes Payable	Lease Liability	Compensated Absences	OPEB Obligation	Net Pension Liability	Total
2026	\$ 507,242	\$ 179,109	\$ 309,824	\$ -	\$ -	\$ 996,175
2027	382,009	-	-	-	-	382,009
2028	341,970	-	-	-	-	341,970
2029	345,826	-	-	-	-	345,826
2030	329,867	-	-	-	-	329,867
2031-2035	1,211,021	-	-	-	-	1,211,021
2036-2040	1,061,300	-	-	-	-	1,061,300
2041-2045	1,116,300	-	-	-	-	1,116,300
2046-2050	631,300	-	-	-	-	631,300
2051 and thereafter*	4,145,741	-	87,584	11,662,991	5,145,048	21,041,364
Total	<u>\$ 10,072,576</u>	<u>\$ 179,109</u>	<u>\$ 397,408</u>	<u>\$ 11,662,991</u>	<u>\$ 5,145,048</u>	<u>\$ 27,457,132</u>

*The timing of payments on EFC notes has not been finalized.

The interest requirements for the City’s outstanding serial bonds and lease liability is as follows:

<u>Fiscal Year Ending March 31,</u>	<u>Serial Bonds</u>	<u>Lease Liability</u>
2026	\$ 94,708	\$ 8,287
2027	88,921	-
2028	82,740	-
2029	76,199	-
2030	69,375	-
2031-2035	252,114	-
2036-2040	157,412	-
2041-2045	63,576	-
2046-2050	-	-
Total	<u>\$ 885,045</u>	<u>\$ 8,287</u>

13. NET POSITION AND FUND BALANCE

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

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

Capital assets, net of accumulated depreciation/amortization	\$ 54,373,299
Related debt:	
Bonds and long-term notes	\$ (10,072,576)
Bond anticipation notes	(8,885,326)
Lease liability	(179,109)
Accounts payable - capital fund	(708,882)
Retainages payable	(348,991)
Unspent debt proceeds	<u>4,315,536</u> (15,879,348)
Net investment in capital assets	<u>\$ 38,493,951</u>

- **Restricted Net Position**—This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions and enabling legislation. The total restricted component of net position of \$484,428 is restricted for public safety, parklands/playgrounds, repairs, debt, community development, special purpose, and tax stabilization in the amounts of \$84,470, \$14,365, \$111,786, \$14,130, \$235,722, \$63,478 and \$11,337, respectively, within governmental activities.
- **Unrestricted Net Position**—This category represents net position of the City not restricted for any project or other purpose.

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. At March 31, 2025, the City reported no nonspendable fund balance.

In the fund financial statements, restricted fund balances are amounts with external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions and enabling legislation. Restricted fund balances maintained by the City at March 31, 2025 are presented below:

	General	Water	Community Development	Total
Public safety	\$ 84,470	\$ -	\$ -	\$ 84,470
Parklands/playgrounds	14,365	-	-	14,365
Repairs	-	111,786	-	111,786
Debt	14,130	-	-	14,130
Community development	-	-	235,722	235,722
Special purpose	63,478	-	-	63,478
Tax stabilization	11,337	-	-	11,337
Total restricted fund balance	<u>\$ 187,780</u>	<u>\$ 111,786</u>	<u>\$ 235,722</u>	<u>\$ 535,288</u>

- **Public Safety**—According to General Municipal Law Section 6-c, represents funds accumulated to finance all or part of the cost of construction, reconstruction or acquisition of specific items or types of capital improvements or acquisition of specific items or types of equipment for public safety purposes.
- **Parklands/Playgrounds**—According to General Municipal Law Section 6-c, represents funds accumulated to finance all or part of the cost of construction, reconstruction or acquisition of specific items or types of capital improvements or acquisition of specific items or types of equipment for Parklands/Playgrounds purposes.
- **Repairs**—According to General Municipal Law Section 6-d, this restriction represents funds accumulated to pay the cost of certain repairs of capital improvements or equipment related to the Water Fund.
- **Debt**—Represents funds from the General Fund to be used for future debt payments.
- **Community Development**—Represents amounts received from the Office of Community Renewal and Housing and Urban Development for loans receivable and funds set aside for community development, which are legally or contractually required to be maintained intact.
- **Special Purpose**—Represents funds which can only be used for specific activities.
- **Tax Stabilization**—Represents amounts restricted for future use to stabilize real property tax levies.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by formal action of the City’s highest level of decision-making authority (Common Council). Committed fund balances maintained by the City as of March 31, 2025 are presented below:

- **Water Pollution Control Plant**—Represents funds accumulated to be used for the Water Pollution Control Plant and its sewer transmission lines and pump stations. The City has committed \$342,543 of fund balance within the General Fund for this purpose.

In the fund financial statements, assigned amounts are subject to a purpose constraint that represents an intended use established by the Common Council, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balances represents the residual amount of fund balance. Assigned fund balances maintained by the City at March 31, 2025 are presented below:

	<u>General</u>	<u>Water</u>	<u>Library</u>	<u>Total</u>
Subsequent year's expenditures	\$ 1,687,500	\$ 318,000	\$ 65,000	\$ 2,070,500
Specific use	-	415,264	152,615	567,879
Other	53,404	-	-	53,404
Total assigned fund balance	<u>\$ 1,740,904</u>	<u>\$ 733,264</u>	<u>\$ 217,615</u>	<u>\$ 2,691,783</u>

- **Assigned to Subsequent Year's Expenditure**—Represents funds to be used to assist in supporting the subsequent year authorized appropriations.
- **Assigned to Specific Use**—Represents remaining fund balance of the special revenue funds designated to be used for that funds' specific purpose, as discussed in Note 1.
- **Assigned to Other**—Represents fund balance designated to be used for specific purpose.

If the City must use funds for emergency expenditures the Common Council shall authorize the Mayor to expend funds first from funds classified as nonspendable (if funds become available) then restricted funds. The used of committed and assigned funds will occur after the exhaustion of available restricted funds. Finally, if no other fund balances are available the City will use unassigned fund balance.

14. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are short term in nature and exist because of temporary advances or payments made on behalf of other funds. All interfund balances are expected to be collected/paid within the ensuing year.

Interfund receivables and payables of the City as of, and for the year ended March 31, 2025 are presented below:

<u>Fund</u>	<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>
Governmental funds:		
General Fund	\$ 13,676	\$ -
Community Development Fund	-	13,676
Total	<u>\$ 13,676</u>	<u>\$ 13,676</u>

Transfers are used primarily (1) to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) to move residual cash from closed projects, and (3) move cash to fund capital projects. The City had the following interfund transfers as of and for the year ended March 31, 2025:

Fund	Transfers	
	In	Out
General Fund	\$ 13,676	\$ 215,009
Community Development Fund	-	13,676
Capital Projects Fund	215,009	-
Total	\$ 228,685	\$ 228,685

15. LABOR CONTRACTS

The majority of City employees are represented by five bargaining units. Some department heads and most part-time employees are governed by City Council policies. The Department of Public Works Association has a contract through March 31, 2027. The City Building Employees' Association has a contract through March 31, 2026. The Water and Wastewater Employees' Association has a contract through March 31, 2029. The Hornell Firefighters Association has a contract through March 31, 2027. Policeman's Association has a contract through March 31, 2026.

16. TAX ABATEMENTS

The City is subject to programs entered into by Hornell Industrial Development Agency ("HIDA"). These programs have the stated purpose of increasing business activity and employment in the region. Economic development agreements are entered into by the HIDA and incentives may include property tax abatements of any new property tax revenue realized from the increased assessed value of any incentivized project from the investment of private capital. The abatement agreements include a stipulated reduction pursuant to the limits set forth in State statute and rules. In the future these new revenues will increase periodically until the project is taxed at full assessed value. Assuming the IDA incentivized projects would have been completed absent tax abatement, the unrealized property tax revenue is \$641,339. However, during the 2024-2025 fiscal year, the City collected \$389,309 related to these new incentivized projects.

17. CONTINGENCIES

Litigation—The City is a defendant in various litigation under Article 7 of the Real Property Tax law of the State of New York to review tax assessments. While the City vigorously defends assessments, likelihood of success is on a case-by-case basis, and is dependent upon many factors including market values and appraised amounts. No potential amount or potential range of loss is determinable. However, management believes that level of such potential loss, if any, would be immaterial and no provisions have been made within the financial statements. Other various legal actions are pending against the City. The outcome of these matters is not presently determinable, but in the opinion of management, the ultimate liability will not have a material adverse effect on the City's financial condition or results of operation.

Grants—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.

Other—The City is involved in litigation arising in the ordinary course of its operations. The City believes that its ultimate liability, if any, in connection with these matters will not have a material effect on the City’s financial conditions or results of operations.

18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 22, 2025, which is the date the financial statements are available for issuance, and have determined, except for the item disclosed below, there are no subsequent events that require disclosure under generally accepted accounting principles.

* * * * *

REQUIRED SUPPLEMENTARY INFORMATION

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

	Year Ended March 31,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Measurement date	March 31, 2024	March 31, 2023	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015
City's proportion of the net pension liability	0.0837453%	0.0829549%	0.0883170%	0.0899994%	0.0884003%	0.0917751%	0.0850392%	0.0909504%	0.0951467%	0.0918243%
City's proportionate share of the net pension liability	<u>\$ 3,971,892</u>	<u>\$ 4,571,208</u>	<u>\$ 501,680</u>	<u>\$ 1,562,637</u>	<u>\$ 4,724,942</u>	<u>\$ 1,539,126</u>	<u>\$ 859,539</u>	<u>\$ 1,885,085</u>	<u>\$ 2,817,091</u>	<u>\$ 252,755</u>
City's covered payroll	\$ 3,872,811	\$ 3,421,345	\$ 3,289,670	\$ 3,249,271	\$ 3,386,496	\$ 3,234,319	\$ 3,298,826	\$ 3,088,388	\$ 3,055,602	\$ 2,993,067
City's proportionate share of the net pension liability as a percentage of its covered payroll	102.6%	133.6%	15.3%	48.1%	139.5%	47.6%	26.1%	61.0%	92.2%	8.4%
Plan fiduciary net position as a percentage of the total pension liability	89.7%	87.4%	98.7%	95.8%	84.9%	95.1%	96.9%	93.5%	90.2%	99.0%

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

	Year Ended March 31,									
	<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	\$ 858,797	\$ 827,234	\$ 928,794	\$ 742,334	\$ 725,368	\$ 738,646	\$ 720,784	\$ 660,893	\$ 648,873	\$ 697,048
Contributions in relation to the contractually required contribution	<u>(858,797)</u>	<u>(827,234)</u>	<u>(928,794)</u>	<u>(742,334)</u>	<u>(725,368)</u>	<u>(738,646)</u>	<u>(720,784)</u>	<u>(660,893)</u>	<u>(648,873)</u>	<u>(697,048)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 3,872,811	\$ 3,421,345	\$ 3,289,670	\$ 3,249,271	\$ 3,386,496	\$ 3,234,319	\$ 3,215,979	\$ 3,298,826	\$ 3,088,388	\$ 3,055,602
Contributions as a percentage of covered payroll	22.2%	24.2%	28.2%	22.8%	21.4%	22.8%	22.4%	20.0%	21.0%	22.8%

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

	Year Ended March 31,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Measurement date	March 31, 2023	March 31, 2023	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015
City's proportion of the net pension liability/(asset)	0.0079676%	0.0076737%	0.0074737%	0.0072572%	0.0073729%	0.0079546%	0.0073785%	0.0078254%	0.0078408%	0.0078554%
City's proportionate share of the net pension liability/(asset)	<u>\$ 1,173,156</u>	<u>\$ 1,645,557</u>	<u>\$ (610,941)</u>	<u>\$ 7,226</u>	<u>\$ 1,952,387</u>	<u>\$ 563,608</u>	<u>\$ 238,138</u>	<u>\$ 735,288</u>	<u>\$ 1,258,474</u>	<u>\$ 265,376</u>
City's covered payroll	\$ 3,230,106	\$ 2,962,617	\$ 2,737,370	\$ 2,483,321	\$ 2,409,366	\$ 2,583,852	\$ 2,502,245	\$ 2,474,096	\$ 2,429,380	\$ 2,302,955
City's proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	36.3%	55.5%	-22.3%	0.3%	81.0%	21.8%	9.5%	29.7%	51.8%	11.5%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	93.9%	90.8%	103.7%	100.0%	86.4%	96.3%	98.2%	94.7%	90.7%	97.7%

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

	Year Ended March 31,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 320,206	\$ 258,213	\$ 350,722	\$ 344,445	\$ 349,029	\$ 347,424	\$ 367,102	\$ 330,507	\$ 381,000	\$ 415,785
Contributions in relation to the contractually required contribution	<u>(320,206)</u>	<u>(258,213)</u>	<u>(350,722)</u>	<u>(344,445)</u>	<u>(349,029)</u>	<u>(347,424)</u>	<u>(367,102)</u>	<u>(330,507)</u>	<u>(381,000)</u>	<u>(415,785)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 3,230,106	\$ 2,962,617	\$ 2,703,253	\$ 2,473,196	\$ 2,398,666	\$ 2,573,727	\$ 2,581,932	\$ 2,502,245	\$ 2,474,096	\$ 2,429,380
Contributions as a percentage of covered payroll	9.9%	8.7%	13.0%	13.9%	14.6%	13.5%	14.2%	13.2%	15.4%	17.1%

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

	March 31,						
	2025	2024	2023	2022	2021	2020	2019
Total OPEB Liability							
Service cost	\$ 281,915	\$ 284,397	\$ 398,473	\$ 450,284	\$ 407,124	\$ 407,688	\$ 500,165
Interest	391,768	385,791	269,719	321,775	400,578	507,438	537,763
Changes in assumptions	(489,809)	372,725	(1,195,036)	1,348,925	1,733,662	2,434,877	(1,104,445)
Differences between expected and actual experience	1,369,316	294,326	(4,086,817)	(3,169,903)	(704,341)	(2,025,723)	(2,033,996)
Benefit payments	(468,733)	(405,187)	(329,420)	(357,899)	(434,815)	(376,038)	(386,639)
Net change in total OPEB liability	1,084,457	932,052	(4,943,081)	(1,406,818)	1,402,208	948,242	(2,487,152)
Total OPEB liability—beginning	10,578,534	9,646,482	14,589,563	15,996,381	14,594,173	13,645,931	16,133,083
Total OPEB liability—ending	<u>\$ 11,662,991</u>	<u>\$ 10,578,534</u>	<u>\$ 9,646,482</u>	<u>\$ 14,589,563</u>	<u>\$ 15,996,381</u>	<u>\$ 14,594,173</u>	<u>\$ 13,645,931</u>
Plan Fiduciary Net Position							
Contributions—employer	\$ 468,733	\$ 405,187	\$ 329,420	\$ 357,899	\$ 434,815	\$ 376,038	\$ 386,639
Benefit payments	(468,733)	(405,187)	(329,420)	(357,899)	(434,815)	(376,038)	(386,639)
Net change in plan fiduciary net position	-	-	-	-	-	-	-
Plan fiduciary net position—beginning	-	-	-	-	-	-	-
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's total OPEB liability—ending	<u>\$ 11,662,991</u>	<u>\$ 10,578,534</u>	<u>\$ 9,646,482</u>	<u>\$ 14,589,563</u>	<u>\$ 15,996,381</u>	<u>\$ 14,594,173</u>	<u>\$ 13,645,931</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Covered-employee payroll	\$ 4,793,310	\$ 4,414,966	\$ 4,264,432	\$ 4,068,079	\$ 3,932,791	\$ 3,906,305	\$ 3,906,305
Total OPEB liability as a percentage of covered-employee payroll	243.3%	239.6%	226.2%	358.6%	406.7%	373.6%	349.3%

*Information prior to the year ended March 31, 2019 is not available.

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

CITY OF HORNELL, NEW YORK
Schedule of Revenues, Expenditures, and Change in Fund Balance—
Budget and Actual—General Fund
Year Ended March 31, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Real property taxes	\$ 4,297,962	\$ 4,297,962	\$ 4,314,736	\$ 16,774
Other tax items	537,852	537,852	552,056	14,204
Non-property tax items	4,443,600	4,443,600	4,847,307	403,707
Departmental income	2,902,850	2,902,850	3,185,511	282,661
Use of money and property	297,550	297,550	506,310	208,760
Licenses and permits	69,350	69,350	47,756	(21,594)
Fines and forfeitures	36,200	36,200	24,675	(11,525)
Sale of property and compensation for loss	20,800	20,800	20,303	(497)
Miscellaneous	116,332	116,332	162,592	46,260
State aid	2,566,338	2,569,567	2,851,961	282,394
Federal aid	592,882	1,017,647	530,557	(487,090)
Total revenues	<u>15,881,716</u>	<u>16,309,710</u>	<u>17,043,764</u>	<u>734,054</u>
EXPENDITURES				
Current:				
General government support	1,609,331	1,760,263	1,648,351	111,912
Public safety	4,262,692	4,595,488	4,485,690	109,798
Health	1,004,909	1,318,181	1,288,199	29,982
Transportation	3,123,445	3,410,207	2,710,002	700,205
Culture and recreation	498,997	708,488	621,750	86,738
Home and community services	1,617,142	1,821,470	1,648,562	172,908
Employee benefits	3,773,083	3,588,129	3,518,866	69,263
Debt service:				
Principal	458,192	458,192	428,946	29,246
Interest	221,252	221,252	216,776	4,476
Total expenditures	<u>16,569,043</u>	<u>17,881,670</u>	<u>16,567,142</u>	<u>1,314,528</u>
Excess (deficiency) of revenues over expenditures	<u>(687,327)</u>	<u>(1,571,960)</u>	<u>476,622</u>	<u>2,048,582</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	197,836	197,836	13,676	(184,160)
Transfers out	<u>(407,845)</u>	<u>(407,845)</u>	<u>(215,009)</u>	<u>192,836</u>
Total other financing sources (uses)	<u>(210,009)</u>	<u>(210,009)</u>	<u>(201,333)</u>	<u>8,676</u>
Net change in fund balance*	(897,336)	(1,781,969)	275,289	2,057,258
Fund balance—beginning	<u>8,065,597</u>	<u>8,065,597</u>	<u>8,065,597</u>	<u>-</u>
Fund balance—ending	<u>\$ 7,168,261</u>	<u>\$ 6,283,628</u>	<u>\$ 8,340,886</u>	<u>\$ 2,057,258</u>

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

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

CITY OF HORNELL, NEW YORK
Schedule of Revenues, Expenditures, and Change in Fund Balance—
Budget and Actual—Water Fund
Year Ended March 31, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Departmental income	\$ 2,208,500	\$ 2,237,749	\$ 2,234,792	\$ (2,957)
Use of money and property	47,500	47,500	37,264	(10,236)
Sale of property and compensation for loss	-	-	1,722	1,722
Miscellaneous	500	500	-	(500)
Total revenues	<u>2,256,500</u>	<u>2,285,749</u>	<u>2,273,778</u>	<u>(11,971)</u>
EXPENDITURES				
Current:				
General government support	114,384	116,784	111,514	5,270
Home and community services	1,695,111	1,815,460	1,576,034	239,426
Employee benefits	419,595	419,595	402,404	17,191
Debt service:				
Principal	<u>255,260</u>	<u>255,260</u>	<u>255,260</u>	<u>-</u>
Total expenditures	<u>2,484,350</u>	<u>2,607,099</u>	<u>2,345,212</u>	<u>261,887</u>
Net change in fund balance*	(227,850)	(321,350)	(71,434)	(273,858)
Fund balance—beginning	<u>916,484</u>	<u>916,484</u>	<u>916,484</u>	<u>-</u>
Fund balance—ending	<u>\$ 688,634</u>	<u>\$ 595,134</u>	<u>\$ 845,050</u>	<u>\$ (273,858)</u>

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

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

CITY OF HORNELL, NEW YORK
Schedule of Revenues, Expenditures, and Change in Fund Balance—
Budget and Actual—Library Fund
Year Ended March 31, 2025

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Real property taxes	\$ 370,955	\$ 370,955	\$ 370,955	\$ -
Departmental income	3,500	3,500	5,158	1,658
Use of money and property	4,000	4,000	6,552	2,552
Miscellaneous	11,000	11,000	11,642	642
Total revenues	<u>389,455</u>	<u>389,455</u>	<u>394,307</u>	<u>4,852</u>
EXPENDITURES				
Current:				
General governmental support	8,000	8,000	6,250	1,750
Culture and recreation	361,272	370,616	360,955	9,661
Employee benefits	77,140	67,796	52,125	15,671
Total expenditures	<u>446,412</u>	<u>446,412</u>	<u>419,330</u>	<u>27,082</u>
Net change in fund balance*	(56,957)	(56,957)	(25,023)	31,934
Fund balance—beginning	<u>242,638</u>	<u>242,638</u>	<u>242,638</u>	<u>-</u>
Fund balance—ending	<u>\$ 185,681</u>	<u>\$ 185,681</u>	<u>\$ 217,615</u>	<u>\$ 31,934</u>

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

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

CITY OF HORNELL, NEW YORK
Notes to the Required Supplementary Information
Year Ended March 31, 2025

1. OPEB LIABILITY

Changes of Assumptions—Changes of assumptions reflect the effects of changes in the long-term bond rate, the mortality rate, and the healthcare cost trend rate. The long-term bond rate is based on the Fidelity Municipal Go AA 20-Year Bond rate as of the measurement date, which increased from 3.77% effective March 31, 2024 to 4.16% at March 31, 2025. Mortality rates were updated to rates based on the Pub-2010 Public Retirement Plans Mortality Tables, Headcount-Weighted, without separate contingent survivor mortality fully generational using scale MP-2021. Finally, the healthcare cost trend rate has an initial rate of 5.30% and an ultimate rate of 3.71%

2. BUDGETARY INFORMATION

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

The appropriated budget is prepared by fund, function, and department. Amendments and transfers of appropriations require the approval of the Common Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the object classification.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances.

Actual results of operations presented in accordance with GAAP and the City's accounting policies do not recognize encumbrances and restricted fund balance as expenditures until the period in which the actual goods or services are received and a liability is incurred. Encumbrances are only reported on the balance sheet of the governmental funds included within restricted, committed or assigned fund balance. The City reports no significant encumbrances at March 31, 2025.

FEDERAL AWARDS INFORMATION

CITY OF HORNELL, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended March 31, 2025

Federal Grantor/Pass-through Grantor Program or Cluster Title (1a)	Federal Assistance Listing Number (1b)	Pass-Through Entity Identifying Number (1c)	Passed Through to Sub- recipients	Total Federal Expenditures (1d)
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
Direct Program:				
Community Development Block Grants/State Programs and Non-entitlement Grants in Hawaii	14.218	N/A	\$ -	\$ 5,265
Passed through New York State Community Planning and Development:				
Community Development Block Grants/State Programs and Non-entitlement Grants in Hawaii	14.228	552PR150-22	-	1,231,376
Community Development Block Grants/State Programs and Non-entitlement Grants in Hawaii	14.228	552ED219-22	-	599,000
Community Development Block Grants/State Programs and Non-entitlement Grants in Hawaii	14.228	552ED516-22	-	11,047
Community Development Block Grants/State Programs and Non-entitlement Grants in Hawaii	14.228	552HR3232-21	-	71,424
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>-</u>	<u>1,918,112</u>
U.S. DEPARTMENT OF TRANSPORTATION:				
Passed through New York State Department of Transportation:				
Formula Grants for Rural Areas	20.509	C004112	-	105,792
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>-</u>	<u>105,792</u>
U.S. DEPARTMENT OF TREASURY				
Direct Program:				
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	-	191,858
TOTAL U.S. DEPARTMENT OF TREASURY			<u>-</u>	<u>191,858</u>
U.S. DEPARTMENT OF JUSTICE:				
Passed through New York State Department of Justice:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	C633100	-	232,907
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>-</u>	<u>232,907</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS (1e)			<u>\$ -</u>	<u>\$ 2,448,669</u>

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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CITY OF HORNELL, NEW YORK
Notes to the Schedule of Expenditures of Federal Awards
Year Ended March 31, 2025

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the City of Hornell, New York (the “City”) under programs of the federal government for the year ended March 31, 2025. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (“CFR”) 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, changes in net position or cash flows of the City. The following notes were identified on the Schedule.

- (a) Includes all federal award programs of the City of Hornell, New York.
- (b) Source: Federal Assistance Listing Numbers, previously known as Catalog of Federal Domestic Assistance.
- (c) Pass-through entity identifying numbers are presented where available.
- (d) Prepared under accounting principles generally accepted in the United States of America and includes all federal award programs.
- (e) A reconciliation to the financial statements is available.

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 are limited as to reimbursement. The City has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance. Pass-through entity identifying numbers are presented where available.

3. INDIRECT COSTS

Indirect costs are included in the reported expenditures to the extent they are included in the federal financial reports used as the source for the data presented.

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DRESCHER & MALECKI LLP

2721 Transit Road, Suite 111
Elma, New York 14059
Telephone: 716.565.2299
Fax: 716.389.5178



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 Common Council of
the City of Hornell, New York:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Hornell, New York (the "City") as of and for the year ended March 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 22, 2025 (which includes an emphasis of matter paragraph regarding a restatement of net position for the implementation of GASB Statement No. 101, *Compensated Absences* and a correction of an error).

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 to 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, during our audit 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.

Drescher + Maleki LLP

September 22, 2025

DRESCHER & MALECKI LLP

2721 Transit Road, Suite 111
Elma, New York 14059
Telephone: 716.565.2299
Fax: 716.389.5178



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Honorable Mayor and Common Council of
the City of Hornell, New York:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 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 ("*Government Auditing Standards*"); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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 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.

Drescher + Maleki LLP

September 22, 2025

CITY OF HORNELL, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended March 31, 2025

Section I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued: Unmodified*
 *(which report includes a restatement of net position)

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes _____ No

Significant deficiency(ies) identified? _____ Yes _____ None reported

Noncompliance material to the financial statements noted? _____ Yes _____ No

Federal Awards:

Internal control over major federal programs:

Material weakness(es) identified? _____ Yes _____ No

Significant deficiency(ies) identified? _____ Yes _____ None reported

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

Any audit findings disclosed that are required to be reported
 in accordance with 2 CFR 200.516(a)? _____ Yes _____ No

Identification of major federal programs:

<u>ALN(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants/State Programs and Non-entitlement Grants in Hawaii
16.738	Edward Byrne Memorial Justice Assistance Grant Program

Dollar threshold used to distinguish between Type A and Type B programs? \$ 750,000

Auditee qualified as low-risk auditee? _____ Yes _____ No

CITY OF HORNELL, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended March 31, 2025

Section II. FINANCIAL STATEMENT FINDINGS

No findings noted.

Section III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted.

CITY OF HORNELL, NEW YORK
Summary Schedule of Prior Year Audit Findings and Corrective Action Plan
Year Ended March 31, 2025
(Follow-up of March 31, 2024 Findings)

No findings were reported.

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