

PRELIMINARY OFFICIAL STATEMENT

NEW/RENEWAL ISSUES

BOND ANTICIPATION NOTES

In the opinion of Bond, Schoeneck & King, PLLC, Syracuse, New York, Bond Counsel to the City, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code, however interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax imposed under the Code. In addition, in the opinion of Bond Counsel to the City, under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York. (See "TAX MATTERS" herein.)

The Notes will not be designated as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code.



\$31,667,930
CITY OF CORTLAND
CORTLAND COUNTY, NEW YORK
GENERAL OBLIGATIONS
CUSIP BASE #: 220633

\$31,667,930 Bond Anticipation Notes, 2025
(the "Notes")

Dated: May 15, 2025

Due: May 15, 2026

The Notes are general obligations of the City of Cortland, Cortland 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 "TAX LEVY LIMITATION LAW" herein.

The Notes will not be subject to redemption prior to maturity. At the option of the successful bidder(s), the Notes will be issued registered in the name of the purchaser in the denominations of \$5,000 or multiples thereof except for an odd denomination for \$7,930 as may be determined by successful bidder(s).

Alternatively, at the option of the successful bidder(s), the Notes will be registered in the name of Cede & Co. as nominee of The Depository Trust Company (DTC), New York, New York, which will act as the securities depository for the Notes. In such case, Noteholders will not receive certificates representing their ownership interest in the notes purchased. Under this option, payment of the principal of and interest on the Notes to the Beneficial Owner of the Notes will be made by DTC Participants and Indirect Participants in accordance with standing instructions and customary practices. Payment will be the responsibility of the DTC, subject to any statutory and regulatory requirements as may be in effect from time to time. See "BOOK-ENTRY-ONLY SYSTEM" herein.

The Notes are offered when, as and if issued and received by the purchaser(s) and subject to the receipt of the unqualified legal opinion as to the validity of the Notes of Bond, Schoeneck & King, PLLC, Syracuse, 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(s), on or about May 15, 2025.

ELECTRONIC BIDS for the Notes must be submitted via Fiscal Advisors Auction website ("Fiscal Advisors Auction") accessible via www.fiscaladvisorsauction.com on May 1, 2025 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.

April 25, 2025

THE CITY DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 ("THE RULE"), EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH 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, CONTINUING DISCLOSURE UNDERTAKING" HEREIN.

CITY OF CORTLAND CORTLAND COUNTY, NEW YORK

CITY OFFICIALS

SCOTT STEVE

Mayor

COMMON COUNCIL

WAYNE SCHUTT II
MARY CLARE PENNELLO
KATHRYN SILLIMAN
PATRICIA LANE
THOMAS MICHALES
WILLIAM D. CARPENTER
SETH THOMPSON
TROY BECKWITH

* * * * *

ELIZABETH GREENWOOD

Director of Administration & Finance

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BOND COUNSEL

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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



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OFFICIAL STATEMENT
OF THE
CITY OF CORTLAND
CORTLAND COUNTY, NEW YORK
RELATING TO
\$31,667,930 Bond Anticipation Notes, 2025

This Official Statement, which includes the cover page and appendices, has been prepared by the City of Cortland, Cortland County, New York (the "City," "County," and "State," respectively) in connection with the sale by the City of \$31,667,930 Bond Anticipation Notes, 2025.

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 "TAX LEVY LIMITATION LAW" herein.

The Notes are dated May 15, 2025 and will mature May 15, 2026.

The Notes are not subject to redemption prior to maturity.

The Notes will be issued in registered form at the option of the purchaser(s) either (i) requested in the name of the purchaser, in denominations of \$5,000 or multiples thereof except for an odd denomination for \$7,930 as may be determined by successful bidder(s) 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.

Optional Redemption

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

Purpose of Issue

The Notes are being issued pursuant to the Constitution and statutes of the State of New York, including among others, the General City Law, the Local Finance Law and City bond ordinances.

Purpose	Amount Outstanding	Paydown	New Money	This Issue
Wickwire Locker Rooms	\$ 779,000	\$ 65,000	\$ -	\$ 714,000
DRI Public Sector Projects	5,558,500	145,000	-	5,413,500
Owego Street Flood Control	281,275	6,275	-	275,000
Water, Sanitary & Storm System Improv.	21,881,000	135,000	-	21,746,000
Water Plant Upgrades	415,725	25,725	-	390,000
Purchase Various Equipment:				
(b) 2023 International Dump Truck	190,000	-	-	190,000
(c) 2024 International Truck with Plow	200,000	-	-	200,000
(d) Fire-fighting Vehicle	617,500	35,000	-	582,500
(e) Vacuum Street Sweeper	300,000	-	-	300,000
Ladder Truck	-	-	1,000,000	1,000,000
Randall Park Improvements	-	-	306,330	306,330
Water Quality Improvement Project	-	-	550,600	550,600
Total:	\$ 30,223,000	\$ 412,000	\$ 1,856,930	\$ 31,667,930

The proceeds of the Notes, along with \$412,000 available funds of the City, will partially redeem and renew \$30,223,000 bond anticipation notes maturing on May 16, 2025, and provide \$1,856,930 new money for the aforementioned purposes.

BOOK-ENTRY-ONLY SYSTEM

If this option is chosen, DTC, will act as securities depository for the Notes. 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 Note certificate will be issued bearing the same rate of interest and CUSIP number, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, 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"). DTC has Standard & Poor's highest rating: AAA. 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 City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered.

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

THE CITY CANNOT AND DO 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 OR REDEMPTION PREMIUM ON THE NOTES; (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE NOTES; OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE NOTES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT 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; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE NOTES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER; 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 REPRESENTATION AS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

Source: The Depository Trust Company.

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 in denominations of \$5,000 or integral multiples thereof, except for one odd denomination of \$7,930 as may be determined by successful bidder(s). Principal of and interest on the Notes will be payable at a principal corporate trust office to be named by the City. The Notes are not subject to redemption prior to their stated final maturity date.

THE CITY

General Information

The City is located in upstate New York and lies in the west-central sector of Cortland County. It is 35 miles south of the City of Syracuse, 25 miles northeast of the City of Ithaca and 46 miles north of the City of Binghamton.

Major highways serving the City include Interstate 81 as well as State highways #11, #13, #90 and #281. Transportation needs are met by various motor freight lines, Greyhound Bus Lines and various major airlines operating out of Syracuse Hancock International Airport in Syracuse and Tompkins County Airport in Ithaca. Greek Peak, Labrador and Song Mountain are three popular ski resorts located in the County.

The City, with a land area of 3.92 square miles, is the largest municipality in Cortland County and serves as the commercial hub for the residents in and around the City as well as the surrounding farm and dairy region. It is the County seat for Cortland County. The sale of locally produced milk, beef, maple syrup and cash crops within the County generates revenues in excess of \$45 million annually. Employment opportunities are afforded to City residents in the business and industries of the City or the surrounding Villages of Homer, Marathon, McGraw and Preble, or by commuting to the metropolitan areas of Syracuse, Ithaca or Binghamton. Major industries existing in and around the City include government, healthcare and social assistance, accommodation and food services, retail trade, and manufacturing.

Source: City officials.

Population Trends

	<u>City of Cortland</u>	<u>Cortland County</u>	<u>New York State</u>
1990	19,801	48,963	17,990,455
2000	18,740	48,599	18,976,457
2010	19,204	49,336	19,378,102
2020	17,556	46,809	20,201,249
2023	17,276	46,800	20,202,320
2024 (Estimate)	N/A	46,808	19,867,248

Source: U.S. Census Bureau, Population Estimates Program.

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 2019-2023 American Community Survey 5 Year Estimates.

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>2006-2010</u>	<u>2016-2020</u>	<u>2019-2023</u>	<u>2006-2010</u>	<u>2016-2020</u>	<u>2019-2023</u>
City of:						
Cortland	\$ 19,111	\$22,598	\$ 27,328	\$ 56,995	\$ 63,800	\$ 78,168
County of:						
Cortland	22,078	28,407	33,818	57,743	71,430	85,316
State of:						
New York	30,948	40,898	49,520	67,405	87,270	105,060

Note: 2020-2024 American Community Survey estimates are not available as of the date of this Official Statement.

Source: 2006-2010, 2016-2020 and 2019-2023 American Community Survey 5 Year Estimates.

Major Employers

The following is a summary of the major employers in the Cortland metropolitan area:

<u>Employer</u>	<u>Estimated Range of Number of Employees</u>
SUNY Cortland	1000+
Guthrie Cortland Medical Center	500-999
Cortland City School District	500-999
Cortland County Government	500-999
Pall Trinity Micro / Pall Trinity	500-999
Intertek Testing Services	250-499
Suit-Kote Corporation	250-499
Square Deal Machining	250-499
City of Cortland Government	100-249
Gutchess Lumber	100-249
Albany International	100-249
Pyrotek, Inc.	100-249
J.M. Murray Center	100-249
Crown Park Rehabilitation & Nursing Center	100-249
Greek Peak Mountain Resort (Seasonal)	100-249
Wal-Mart	100-249
Cortland Community Action Program	100-249
Manpower	100-249
Byrne Dairy	100-249
NBT Bank, N.A.	100-249
McNeil & Co. Insurance	100-249
Auxiliary Services Corp	100-249
Lowes Home Improvement	100-249
Family Health Network	100-249
Onondaga-Cortland-Madison BOCES	100-249
iSpice	50-249

Source: Cortland County Business Development Corporation/Industrial Development Agency and City officials.

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, are the Cortland, NY Micropolitan Statistical Area (“MSA”) and the County of Cortland. The information set forth below with respect to the Cortland, NY MSA, 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 the City is necessarily representative of the Cortland, NY MSA and/or the County and/or State, or vice versa.

	<u>Annual Averages</u>						
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Cortland, NY MSA	5.1%	4.7%	7.7%	5.1%	3.8%	4.2%	4.2%
Cortland County	5.1	4.7	7.7	5.1	3.8	4.2	4.2
New York State	4.1	3.8	9.9	7.0	4.3	4.1	4.3

	<u>2024/2025 Monthly Figures</u>											
	<u>2024</u>						<u>2025</u>					
	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>
Cortland, NY MSA	3.6%	4.0%	4.3%	4.2%	3.1%	3.2%	3.9%	4.3%	5.4%	5.4%	N/A	N/A
Cortland County	3.3	4.0	4.3	4.2	3.1	3.2	3.9	4.3	5.4	5.4	N/A	N/A
New York State	4.0	4.3	4.8	4.8	4.0	4.2	4.2	4.2	4.6	4.3	N/A	N/A

Note: Unemployment rates for the months of March and April 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).

Economic Development

Resident Labor Force

The labor force is comprised of residents who are age 16 and older and employed or not working but looking for work. In 2000, there were 24,000 people in the labor force in the County. By 2022, the size of the labor force was at 22,700, a decline of 5.4%. This parallels a similar decline throughout the Central New York region due to a stagnant and aging population.

Unemployment rates in the County are typically higher than those in New York State as a whole. See “Unemployment Rate Statistics” herein.

Commutation Patterns

Approximately 45% of employed residents living in the City work in the County. Most hold jobs in the City of Cortland or the Town of Cortlandville. Nearly 16% of City residents commute to jobs in Tompkins County, while 8.7% commute to Onondaga County. Other employment destinations include Broome, Oneida, and Monroe counties. Although most City residents commute relatively short distances, one in five travels more than 50 miles from home to work.

As the seat of County government, as the location of SUNY Cortland, and as a commercial center, the City draws workers from a large geographic area. Only 22.5% of jobs in the City are held by individuals who also live in the City. More than 31% of jobs are held by individuals who reside in other parts of the County. Workers also commute into the City from Tompkins, Onondaga, Broome, and Cayuga counties, among others. Notably, the City has a net worker inflow of 1,725, as more individuals commute into the City than leave for jobs elsewhere.

Contrary to the local perception that in-commutation is only a factor at Guthrie Cortland Medical Center and SUNY Cortland, local construction and manufacturing employers also rely on labor from outside Cortland County. More than 35% of workers in goods-producing industries in the City are from outside the County, including Tompkins, Broome, and Onondaga counties.

Employment Trends

From a long-term perspective, total employment across all sectors has increased, from 17,965 in 2000 to 18,366 in 2017, a net gain of 400 jobs (+2.2%). There has not been much sustained growth, however, as total employment peaked at 18,455 in 2001 and did not again exceed 18,000 until 2014. Private sector employment in the County declined by 1.3% between 2000 and 2017.

Total employment in the Central New York region declined by approximately 10,000 jobs from 2000 to 2017, a net loss of 2.8%. Although the region is made up of five counties, including the County, 71% of the jobs in the region are in Onondaga County. Cortland County has a 5% share of regional employment.

In 2000, the County had 1,018 private employers, or 5.7% of all private-sector businesses in the region. The County had the same number in 2017, but there were some significant shifts: several industry sectors, such as manufacturing, transportation and warehousing, and wholesale and retail trade lost businesses, while the number of establishments in the construction and accommodation and food services industries increased. Similar trends occurred at the regional level.

Tourism

Tourism is a key economic driver in the County, generating an estimated \$71.9 million in spending and supporting nearly 1,900 jobs in 2017. Although visitor spending is far less than in neighboring Tompkins County (\$216.2 million), it has risen incrementally every year, and current initiatives offer opportunities for growth.

Due to its location in the center of New York State, the City has a history of hosting sporting events, starting with the 2002 Empire State Games. The City hosts approximately 30 events per year, from high school soccer and lacrosse championships and volleyball tournaments to adult competitions like the FASNY Winter Games. In June, SUNY Cortland is the site of the annual Empire State Senior Games, a week-long event that draws approximately 1,200 participants and spectators. The Cortland Regional Sports Council (CRSC) is responsible for promoting the County for sports events, which generate significant demand for hotel rooms and impact local businesses.

In coordination with the CRSC, the Town of Cortlandville has completed building the first phase of a proposed sports complex along Route 13 to be known as Gutches Park Sports Complex. The project has created a state-of-the-art outdoor recreational facility capable of hosting large-scale tournaments. Easily accessible from I-81 and close to hotels, restaurants, and shopping, the complex is expected to take sports tourism in Cortland County to the next level. Operations this summer were COVID limited.

Funded in part by Empire State Development, Phase 1 of the complex is expected to include site work, infrastructure, parking, two turf baseball fields and restrooms. Future phases call for the construction of two additional baseball fields and a minimum of four multi-purpose fields for soccer, football, and lacrosse. Other amenities, subject to funding availability, may include multi-use trails, picnic shelters and links to adjacent recreational facilities (e.g., mini-golf).

Currently, there are about a dozen hotels, motels, and other types of accommodations in the City, most situated near the I-81 interchanges. Four new hotels have opened within the last 15 years, though there are fewer bed-and-breakfasts in the City than there used to be. Some large, historic homes in the Southeast Cortland Study Area may have potential for reuse as B&B properties. Downtown Cortland is served by three low-budget motels that offer limited services and amenities. Local tourism professionals report that a market analysis was completed for a potential boutique hotel in the City about a year ago; the study concluded, however, that occupancy rates would be insufficient to support the financing required.

Economic Developments

The City has experienced several economic development projects over the past years that have resulted in favorable impacts on the local and regional economy. The following is a brief summary of those projects and other developments:

The Cortland Commerce Center, located in the 400,000 square foot former Smith Corona facility on the Route 13 corridor in south Cortland, is occupied to near capacity. It is home to 20 companies employing around 225 people in a unique mix of retail, commercial and manufacturing enterprises.

The State University of New York at Cortland's overall growth in recent years has spurred \$200 million in new, in process, and planned construction and renovation projects, the biggest construction boom on campus in over 50 years. Completed projects include a new \$14 million stadium complex, construction of a \$56 million Student Life Center, which was completed in spring 2015, and renovations to various dormitory and other facilities. Construction of a \$21 million residence hall has begun and there are plans for a \$43 million addition and renovation project for an existing academic building.

The City was selected in October 2017 as the winner of the \$10 million Downtown Revitalization Initiative in Central New York. In partnership with the NYS Secretary of State and Cameron Engineering & Associates, LLP of New York City, the process to develop an investment plan that leverages the \$10 million with private sector development funds and other State and Federal assistance has commenced. The investment plan was submitted to the Governor's office in the spring of 2018. \$15.9 million will be allocated to the redevelopment of publicly owned property located in the downtown core. Several projects have been completed and more are underway.

Cortland Plastics International doubled the size of its 55,000 square foot facility in 2016, and has completed a \$500,000 expansion program that includes the purchase of additional machinery. Ten new employees have been hired as a result, with additional hiring anticipated in the foreseeable future.

McNeil & Co., a risk management insurance company and one of the City's largest taxpayers, have completed a \$7.2 million expansion that involves the renovation of 65,000 square feet of space within the City.

Developer David Yaman has completed construction of an \$8 million, 35,000-square foot facility at the Cortland Commerce Center in Cortlandville to accommodate an expansion of Cortland Cable's medical device manufacturing operations. The new building is occupied to a division of Actuant (the parent company of Cortland Cable). The operation has created 23 new job, with plans of up to 50 jobs to be created within 5 years. Developer David Yaman has additionally completed a \$13 million rehabilitation of a former industrial building on Main Street. Called 'Crescent Commons,' the building is now a mixed-use complex with occupancy at 90%.

Square Deal Machining completed an expansion of its facility in Marathon in 2015. The \$1 million project included building renovations, equipment acquisition and the construction of 17,000 square feet of new space to accommodate growing business. The company also expanded its workforce.

Byrne Dairy opened a \$30 million yogurt manufacturing plant in Cortlandville in 2014. Headquartered in Syracuse, the company operates four dairy processing plants in central New York. Its production facilities, distribution centers and convenience stores together employ over 2,300 people. Future plans are to develop a visitor center on the Cortlandville site where the public can view the manufacturing process.

As the U.S. health care industry continues to consolidate due to reductions in federal Medicaid and Medicare spending, local service providers have been making changes to remain competitive while strengthening access to quality care. In September 2017, Cortland Regional Medical Center announced plans to affiliate with Guthrie, a health care system serving 11 counties in north-central Pennsylvania and New York's Southern Tier. Realized benefits of the agreement include \$41 million in infrastructure and electronic records upgrades, access to advanced health care through the world-renowned Mayo Clinic, and construction of a \$10 million cancer treatment center. Local control of the Cortland hospital and nursing facility will continue, with no cuts in services for at least nine years.

Source: City officials.

Form of City Government

The governing board of the City is the Common Council (the "Common Council"), comprised of an elected Mayor and eight Aldermen elected from their respective wards. The Mayor and all Aldermen are elected for two-year concurrent terms. The City's Director of Administration and Finance and the City's Corporation Counsel are appointed by the Mayor with the approval of the Common Council.

Financial Organization

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

Budgetary Procedures

The Director of Administration and Finance is charged with preparing the Mayor's Tentative Budget. This begins with submissions from all departments, items are then reviewed internally among staff and with the Mayor. By October 15 of each year the Mayor submits a Tentative Budget to the Common Council. Budget Hearings are held by department and Common Council will prepare any changes by November 15 which will become the City's Proposed Budget. A public hearing is held the first meeting of December and final changes are adopted at the second meeting in December. If Common Council fails to adopt a budget by December 31 of any given year, the Tentative Mayoral Budget is enacted.

Investment Policy

Pursuant to the statutes of the State of New York, the City is permitted to invest only in the following investments: (1) special time deposits or certificates of deposits in a bank or trust company located and authorized to do business in the State of New York; (2) obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America; (4) obligations of the State of New York; (5) with the approval of the New York State Comptroller, tax anticipation notes and revenue anticipation notes issued by any New York municipality or district corporation, other than the City; (6) obligations of a New York public corporation which are made lawful investments by the City pursuant to another provision of law; (7) certain certificates of participation issued on behalf of political subdivisions of the State of New York; and, (8) in the case of City moneys held in certain reserve funds established pursuant to law, obligations issued by the City. These statutes further require that all bank deposits, in excess of the amount insured under the Federal Deposit Insurance Act, be secured by either a pledge of eligible securities, an eligible surety bond or an eligible letter of credit, as those terms are defined in the law.

Consistent with the above statutory limitations, it is the City's current policy to invest in: (1) certificates of deposit or time deposit accounts that are fully secured as required by statute, (2) obligations of the United States of America or (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America. In the case of obligations of the United States government, the City may also purchase such obligations pursuant to a written repurchase agreement that requires the purchased securities be delivered to a third-party custodian bank or trust company.

State Aid

The City receives financial assistance from the State. In its adopted budget for the 2025 fiscal year, approximately 10.0% of the operating revenues of the City are expected to be received from the State as State aid. The State is not constitutionally obligated to maintain or continue State aid to the City and no assurance can be given that present State aid levels will be maintained in the future. 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. Furthermore, if a significant default or other financial crisis should occur in the affairs of New York State or any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the City to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, could be adversely affected.

There can be no assurance that the State appropriation for State aid to cities will be continued in future years, either pursuant to existing formulas or any form whatsoever. State aid appropriated and apportioned to the City can be paid only if the State has such monies available therefore. The availability of such monies and the timeliness of such payment could be affected by a delay in the adoption of the State budget or their elimination therefrom.

While the City has received State aid in recent years, both the determination of the amount of State aid and the apportionment of State aid are legislative acts and the State Legislature may amend or repeal the chapter relating to State aid and the formulas which determine the amount of State aid payable to the City. The current or future financial condition of the State may affect the amount of State aid appropriated by the State Legislature.

Employees

The City provides services through approximately 150 employees, 128 of which are represented by six 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>
Cortland Paid Firefighters Association	39	December 31, 2025
Cortland Police Benevolent Association	40	December 31, 2025
CSEA Local 1000	27	December 31, 2025
City of Cortland School Crossing Guards	14	December 31, 2025
Service Employees International Union	4	December 31, 2027
Professional Wastewater Operators Associates	8	December 31, 2025

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 in 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.
- A change in the period for final average salary calculation from 3 years to 5 years.

The City's contributions to ERS and PFRS since 2020 are as follows:

<u>Year</u>	<u>ERS</u>	<u>PFRS</u>
2020	\$518,573	\$1,534,015
2021	532,299	1,797,388
2022	530,995	1,792,985
2023	398,060	1,709,078
2024 (Budgeted)	391,460	1,975,954
2024 (Unaudited)	391,460	1,975,954
2025 (Budgeted)	399,745	2,314,8956

Source: City officials.

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 offered to Police and Fire a \$10,000 retirement incentive through December 1, 2021 prorated from January 1, 2021 but that was not extended past December 31, 2021. This offer has not and will not be extended for 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 (2021 to 2025) is shown below:

<u>Year</u>	<u>ERS</u>	<u>PFRS</u>
2021	14.6%	24.4%
2022	16.2	28.3
2023	11.6	27.0
2024	13.1	27.8
2025	15.2	10.0

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.

The City is not amortizing or smoothing any pension payments, 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. School districts and boards of cooperative educational services, unlike other municipal units of government in the State, have been prohibited from reducing retiree health benefits or increasing health care contributions received or paid by retirees below the level of benefits or contributions afforded to or required from active employees since the implementation of Chapter 729 of the Laws of 1994. Legislative attempts to provide similar protection to retirees of other local units of government in the State have not succeeded as of this date. Nevertheless, many such retirees of all varieties of municipal units in the State do presently receive such benefits.

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. GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The City was required to adopt the provisions of Statement No. 75.

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The City contracted with Armory Associates LLC, an actuarial firm, to calculate its actuarial valuation under GASB 75.

The following outlines the changes to the Total OPEB Liability during the 2022 and 2023 fiscal years, by source.

	Balance beginning at January 1:	2022	2023
<u>Changes for the year:</u>		<u>\$ 79,506,607</u>	<u>\$ 89,792,221</u>
Service cost		3,073,951	3,166,903
Interest		1,732,259	1,895,280
Changes of benefit terms		-	-
Differences between expected and actual experience		5,081,054	-
Changes of benefit terms		-	-
Changes in assumptions or other inputs		2,138,824	(23,370,843)
Benefit payments (including implicit subsidy)		<u>(1,740,474)</u>	<u>(1,910,495)</u>
Net Changes		<u>\$ 10,285,614</u>	<u>\$ (20,219,155)</u>
	Balance ending at December 31:	2022	2023
		<u>\$ 89,792,221</u>	<u>\$ 69,573,066</u>

Source: Actuarial valuation reports for fiscal years ending December 31, 2022 and 2023. The above table is not audited.

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.

Under GASB 75, an actuarial valuation will be required every 2 years for all plans, however, the Alternative Measurement Method continues to be available for plans with less than 100 members.

Other Information

The statutory authority for the power to spend money for the object or purpose, or to accomplish the object or purpose for which bonds and notes are to be issued, is the City Law and the Local Finance Law.

The City is in compliance with the procedure for the publication of the estoppel notice with respect to the adoption of the Bond Resolutions authorizing the issuance of the renewal portion of the Notes as provided in Title 6 of Article 2 of the Local Finance Law.

The City is in the process of complying with the procedure for the publication of the estoppel notice with respect to the new money portion of 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 January 1 through December 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.

Financial Statements

The City retains an independent certified public accounting firm for a continuous independent audit of all financial transactions of the City. The last completed audit for the fiscal year ended December 31, 2023 has been filed with the Electronic Municipal Market Access Website (“EMMA”). The audited financial statements for the fiscal year ending December 31, 2023 attached hereto as “APPENDIX – C”.

The City complies with the Uniform System of Accounts as prescribed for towns 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).

Unaudited Results for the Fiscal Year Ended December 31, 2024

Summary unaudited information for the General Fund for the period ended December 31, 2024 is as follows:

Revenues:	\$ 22,525,056
Expenditures:	<u>25,813,329</u>
Excess (Deficit) Revenues Over Expenditures:	\$ <u>(3,288,274)</u> ⁽¹⁾

Total General Fund Balance -Beginning of Year:	\$ 3,028,696
Total General Fund Balance – End of Year:	\$ (259,578)

⁽¹⁾ State reimbursements for capital projects were delayed, which was the main cause of the deficit. The Town anticipates receiving state reimbursements in the fiscal year ending December 31, 2025 to help offset the deficit.

Note: These projections are based upon certain current assumptions and estimates, and the finalized results to be provided in the Audited Financial Statements may vary therefrom.

Source: City officials.

Beginning with the fiscal year ending December 31, 2003, the City is 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 the Management's Discussion and Analysis. The City hired an outside consultant to assist in implementation of GASB 34, inclusive of a physical review and documentation of all assets owned by the City. The City is currently in full compliance with GASB 34.

Bonadio & Co., LLP, the independent auditor for the City, 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. Bonadio & Co., LLP also has not performed any procedures relating to this Official Statement.

New York State Comptroller Reports of Examination

The State Comptroller's office, 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.

The State Comptroller's office released a recent audit report of the City on May 14, 2021. The purpose of the audit was to determine whether City officials ensured claims for credit account purchases and employee reimbursements were properly supported and for appropriate purposes for the period January 1, 2018 through December 31, 2019. Key findings include that City officials did not ensure all credit account purchases and employee reimbursements were properly supported and for appropriate purposes and that no formal City-wide policies were in place to address the usage, documentation and approval of credit account purchases. It was recommended that the City adopt policies that provide guidelines for appropriate usage, documentation requirements and the approval process for credit account purchases and employee reimbursements, and thoroughly audit claims and require adequate supporting documentation to ensure that claims are for appropriate City expenditures. The City agreed with certain findings as outlined in the report and indicated they will take corrective action.

The State Comptroller's office released its most recent audit report of the City on August 27, 2021. The purpose of the audit was to determine whether the City's non-contractual (NC) employees' payroll benefits were authorized and accurate for the period January 1, 2018 through December 31, 2019. Two State Comptroller's audits issued in 2010 found NC employees received benefits inconsistent with Council approvals. Most of the prior control weaknesses remain and the Council still has not established specific leave benefits of NC employees. In addition, the City paid \$59,500 to provide health insurance for two Council members without proper approval and establishment of eligibility requirements and contribution rates. It was recommended that the City clearly define the benefits that all officials and NC employees are entitled to and properly track time worked and adhere to provisions in the City Charter, Code of Ordinances and collective bargaining agreements. The City agreed with certain findings as outlined in the report and indicated they will take corrective action.

Note: References to website addresses presented herein are for informational purposes only. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Continuing Disclosure Statement.

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 2020 through 2023 fiscal years for the City are as follows:

<u>Fiscal Year Ending In</u>	<u>Stress Designation</u>	<u>Fiscal Score</u>
2023	Not Filed	-
2022	Susceptible	52.5
2021	Susceptible	49.6
2020	No Designation	42.1

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. References to website addresses presented herein are for informational purposes only. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

TAX INFORMATION

Taxable Valuations

<u>Fiscal Year Ending December 31:</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Assessed Valuations	\$ 531,431,981	\$ 531,751,107	\$ 536,115,508	\$ 537,274,447	\$ 869,478,580
New York State					
Equalization Rate	92.00%	88.00%	83.00%	73.00%	100.00%
Total Taxable Full Valuation	\$ 577,643,458	\$ 604,262,622	\$ 645,922,299	\$ 735,992,393	\$ 869,478,580

Source: City officials.

Tax Rate per \$1,000 (Assessed)

<u>Fiscal Year Ending December 31:</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
General City	\$ 17.15	\$ 17.48	\$ 17.83	\$ 18.54	\$ 11.98

Source: City officials.

Tax Levy and Tax Collection Record

<u>Fiscal Year Ending December 31:</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
City Tax Levy ⁽¹⁾	\$ 18,399,928	\$ 18,621,568	\$ 18,864,778	\$ 19,113,721	\$ 19,678,911
Uncollected as of December 31 ⁽²⁾	710,015	447,052	466,307	628,822	N/A
% Uncollected	3.86%	2.40%	2.47%	3.29%	N/A

⁽¹⁾ Includes City and County levy less adjustments to tax roll.

⁽²⁾ See "Tax Collection Procedure" herein.

Tax Collection Procedure

The City is responsible for the collection of the County taxes levied within the City and its own taxes, both current and delinquent. The City makes the County whole for the current fiscal year. The City also collects the Cortland City School District (the “School District”) delinquent taxes and pays them to the School District as collected up to the date of tax sale. The City then makes the School District whole for those parcels located within the City in the fiscal year of the School District following the year of original levy.

Tax payments are due one-half from February 1-28 and one-half from August 1-31 in a given fiscal year. For the first installment, taxes remaining unpaid after March 1, 5% is added on the first half, increasing 1% per month for the remainder of the first half. On the second installment, a charge of 2-1/2% is imposed from March 1st to August 31st, increasing 5% on September 1st and 1% per month thereafter.

Commencing January 1, 2007, the City has incorporated an in rem process to their tax collection procedure. After three years delinquent the City may now auction properties for unpaid taxes. As a result of this process, the City realized a significant increase in collections. Due to the COVID-19 pandemic and other changes related to Supreme Court actions in 2023, the City has not held a property auction for unpaid taxes since 2019.

Ten Largest Taxpayers – 2024 Assessment Roll for 2025 City Tax Roll

<u>Name</u>	<u>Type</u>	<u>Full Valuation</u>
NYS Electric & Gas Corporation	Utility	\$19,978,643
Niagara Mohawk Power Corporation	Utility	12,479,686
Kellogg Rd Realty Group LLC ⁽¹⁾	Nursing Home	11,000,000
Lady Jane Hotels Corp.	Hotel/Restaurant	8,642,300
McNeil Development Corp. LLC	Commercial	8,323,800
NY Sterling Management Inc ⁽²⁾	Motel/Restaurant	7,135,000
Salt City Development Co., LLC	Commercial	6,220,000
Paradigm Properties, LLC	Real Estate	5,618,200
Joseph Armideo	Apartments	4,960,000
DelVechhio Family LLC	Apartments	3,696,900

⁽¹⁾ Previously known as Cortland Property NY LLC

⁽²⁾ Previously known as 2 River Street Realty LLC

The larger taxpayers listed above have a total full valuation of \$88,054,529, which is 11.96% of the 2025 tax base of the City.

As of the date of this Official Statement, the City does not have any pending or outstanding tax certioraris that are known or expected to have a material impact on the finances of the City.

Source: City Officials.

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Sales Tax

An indicator of the strength of the local economy is sales tax revenue, which is a significant revenue source for the City, and has remained stable. The following table shows the amounts collected for the past five completed fiscal years and the budgeted amount for the current fiscal year.

<u>Year</u>	<u>Amount Collected</u>
2019	\$5,248,272
2020	5,231,043
2021	6,314,419
2022	6,686,039
2023	6,696,073
2024 (Budgeted)	7,000,000
2024 (Unaudited)	6,735,089
2025 (Budgeted)	7,207,653

The City and County entered into a sales tax sharing renewal agreement covering the period January 1, 2013 through December 31, 2017. For the year beginning on January 1, 2013, the City's share remained at 18.24%, the same as 2012. However, in 2014 it went down to 18.115%, in 2015 to 17.99%, in 2016 to 17.865%, and in 2017 to 17.615%. Unlike previous agreements, this agreement was tied to the County's debt service payment for an Inter-Operable Radio System. The County-wide system was in response to a requirement by the State to standardize emergency radio communications for quicker response time. The debt service payment for any debt related to the lease, construction and/or implementation of the radio system will be deducted from the sales tax collected before it is distributed to the towns and villages.

The City and County entered into a sales tax sharing renewal agreement covering the period January 1, 2019 through December 31, 2019, and entered into an additional renewal agreement for January 1, 2020 through December 31, 2029. The City's share is 17.75%. Under the agreement, the County deducts \$1.5 million from the gross receipts and distributes the net.

Source: City officials.

Constitutional Tax Margin

Computation of the Constitutional Tax Margin for the fiscal years ending December 31, 2023 through December 31, 2025 is as follows:

<u>Fiscal Year Ending December 31:</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Five Year Average Full Valuation.....	\$ 581,195,929	\$ 631,628,015	\$ 869,478,580
Tax Limit - (2%).....	11,623,919	12,632,560	17,389,572
Add: Exclusions from Tax Limit.....	727,937	1,112,948	118,344
Total Taxing Power.....	\$ 12,351,856	\$ 13,745,508	\$ 17,507,916
Less: Total Levy.....	9,560,449	8,955,581	10,412,854
Constitutional Tax Margin.....	\$ 2,791,407	\$ 4,789,927	\$ 7,095,062

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 annual property tax bill of a residential property assessed at \$100,000, located in the City, is \$3,335 for County and City for 2024 with School Year 2023 taxes totaling \$1,920 for a total tax bill of \$5,255.

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. 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.

Certain additional restrictions on the amount of the personal income tax credit are set forth in Chapter 59 in order for the tax cap to qualify as one which will provide the tax credit benefit to such real property taxpayers. The refundable personal income tax credit amount is increased in the second year if compliance occurs in both taxable years.

For the second taxable year of the program, the refundable personal income tax credit for real property taxpayers is additionally contingent upon adoption by the school district or municipal unit of a state approved “government efficiency plan” which demonstrates “three-year savings and efficiencies of at least one per cent per year from shared services, cooperation agreements and/or mergers or efficiencies”.

Municipalities, school districts and independent special districts must provide certification of compliance with the requirements of the new provisions to certain state officials in order to render their real property taxpayers eligible for the personal income tax credit.

While the provisions of Chapter 59 do not directly further restrict the taxing power of the affected municipalities, school districts and special districts, they do provide an incentive for such tax levies to remain within the tax cap limits established by the Tax Levy Limitation Law. The implications of this for future tax levies and for operations and services of the City are uncertain at this time.

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.

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 December 31:</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Bonds	\$ 7,335,000	\$ 9,540,000	\$ 8,755,000	\$ 7,925,000	\$ 7,070,000
EFC Bonds	9,825,000	12,029,683	11,624,683	11,230,000	13,354,049
Bond Anticipation Notes	15,975,000	16,110,000	20,880,000	20,568,000	30,223,000
Revenue Anticipation Notes	0	0	0	0	0
Tax Anticipation Notes	1,000,000	0	0	0	0
Capital Notes	0	0	0	0	0
Totals	<u>\$ 34,135,000</u>	<u>\$ 37,679,683</u>	<u>\$ 41,259,683</u>	<u>\$ 39,723,000</u>	<u>\$ 48,133,000</u>

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the City as of April 25, 2025:

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Amount</u>
<u>Bonds</u>	2025-2051	\$ 19,835,239
<u>Bond Anticipation Notes</u>		
Various Purposes	May 16, 2025	20,033,000 ⁽¹⁾
Various Purposes	May 16, 2025	<u>10,190,000⁽¹⁾</u>
Total Indebtedness:		<u>\$ 50,058,239</u>

⁽¹⁾ To be partially redeemed and renewed with the proceeds of the Notes and \$412,000 available funds of the City.

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Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of April 25, 2025:

Five-Year Average Full Valuation of Taxable Real Property	\$ 869,478,580
Debt Limit – 7% thereof	60,863,500

Inclusions:

Bonds	\$ 19,835,239
Bond Anticipation Notes	<u>30,223,000</u>
Total Inclusions	<u>\$ 50,058,239</u>

Exclusions:

Water - Bonds ⁽¹⁾	\$ 4,880,449
Water - Notes ⁽¹⁾	415,725
Sewer ⁽²⁾	9,705,000
Appropriations	<u>780,000</u>
Total Exclusions	<u>\$ 15,781,174</u>

Total Net Indebtedness Subject to Debt Limit	<u>\$ 34,277,065</u>
Net Debt-Contracting Margin	<u>\$ 26,636,435</u>
Percent of Debt Contracting Power Exhausted	56.32%

- (1) Water Debt is excluded pursuant to Article VIII, Section 5B of the New York State Constitution.
(2) Sewer Debt is excluded pursuant to Section 124.10 of the Local Finance Law.
(3) Appropriations are excluded pursuant to Section 136.00 of the Local Finance Law.

Notes: Revenue anticipation notes and tax anticipation notes, if any, are not included in the calculation of inclusions for the City's debt statement.

Bonded Debt Service

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

Cash Flow Borrowings

The City has not found it necessary to borrow tax anticipation notes in the past. Revenue Anticipation Notes (RANs) have been issued in anticipation of the receipt of State grants in aid for marketing the snow industry in and around the City. The RANs were retired at their maturity with State grants-in-aid.

The following is a chart of the City's recent revenue anticipation note borrowing history:

<u>Fiscal Year</u>	<u>Type</u>	<u>Amount</u>	<u>Issue Date</u>	<u>Due Date</u>
2015	RAN	\$ 800,000	12/3/2015	12/2/2016
2016	RAN	750,000	12/2/2016	12/1/2017
2017	RAN	282,519	11/30/2017	11/30/2018
2020	TAN	1,000,000	12/23/2021	3/1/2021

Source: City records.

Capital Project Plans

The City has undertaken a \$37.8 million project for the replacement of water, sanitary sewer and storm sewer lines along, and improvements of stormwater management practices with respect to: (a) Clinton Avenue from the intersection of Pomeroy Street to Main Street and including River Street; (b) Groton Avenue from the intersection of Main Street to Otter Creek Place; and (c) Main Street from the intersection of Clinton Avenue to Port Watson Street to be funded with an \$16.2 million United States Environmental Protection Agency (“EPA”) WIFIA loan, \$10.0 million NYS EFC loans and \$11.6 million grants-in-aid. Initial funding is provided with bond anticipation notes over the next several years. The WIFIA loan agreement closed May 7, 2020, for forward delivery on November 30, 2025. To date the City has issued \$21,881,000 bond anticipation notes for the aforementioned purposes.

The City also has bond anticipation notes outstanding through May 16, 2025 to finance the following:

<u>Purpose</u>	<u>Amount</u>
Water Plant Upgrades	\$ 415,725
Wickwire Locker Rooms	779,000
DRI Public Sector Projects	5,558,500
Owego Street Flood Control	281,275
Water System, Sanitary Sewer System and Storm System Improvements	21,881,000
Purchase of Equipment	<u>1,307,500</u>
	<u>\$ 30,223,000⁽¹⁾</u>

⁽¹⁾ To be partially redeemed and renewed with the proceeds of the Notes and \$412,000 available funds of the City.

On October 19, 2021, the City authorized the issuance of \$25,000,000 serial bonds to finance the cost of the Homer Avenue Gateway Water System, Sanitary Sewer System and Storm Sewer System Improvement Project. The City will be submitting applications under both NYS Environmental Facilities Corporation’s (EFC) Clean Water program and Drinking Water program for financial assistance. The actual work that will be completed for this project will be directly related to funding received from State and Federal agencies in the form of grants and low interest loans. The City passed a bond resolution to put the project in a position to seek grant and loan funding through NYSEFC and EPA WIFIA. The City is in the process of completing the WIFIA application and agreement. No bonds or notes have yet been issued for this project.

On April 22, 2025, the City authorized the issuance of \$ 1,856,930 serial bonds to finance the cost of the purchase of a ladder truck, improvements to Randall Park, and a Water Quality Improvement Project. The Notes will provide New Money for the aforementioned purposes

The City currently has no other authorizations outstanding and no other capital purpose borrowings are anticipated in the near future but continues to closely monitor current projects are construction costs continue to escalate and challenge original budgets and current contract agreements.

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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 respective fiscal years of the below 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>City Share</u>	<u>Net Overlapping Indebtedness</u>
County of:						
Cortland	6/29/2024	\$ 20,315,000 ⁽²⁾	\$ 1,200,000 ⁽³⁾	\$ 19,115,000	22.49%	\$ 4,298,964
School District:						
Cortland	12/23/2024	27,056,620 ⁽²⁾	24,242,732 ⁽⁴⁾	2,813,888	57.16%	1,608,419
					Total:	<u>\$ 5,907,382</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 April 25, 2025:

	<u>Amount</u>	<u>Per Capita</u> ^(a)	<u>Percentage of Full Value</u> ^(b)
Net Direct Indebtedness	\$ 34,277,065	\$ 1,984.09	3.94%
Net Direct Plus Net Overlapping Indebtedness.....	40,184,447	2,326.03	4.62

- (a) The 2023 population of the City is estimated to be 17,276. See "THE CITY – Population Trends" herein.
- (b) The City's full value of taxable real estate for the 2025 fiscal year is \$869,478,580. See "TAX INFORMATION – Taxable Valuations" herein.
- (c) See "Debt Statement Summary" herein for the calculation of Net Indebtedness.
- (d) The City's applicable share of Net Overlapping Indebtedness is estimated to be \$5,907,382. 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 (including the Notes) 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 described below enacted at the 1975 Extraordinary Session of the State legislature authorizing any county, city, City 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, City 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, City 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, Cities 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, Cities 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, City, 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, City, 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, City, 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 investment risk.

The financial and economic 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, 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 its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the City to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the 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 any year, 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 some 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 “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 Note prior to its maturity, there can be no assurance that a market shall have been established, maintained and be in existence for the purchase and sale of any of the 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 MATTERS" herein).

Cybersecurity. The City, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on computer or other sensitive digital systems and networks. There can be no assurances that any security and operational control measures implemented by the City will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attacks could impact business operations and/or digital networks and systems and the costs of remedying any such damage could be significant.

TAX MATTERS

The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remain excludable from gross income for federal income tax purposes. These requirements include provisions which prescribe yield and other limits relative to the investment and expenditures of the proceeds of the Notes and other amounts and require that certain earnings be rebated to the federal government. The City will agree to comply with certain provisions and procedures, pursuant to which such requirements can be satisfied. Non-compliance with such requirements may cause interest on the Notes to become included in gross income for federal income tax purposes retroactive to the date of issuance thereof, irrespective of the date on which non-compliance is ascertained.

The Code imposes a 30% branch profits tax on the earnings and profits of a United States branch of certain foreign corporations attributable to its income effectively connected (or treated as effectively connected) with a United States trade or business. Included in the earnings and profits of the United States branch of a foreign corporation is income that would be effectively connected with the United States trade or business if such income were taxable, such as the interest on the Notes. Existing United States income tax treaties may modify, reduce, or eliminate the branch profits tax, except in cases of treaty shopping.

The Code further provides that interest on the Notes is included in the calculation of modified adjusted gross income in determining whether a portion of Social Security or railroad retirement benefits is to be included in taxable income of individuals. In addition, certain S Corporations may have a tax imposed on passive income, including tax-exempt interest, such as interest on the Notes.

Prospective purchasers should consult their tax advisors with respect to the calculations of the alternative minimum tax or foreign branch profits tax liability, and the tax on passive income of S Corporations or the inclusion of Social Security or other retirement payments in taxable income.

In the opinion of Bond Counsel, assuming compliance with certain requirements of the Code, under existing laws, interest on the Notes is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals under the Code; however, interest on the Notes that is included in the adjusted financial statement income of certain corporations is not excluded from the corporate alternative minimum tax imposed under the Code. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Notes.

The opinion of Bond Counsel described herein with respect to the federal income tax treatment of interest paid on the Notes is based upon the current provisions of the Code. There can be no assurance that the Code will not be amended in the future so as to reduce or eliminate such favorable federal income tax treatment on the Notes. Any such future legislation would have an adverse effect on the market value of the Notes.

LEGAL MATTERS

The legality of the authorization and issuance of the Notes will be covered by the unqualified legal opinion of Bond, Schoeneck & King, PLLC, Bond Counsel, Syracuse, New York. Such legal opinion will state that in the opinion of Bond Counsel (i) the Notes have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the City, all the taxable property within which is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, without limitation as to rate or amount, subject to certain statutory limitations imposed by Chapter 97 of the Laws of 2011 of the State of New York, (ii) 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; and (iii) interest on the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals under the Code; however, interest on the Notes that is included in the adjusted financial statement income of certain corporations is not excluded from the corporate alternative minimum tax imposed under the Code. The opinions of Bond Counsel set forth in (iii) above are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Notes in gross income for federal income tax purposes to be retroactive to the date of issuance of the Notes. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Notes. It is to be understood that the rights of the holders of the Notes and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may be also subject to exercise of judicial discretion in appropriate cases.

Bond Counsel has not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement (except to the extent, if any, stated in the Official Statement) or any other offering material relating to the Notes, and Bond Counsel expresses no opinion relating thereto (excepting only matters set forth as Bond Counsel's opinion in the Official Statement).

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 Bonds, the form, substantially of which, is attached hereto as "APPENDIX – C".

Historical Compliance

Other than stated below, the City is in compliance in all material respects within the last five years with all previous undertakings made pursuant to the Rule.

The City did not file its audited financial statements for the fiscal year end December 31, 2021, on or before the required date of December 31, 2022. The audited financial statement for fiscal year end December 31, 2021, was filed to EMMA on October 4, 2023, along with a failure to file Material Event Notice.

On October 1, 2024 the City had an interest payment due related to its \$3,110,000 serial bonds issued on April 9, 2021 in the amount of \$25,362.50. Due to a clerical error the payment was not made until October 3, 2024. The City had the funds available in its account to make the payment at the time it was due.

The City has written continuing disclosure compliance procedures to ensure that all requirements pursuant to Rule 15c2-12 are met for its tax-exempt bond and note issuances and has hired a third party to act as dissemination agent for its continuing disclosure.

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. Subject to the approval of the City, the purchaser(s) of the Notes may have a rating completed after the sale at the expense of the purchaser(s), including any fees to be incurred by the City, such as a rating action that may require the filing of a material event notification to EMMA, and/or the provision of a supplement to the final Official Statement.

Also, on November 8, 2023 Moody's Investors Service ("Moody's") downgraded the issuer rating and general obligation long term rating to "A3" from "A2" and changed the outlook to negative. This rating reflects only the view of Moody's and an explanation of the significance of such rating may be obtained from Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, Phone: (212) 553-1653.

On December 13, 2023, S&P Global Ratings ("S&P") lowered its underlying rating (SPUR) on outstanding long-term general obligation (GO) debt for the City of Cortland, New York to A from A+ and changed the outlook to negative. The city's rating reflects the view of the city's governance structure, along with risk management, culture, and oversight as a material weakness in our credit analysis, reflecting the absence of effective budget monitoring in recent years, following significant staffing turnover that resulted in a weakened financial position.

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.

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.

Bond, Schoeneck & King, PLLC, Syracuse, 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 contact information is as follows: Scott Steve, Mayor, City Hall, 25 Court Street, Cortland, New York 13045, Phone: (607) 753-0872, Fax: (607) 753-3295, Email: mayor@cortland.org.

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 Director of Administration and Finance of the City of Cortland.

CITY OF CORTLAND

Dated: April 25, 2025

**/s/ _____
DIRECTOR OF ADMINISTRATION AND
FINANCE OF THE CITY OF CORTLAND**

GENERAL FUND
Balance Sheets

Fiscal Year Ending December 31:	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<u>ASSETS</u>					
Cash and cash equivalents - unrestricted	\$ 3,359,931	\$ 5,030,653	\$ 6,488,022	\$ 1,531,690	\$ 5,723,089
Cash and cash equivalents - restricted	-	-	-	5,439,926	395,314
Receivables:					
Taxes - Net	1,571,097	1,774,263	1,599,098	1,318,904	840,153
Other	172,971	204,380	154,250	327,388	94,934
State and Federal Aid	-	-	-	-	-
Due from Other Funds	1,141,964	207,756	516,648	1,270,213	1,324,321
Due from State and Federal Governments	1,506,651	2,021,584	1,726,780	1,931,647	2,681,814
Length of service awards asset	-	204,559	-	196,957	183,632
Other Assets	-	-	202,104	-	-
Deferred Outflow of Resources	-	-	-	-	-
TOTAL ASSETS	<u><u>\$ 7,752,614</u></u>	<u><u>\$ 9,443,195</u></u>	<u><u>\$ 10,686,902</u></u>	<u><u>\$ 12,016,725</u></u>	<u><u>\$ 11,243,257</u></u>
<u>LIABILITIES AND FUND EQUITY</u>					
Accounts Payable	\$ 418,454	\$ 225,456	\$ 2,481,541	\$ 658,943	\$ 1,059,984
Accrued Liabilities	1,474,422	1,619,800	45,356	59,582	308,971
Due to Other Funds	14,621	179	179	749,616	1,644,439
Due to Fiduciary Funds	-	-	2,449	-	-
Due to Other Governments	-	-	-	2,088,692	2,282,088
Due to Employees' Retirement System	-	-	1,742,985	1,563,364	1,797,648
Other Liabilities	-	-	-	-	61,256
Payroll Liabilities	-	-	-	-	-
Bond/Tax Anticipation Notes Payable	-	1,000,000	-	-	-
Unearned Revenue	3,750	-	800,948	1,426,240	457,197
Deferred Inflow of Resources	1,361,012	1,334,662	-	1,171,487	602,978
TOTAL LIABILITIES	<u><u>3,272,259</u></u>	<u><u>4,180,097</u></u>	<u><u>5,073,458</u></u>	<u><u>7,717,924</u></u>	<u><u>8,214,561</u></u>
<u>FUND EQUITY</u>					
Restricted	\$ -	\$ 204,559	\$ 5,407,260	\$ 5,402,113	\$ 5,388,788
Committed	4,373,412	4,878,031	-	-	-
Assigned	23,852	-	146,754	120,544	3,252,661
Unassigned	83,091	180,508	(975,026)	(1,223,856)	(5,612,753)
TOTAL FUND EQUITY	<u><u>4,480,355</u></u>	<u><u>5,263,098</u></u>	<u><u>4,578,988</u></u>	<u><u>4,298,801</u></u>	<u><u>3,028,696</u></u>
TOTAL LIABILITIES and FUND EQUITY	<u><u>\$ 7,752,614</u></u>	<u><u>\$ 9,443,195</u></u>	<u><u>\$ 9,652,446</u></u>	<u><u>\$ 12,016,725</u></u>	<u><u>\$ 11,243,257</u></u>

GENERAL FUND
Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending December 31:	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
REVENUES					
Real Property Taxes & Items	\$ 9,152,031	\$ 9,180,908	\$ 9,431,317	\$ 9,818,970	\$ 9,712,363
Non-Property Tax Items	5,630,376	5,641,061	5,587,231	6,650,807	7,093,777
Departmental Income	702,672	651,419	680,890	757,456	691,214
Intergovernmental Charges	254,788	361,874	371,548	385,249	286,483
Use of Money & Property	57,644	61,563	64,132	45,775	47,090
Licenses and Permits	341,569	251,400	219,340	196,230	167,151
Fines and Forfeitures	214,984	188,204	106,009	125,543	204,707
Sale of Property and Compensation for Loss	79,119	198,083	83,358	153,840	97,385
Miscellaneous	91,305	112,419	109,756	216,949	95,379
Interfund Revenues	-	-	-	-	-
Revenues from State Sources	4,062,599	2,703,548	2,383,492	2,961,953	4,194,140
Revenues from Federal Sources	113,597	95,376	127,967	201,620	363,131
Total Revenues	<u>\$ 20,700,684</u>	<u>\$ 19,445,855</u>	<u>\$ 19,165,040</u>	<u>\$ 21,514,392</u>	<u>\$ 22,952,820</u>
EXPENDITURES					
General Government Support	\$ 2,455,042	\$ 2,368,182	\$ 2,262,038	\$ 2,644,402	\$ 1,969,911
Public Safety	8,440,865	8,538,835	8,519,082	8,246,568	9,024,206
Transportation	2,683,577	2,249,643	1,464,283	2,938,743	3,372,145
Culture and Recreation	1,405,633	913,527	525,261	852,844	1,067,813
Home and Community Services	546,924	670,017	631,369	593,740	796,964
Employee Benefits	5,769,234	5,965,916	6,072,079	7,866,427	7,855,455
Debt Service	633,657	743,720	732,388	728,778	819,613
Total Expenditures	<u>\$ 21,934,932</u>	<u>\$ 21,449,840</u>	<u>\$ 20,206,500</u>	<u>\$ 23,871,502</u>	<u>\$ 24,906,107</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (1,234,248)</u>	<u>\$ (2,003,985)</u>	<u>\$ (1,041,460)</u>	<u>\$ (2,357,110)</u>	<u>\$ (1,953,287)</u>
Other Financing Sources (Uses):					
Proceeds from issuance of bonds	\$ -	\$ -	\$ -	\$ -	\$ -
Premium on bonds	-	-	-	-	-
Deposits to escrow agent	-	-	-	-	-
Operating Transfers In	1,581,598	1,581,598	1,638,353	1,673,000	1,673,000
Operating Transfers Out	-	-	-	-	-
Total Other Financing	<u>1,581,598</u>	<u>1,581,598</u>	<u>1,638,353</u>	<u>1,673,000</u>	<u>1,673,000</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>347,350</u>	<u>(422,387)</u>	<u>596,893</u>	<u>(684,110)</u>	<u>(280,287)</u>
FUND BALANCE					
Fund Balance - Beginning of Year	4,555,392	4,902,742	4,666,205	5,263,098	4,578,988
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 4,902,742</u>	<u>\$ 4,480,355</u>	<u>\$ 5,263,098</u>	<u>\$ 4,578,988</u>	<u>\$ 4,298,701</u>

Source: 2018-2022 Audited financial reports of the City.

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

Fiscal Years Ending December 31:	2023			2024	2025
	Original Budget	Final Budget	Actual	Adopted Budget	Adopted Budget
REVENUES					
Real Property Taxes & Tax Items	\$ 10,823,996	\$ 10,823,996	\$ 10,593,581	\$ 10,499,039	\$ 10,888,397
Non-Property Tax Items	6,900,000	6,919,160	7,077,348	7,393,567	7,557,652
Departmental Income	262,350	232,633	232,879	215,450	163,500
Intergovernmental Charges	274,300	378,858	412,105	321,250	198,000
Use of Money & Property	51,000	51,000	112,331	470,733	362,000
Licenses and Permits	220,300	169,300	219,488	161,800	266,500
Fines and Forfeitures	213,000	190,500	194,245	250,500	298,000
Sale of Property and Compensation for Loss	17,000	87,025	180,589	20,800	330,500
Miscellaneous	189,671	324,267	122,981	4,405,290	6,492,608
Interfund Revenues	-	-	-	-	-
Revenues from State Sources	2,751,480	4,907,652	4,261,214	2,252,138	2,973,209
Revenues from Federal Sources	-	964,661	1,020,185	-	178,544
Total Revenues	<u>\$ 21,703,097</u>	<u>\$ 25,049,052</u>	<u>\$ 24,426,946</u>	<u>\$ 25,990,567</u>	<u>\$ 29,708,911</u>
EXPENDITURES					
General Government Support	\$ 2,370,640	\$ 2,696,721	\$ 2,207,595	\$ 2,574,588	\$ 2,453,375
Public Safety	9,262,437	9,611,509	9,448,845	10,311,481	10,491,700
Transportation	2,065,810	4,328,460	3,866,389	2,159,166	3,818,154
Culture and Recreation	848,715	1,223,993	1,166,484	1,210,769	1,696,100
Home and Community Services	847,900	1,598,469	1,680,660	1,704,500	1,486,549
Employee Benefits	7,490,671	7,645,884	8,419,503	8,831,146	8,639,969
Debt Service	489,923	489,924	804,538	801,917	1,123,058
Total Expenditures	<u>\$ 23,376,097</u>	<u>\$ 27,594,960</u>	<u>\$ 27,594,014</u>	<u>\$ 27,593,567</u>	<u>\$ 29,708,911</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (1,673,000)</u>	<u>\$ (2,545,908)</u>	<u>\$ (3,167,068)</u>	<u>\$ (1,603,000)</u>	<u>\$ -</u>
Other Financing Sources (Uses):					
Proceeds from issuance of bonds	\$ -	\$ -	\$ -	\$ -	\$ -
Premium on bonds	-	-	-	-	-
Deposits to escrow agent	-	-	-	-	-
Operating Transfers In	1,673,000	1,673,000	1,673,000	1,603,000	-
Operating Transfers Out	<u>-</u>	<u>(38,765)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing	<u>1,673,000</u>	<u>1,634,235</u>	<u>1,673,000</u>	<u>1,603,000</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>-</u>	<u>(911,673)</u>	<u>(1,494,068)</u>	<u>-</u>	<u>-</u>
FUND BALANCE					
Fund Balance - Beginning of Year		911,673	4,522,764		-
Prior Period Adjustments (net)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,028,696</u>	<u>\$ -</u>	<u>\$ -</u>

Source: 2023 Audited financial report of the City, 2024 and 2025 budgets of the City. This Appendix itself is not audited.

CHANGES IN FUND EQUITY

Fiscal Year Ending December 31:	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<u>WATER FUND (unaudited figures)</u>					
Fund Equity - Beginning of Year	\$ 916,040	\$ 1,004,727	\$ 1,036,321	\$ 1,001,645	\$ 1,191,799
Prior Period Adjustments (net)	-	-	14,041	99,373	72,858
Revenues & Other Sources	2,327,266	2,168,434	2,075,495	2,156,308	2,395,529
Expenditures & Other Uses	2,238,579	2,136,840	2,124,210	2,065,527	2,179,251
Fund Equity - End of Year	\$ 1,004,727	\$ 1,036,321	\$ 1,001,647	\$ 1,191,799	\$ 1,480,935
<u>SEWER FUND</u>					
Fund Equity - Beginning of Year	\$ 4,426,673	\$ 4,560,358	\$ 4,620,379	\$ 4,493,094	\$ 4,106,122
Prior Period Adjustments (net)	-	-	(101,019)	-	-
Revenues & Other Sources	3,981,681	4,362,130	4,274,983	3,812,174	4,376,775
Expenditures & Other Uses	3,847,996	4,302,109	4,301,249	4,199,146	4,001,263
Fund Equity - End of Year	\$ 4,560,358	\$ 4,620,379	\$ 4,493,094	\$ 4,106,122	\$ 4,481,634
<u>SPECIAL GRANT FUND</u>					
Fund Equity - Beginning of Year	\$ 641,869	\$ 663,788	\$ 401,731	\$ 394,445	\$ 700,749
Prior Period Adjustments (net)	(2)	-	208,786	-	24,219
Revenues & Other Sources	562,271	1,273,191	1,643,629	1,163,639	1,548,798
Expenditures & Other Uses	540,350	1,535,248	1,859,701	857,334	1,639,064
Fund Equity - End of Year	\$ 663,788	\$ 401,731	\$ 394,445	\$ 700,749	\$ 634,702
<u>CAPITAL PROJECTS FUND</u>					
Fund Equity - Beginning of Year	\$ (3,044,326)	\$ (3,666,431)	\$ (8,019,948)	\$(10,453,330)	# \$(16,065,297)
Prior Period Adjustments (net)	(329,617)	-	(312,538)	-	(1,128,506)
Revenues & Other Sources	5,918,469	432,733	7,079,589	2,291,499	962,391
Expenditures & Other Uses	6,210,957	5,098,788	9,200,433	7,903,466	7,609,172
Fund Equity - End of Year	\$ (3,666,431)	\$ (8,332,486)	\$(10,453,330)	\$(16,065,297)	\$(23,840,584)

Source: 2018-2022 Audited financial reports of the City. This Appendix itself is not audited.

BONDED DEBT SERVICE

Fiscal Year Ending December 31 st	Principal	Interest	Total
2025	\$ 1,368,810	\$ 394,697	\$ 1,763,507
2026	1,408,810	362,869	1,771,679
2027	1,438,810	328,903	1,767,713
2028	1,158,559	298,960	1,457,519
2029	1,188,810	273,616	1,462,426
2030	1,118,810	246,707	1,365,517
2031	1,138,810	220,686	1,359,496
2032	828,810	199,388	1,028,198
2033	848,810	183,159	1,031,969
2034	653,810	166,018	819,828
2035	663,810	155,594	819,404
2036	673,810	144,754	818,564
2037	688,810	133,540	822,350
2038	698,810	121,478	820,288
2039	713,810	108,720	822,530
2040	723,810	95,580	819,390
2041	743,810	82,110	825,920
2042	603,810	69,887	673,697
2043	613,810	58,942	672,752
2044	628,810	47,804	676,614
2045	643,810	36,329	680,139
2046	653,810	24,519	678,329
2047	188,810	16,539	205,349
2048	188,810	13,381	202,191
2049	193,810	10,224	204,034
2050	198,810	6,916	205,726
2051	198,810	3,458	202,268
2052	83,810	-	83,810
2053	83,810	-	83,810
2054	83,810	-	83,810
TOTALS	\$ 20,424,049	\$ 3,804,779	\$ 24,228,828

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) 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 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(s) at closing.

**CITY OF CORTLAND
CORTLAND COUNTY, NEW YORK**

AUDITED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

Such Audited Financial Statements, including 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.

CITY OF CORTLAND

Cortland, New York

FINANCIAL REPORT

**For the Year Ended
December 31, 2023**



CITY OF CORTLAND

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INDEPENDENT AUDITORS' REPORT

Mayor and Members of the City Council
City of Cortland
Cortland, New York

Report on the Audit of the Financial Statements

Adverse Opinion

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

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion on the Financial Statements as a Whole section of our report, the financial statements referred to above do not present fairly the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2023, or the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Adverse Opinion on the Financial Statements as a Whole

Material misstatements were identified as a result of auditing procedures, which resulted in several audit adjustments. Included were adjustments to accounts receivable in the Water and Sewer Funds, and loans receivable in the Special Grant Fund. We also identified material misstatements of cash and cash equivalents in all major funds with the exception of the Capital Projects Fund; we were unable to determine the proper adjustment for these misstatements. The pervasive nature of these misstatements resulted in an adverse opinion on the financial statements as a whole.

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

INSERO & Co. CPAs, LLP

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Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis; Budgetary Comparison Schedules; Schedule of Changes in the City's Total OPEB Liability and Related Ratios; Schedule of City's Contributions - NYSLRS Pension Plans; City's Proportionate Share of the Net Pension (Asset)/Liability - NYSLRS Pension Plan - ERS; City's Proportionate Share of the Net Pension (Asset)/Liability - NYSLRS Pension Plan - PFRS, and related notes be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Non-Major Governmental Fund financial statements and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, due to the adverse opinion on the financial statements as a whole, the Non-Major Fund financial statements and the Schedule of Expenditures of Federal Awards are not 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 April 3, 2025 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.

Respectfully submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, flowing style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
April 3, 2025

CITY OF CORTLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2023

Management of the City of Cortland, New York provides this Management's Discussion and Analysis of the City's financial performance for the fiscal year ended December 31, 2023. These management comments provide the benefit of perspective on certain developments that, while they occurred after December 31, 2023, provide relevant context for the 2023 financials. We encourage readers to consider this information in conjunction with the City's financial statements, which begin on page 6.

USING THIS ANNUAL REPORT

This annual report consists of a series of basic financial statements. The Statement of Net Position and the Statement of Activities (on pages 6 and 7) provide information about the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 8. For Governmental Activities, these statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in greater detail than the Government-wide statements by providing information about the City's most significant funds. Following these statements are notes that provide additional information that is essential to a full understanding of the data provided in the financial statements.

In addition to the basic financial statements, the annual report contains a budgetary comparison for the General Fund and other information in the form of statements for those funds that are not considered Major Funds and, therefore, are not presented individually in the basic financial statements.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 6 with the Government-wide statements. The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer the question of whether the City, as a whole, is better off or worse off as a result of the year's activities. These statements include *all* assets, liabilities, and deferred inflows and deferred outflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the City's net position and changes in it. One can think of the City's net position, the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. One will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's streets, to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities, all of the City's activities which are governmental in nature are reported in one column, including public safety, transportation, economic assistance and opportunity, home and community services, culture and recreation, and general administration. Property and sales taxes, and state and federal grants finance most of these activities.

CITY OF CORTLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2023

Reporting the City's Most Significant Funds

Governmental Fund Financial Statements

Analysis of the City's Major Governmental Funds begins on page 8. The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by New York State law. However, management establishes many other funds to help it control and manage money for particular purposes or to show it is meeting legal responsibilities for using certain taxes and grants.

Governmental Funds: All of the City's services are reported in the Governmental Funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can be readily converted to cash. The Governmental Fund statements provide a detailed short-term view of the City's general governmental operations and the basic services they provide. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between Governmental *Activities* (reported in the Government-wide financial statements) and Governmental *Funds* is explained in a reconciliation following the fund financial statements.

GOVERNMENTAL ACTIVITIES

Net position of the City's governmental activities for the fiscal year ended December 31, 2023 decreased from a deficit of \$43,138,625 to a deficit of \$46,179,551. This is a reflection of a combination of factors including changes in expenses for other postemployment benefits (OPEB), and pension obligations, which are based on the requirements of Governmental Accounting Standards Board (GASB) Statements No. 68 and No. 75.

CITY OF CORTLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2023

Our analysis below focuses on the net position (*Figure 1*), and changes in net position (*Figure 2*), of the City's Governmental Activities.

***Figure 1
Net Position***

<i>Governmental Activities</i>	<i>2023</i>	<i>2022</i>	<i>Dollar Change</i>
<i>Current Assets</i>	\$ 17,885,198	\$ 18,972,969	\$ (1,087,771)
<i>Capital Assets, Net</i>	74,094,367	69,054,110	5,040,257
<i>Other Noncurrent Assets</i>	1,126,310	9,222,712	(8,096,402)
<i>Total Assets</i>	93,105,875	97,249,791	(4,143,916)
<i>Deferred Outflows of Resources</i>	23,859,925	28,311,279	(4,451,354)
<i>Current Liabilities</i>	32,246,695	32,045,245	201,450
<i>Noncurrent Liabilities</i>	107,518,818	118,481,056	(10,962,238)
<i>Total Liabilities</i>	139,765,513	150,526,301	(10,760,788)
<i>Deferred Inflows of Resources</i>	23,379,838	18,173,394	5,206,444
<i>Net Investment in Capital Assets</i>	36,905,795	30,494,861	6,410,934
<i>Restricted</i>	9,259,039	8,998,256	260,783
<i>Unrestricted (Deficit)</i>	(92,344,385)	(82,631,742)	(9,712,643)
<i>Total Net Position (Deficit)</i>	\$ (46,179,551)	\$ (43,138,625)	\$ (3,040,926)

The decrease in assets is primarily due to the use of restricted cash, and the decrease in unrestricted cash, offset somewhat by capital asset additions exceeding depreciation expense.

Deferred inflows and outflows are impacted by actuarial estimates of pension and OPEB plans. Current liabilities increased due to larger payable balances. Noncurrent liabilities decreased due to the impact of the actuarial estimate of the OPEB plan.

CITY OF CORTLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2023

During the 2023 fiscal year, the City's total governmental revenues decreased by 3.9% while the total cost of all governmental programs and services increased by 9.5%. Our analysis in *Figure 2* considers the operations of Governmental Activities.

Figure 2
Changes in Net Position

<i>Governmental Activities</i>	<i>2023</i>	<i>2022</i>	<i>Dollar Change</i>
REVENUES			
Program Revenues			
Charges for Services	\$ 6,988,292	\$ 6,628,163	\$ 360,129
Operating Grants and Contributions	3,699,166	3,189,700	509,466
Capital Grants and Contributions	683,824	2,625,771	(1,941,947)
General Revenues			
Property Taxes and Tax Items	10,641,337	10,435,301	206,036
Nonproperty Taxes and Tax Items	7,077,348	7,093,777	(16,429)
State Sources	2,228,723	2,289,224	(60,501)
Federal Sources	946,030	355,154	590,876
Other Sources	732,885	512,545	220,340
Total Revenues	\$ 32,997,605	\$ 33,129,635	\$ (132,030)
PROGRAM EXPENSES			
General Governmental Support	\$ 3,787,518	\$ 3,643,789	\$ 143,729
Public Safety	16,536,603	16,193,233	343,370
Transportation	4,751,542	4,432,186	319,356
Culture and Recreation	1,886,993	1,685,907	201,086
Home and Community Services	7,716,264	6,304,299	1,411,965
Interest on Debt	1,359,611	659,487	700,124
Total Expenses	\$ 36,038,531	\$ 32,918,901	\$ 3,119,630
CHANGE IN NET POSITION	\$ (3,040,926)	\$ 210,734	\$ (3,251,660)

Operating grants increased primarily due to an increase in the City's CDBG funding. Capital grants decreased primarily due to lower CHIPS and EFC funding for existing projects. Federal sources increased due to ARPA funding.

Home and community services expenses increased primarily as a result of spending related to the CDBG grants noted above, as well as increased expenses in trash collection services. Other program expense categories increased due to higher pension and OPEB costs. Interest on debt increased primarily due to higher interest rates on BANs.

CITY OF CORTLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2023

THE CITY'S GOVERNMENTAL FUNDS

As the City completed the year, its Governmental Funds, as presented in the Balance Sheet on page 8, reported combined fund balances which were \$8,284,648 less than the prior year's total. The deficit in the Capital Projects Fund will be eliminated when short term debt is converted to bonds. *Figure 3* shows the changes in fund balances for the year for the City's Governmental Funds.

*Figure 3
Governmental Funds
Fund Balances at Year Ended December 31,*

<i>City's Governmental Funds</i>	<i>2023</i>	<i>2022</i>	<i>Dollar Change</i>
<i>General Fund</i>	\$ 3,028,696	\$ 4,522,764	\$ (1,494,068)
<i>Sewer Fund</i>	4,481,634	4,106,122	375,512
<i>Capital Projects Fund</i>	(22,870,198)	(15,726,422)	(7,143,776)
<i>Non-Major Funds</i>	2,263,785	2,286,101	(22,316)
<i>Totals</i>	<i>\$(13,096,083)</i>	<i>\$ (4,811,435)</i>	<i>\$ (8,284,648)</i>

Fund balance of the Capital Projects Funds decreased primarily due to increased capital construction activities funded with Bond Anticipation Notes in the current year.

General Fund Budgetary Highlights

Over the course of the year, the Common Council, as well as the management of the City, revised the City budget several times. These budget amendments consisted of (1) budget transfers between functions, which did not increase the overall budget; and (2) additional use of appropriated fund balances, reserves, and unanticipated revenues, which did increase the overall budget. The total budget increased by \$4,137,084.

After these adjustments, the actual charges to appropriations and other financing uses (expenditures and encumbrances) were \$46,497 above the final budgeted amounts. Revenues were below the final budget by \$622,106.

Significant variances in the revenue areas include \$158,188 more in sales taxes than anticipated and \$646,438 less in state sources.

Expenditure variances are due in part to grant and other revenues received and spent without modifying the budget for those transactions.

CITY OF CORTLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2023

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2023, the City had invested in a broad range of capital assets, including buildings, infrastructure, machinery, and equipment. The amounts presented in *Figure 4* represent a net increase (including additions, deletions, and depreciation) of 7.3% from the prior year.

*Figure 4
Capital Assets, at Historical Cost, Net of Accumulated Depreciation*

<i>Governmental Activities</i>	<i>2023</i>	<i>2022</i>	<i>Dollar Change</i>
<i>Land and CIP</i>	\$ 33,567,759	\$ 26,914,527	\$ 6,653,232
<i>Buildings and Improvements, Net</i>	8,980,678	9,331,165	(350,487)
<i>Equipment, Net</i>	25,754,552	26,390,004	(635,452)
<i>Infrastructure, Net</i>	5,791,378	6,418,414	(627,036)
<i>Totals</i>	\$ 74,094,367	\$ 69,054,110	\$ 5,040,257

Debt Administration

Debt obligations, considered a liability of the City's Governmental Activities, are shown in *Figure 5*. Of the total amount of debt, \$31,466,225 was subject to the City's constitutional debt limit and represented approximately 75.1% of its statutory debt limit.

*Figure 5
Major Outstanding Liabilities at Year Ended December 31,*

<i>Governmental Activities</i>	<i>2023</i>	<i>2022</i>	<i>Dollar Change</i>
<i>Bond Anticipation Notes</i>	\$ 22,881,064	\$ 23,094,421	\$ (213,357)
<i>Serial Bonds</i>	19,457,138	20,742,249	(1,285,111)
<i>Installment Purchase Debt</i>	1,101,386	1,371,651	(270,265)
<i>Totals</i>	\$ 43,439,588	\$ 45,208,321	\$ (1,768,733)

The City's bond rating is currently A3 from Moody's, with a negative outlook. In addition, the Bond Anticipation Note rating is currently MIG 2 from Moody's. More detailed information about the City's liabilities is presented in Notes 7, 8, 9, and 10 to the financial statements.

CITY OF CORTLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2023

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City is beginning to see a shift from the depressed state it has been experiencing over the past decade. Despite the small tax base and additional unfunded mandates from the State, the City Administration has worked hard to leverage grant funding to invest in critical infrastructure across the City and promote economic development. These investments are beginning to bear fruit, and the City is seeing additional businesses development.

The City is the County seat and considered the center of government and commerce for the area. Over the last few decades however, more retail, commercial, and industrial activity had departed Cortland for neighboring towns or exited the County altogether. Much of Cortland County remains predominately rural. Cortland is located along Interstate 81, between Binghamton to the south and Syracuse to the north, making it an important central location in the State of New York.

The City hosts 37.51% of the overall County's population for a variety of reasons:

- The City's central business district is "downtown" and largely centralized for the County, which, as mentioned above serves as the seat of both County and City government.
- The County's only hospital, Guthrie Cortland Medical Center, is located in the City, along with many of the major social service providers for the County.
- Due to the availability of goods, services, and community nonprofit and agencies that provide governmental support, the majority of the County's lower income housing units are located within the City.
- The City has many of the County's recreational parklands and facilities within its limits.
- Many of the County's largest employers, including the hospital, SUNY Cortland, Cortland Enlarged City School District, and Cortland County are within City boundaries.
- There are many commercial and retail businesses in the City that provide essential services to residents in neighborhoods and also in downtown. In addition there is a full-time City Police Department and a combination Fire Department which includes a career staff and volunteers.
- In addition, the Cortland Enlarged City School District includes the junior/senior high school and all three of the district's elementary schools.
- The proximity of business, services, and schools is a key attraction of living in the City as many items are accessible by foot or with a short commute.

A challenge for the City continues to revolve around generating sufficient revenues for its tax base, considering the needs of the community, and limiting the decreases to essential services as the cost of those services continues to increase annually. As with most local governments, the City relies heavily on the property tax base with 35% of revenue coming from property taxes. Currently, 33% of the total assessed value of property within the City is exempt from property taxes, furthering this burden. However, the City share of the Sales tax revenue collected in the County accounts for 24% of anticipated revenue. Additionally, the City is beginning to collect low case occupancy tax in 2024, which should also support General Fund revenues.

CITY OF CORTLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2023

One of the biggest challenges facing the City today is the out-migration seen across the upstate New York region. This phenomenon has resulted in an overall decline in the City's population and economic standing. The City's past reliance on a manufacturing-based economy, combined with the struggle to create new jobs have resulted in the City combating higher than average levels of unemployment. Previously, members of the lower and middle-income working class had to vacate the area for job opportunities elsewhere, leaving behind an aging population, with a concurrent decrease in younger persons. However, the County overall saw an increase of 700 jobs last year. This positive trend is anticipated to continue.

Cortland is virtually built out, in that nearly all developable properties within the City boundaries have been developed. Therefore, few large-scale developments have been built in recent years. The Hickory Park area, developed over time since the 1970's, has been the largest development, and consumed the largest area of previously undeveloped property in the City. Most development in recent years has been on in-fill sites, through demolition and reconstruction, or adaptive reuse of existing properties. The City will continue to work to leverage available space to promote housing opportunities to meet the ever growing need.

The Town of Cortlandville, most notably the area southwest of the City, has been the site of commercial development in the County, partly due to the lack of large tracts of land in the City that can accommodate "big box" development. The City benefits from sales tax generated throughout the County. The sales tax sharing agreement between the County, the City, and the surrounding municipalities has been under renegotiation during 2024, and the City share of the sales tax revenues is expected to increase beginning in 2025.

In order to position itself for economic opportunities, the City has undertaken a number of major and smaller projects to increase its desirability as a place to live and work. The City has made significant inroads in improving and expanding its water and sewer infrastructure, and roadways, rehabilitating its housing stock, and improving its parks. Most of the City includes connecting sidewalks, making it a walkable community. The downtown, aided by a \$10 million state investment, is experiencing a renewed sense of vitality due to concerted efforts by the City and its partners. Today the downtown is, arguably, the most vital neighborhood in the City. SUNY Cortland continues to grow in stature and size, as does Guthrie Cortland Medical Center. With the completion of the Main Street project, the City is seeing new businesses opening. Over the course of 2024 the City had 13 new businesses open: 4 restaurants, three entertainment service providers, 4 retail shops, and a healthcare provider. In the first quarter of 2025, we anticipate five additional new businesses, with four of them located along the newly renovated Main Street.

Abandoned industrial sites and brownfields are being readied for redevelopment, such as the Build-Now NY designated Noss Technology Park. With the aid of a grant from the Economic Regional Council, the City has entered into a contract with the New York Susquehanna and Western Railway Corporation and has developed a loading facility on a former EPA Superfund site. In collaboration with the Town of Cortlandville and the Cortland County BDC/IDA, an incentive program was developed to successfully recruit Byrne Dairy to locate their new yogurt and specialty cheese production facility within the County.

CITY OF CORTLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2023

The City and surrounding areas are located over a federally designated sole source aquifer, which supplies the City and other communities with high volumes of good quality water. In addition, the City has completed, with financial assistance provided by EFC and NYSERDA, a \$13.5 million reconstruction of its Waste Water Treatment Plant intended in part to efficiently treat waste unique to the Agri-Dairy industry.

The City continues to recruit new businesses to help maintain and improve the overall job opportunities in the City and replace some of the manufacturing loss experienced over the last few decades. iSpice Foods moved its operations into the former Voyant facility hiring 75 personnel as they ramp up to their stated intention to bring 350 jobs to the area. iSpice is based in Quebec and to date operates facilities in Alabama, Mississippi and New Jersey.

The City also hopes that the \$100 billion investment from Micron will have a positive impact on the City in the next decade and continues to work with key partners, educational institutions, and others throughout the State to prepare for this large investment in the future.

DEMOGRAPHICS

The City's 3.915 square miles accounts for only 0.8% of the County's total land area; however, 37.5% of the County's population (46,126) resides in the City (17,314). A reapportionment study done by the Southern Tier East Regional Planning Development Board (STERPDB), using 2000 Census data, cites the City as the most densely populated municipality in the eight county Southern Tier Region, which includes Tompkins and Broome Counties. This statistic reflects to some degree the presence of the State University College at Cortland in the City, which has increased significantly in size from 1,300 students in 1949 to a current enrollment of 6,691 undergraduate students.

Changes in the age structure of the population, whether due to births, deaths, and/or net migration, have important implications for the City's tax base, service structure and development. The City's median age has decreased from 27.6 years in 2010 to 27.1 years in 2021. The City's median age is significantly lower than the County's 36.4 years (2020) reflecting the impact of SUNY Cortland's student population. The City's median age reflects the need to render services unique to a younger population, including school-aged children, such as recreation, public safety services and code enforcement.

HOUSING STOCK

There are 7,667 housing units, including student rentals, within the City, of which 6,594 (86%) are occupied. County-wide there are 20,798 housing units with an 88% occupancy rate. 52.4% of the City's housing units are owner-occupied. The median age of the City's housing stock dates back to 1939; 79.1% of the City's housing units were built before 1960.

Even though 47.6% of the City's housing stock is rental housing, the inventory of quality rental housing is low but improving with the redevelopment of the downtown core and construction of second, third and fourth floor dwelling units. A large percentage of rental housing within the City is marketed to college students. Young professionals, empty-nesters, and others who may prefer the flexibility of renting have improving options. The City is currently experiencing some modest residential redevelopment and significant conversion of older downtown buildings to residential use.

CITY OF CORTLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2023

Health and human service agencies continue to express concern about the lack of appropriate housing for seniors and people with disabilities. Many of the City's seniors live in older, multi-story homes and senior housing complexes. The homes are old, energy inefficient, require expensive maintenance and repairs and are ill designed for the age of their residents. "Aging in place" presents unique challenges as older housing units rarely incorporate accessible features and thus create difficulties for residents with increasingly limited mobility. Lack of neighborhood grocery stores and public transportation make it extremely challenging for the City's senior residents to fulfill basic needs for healthy nutrition and medications.

In addition, subsidized housing for seniors, people with low incomes, and people with disabilities is in short supply, with nearly 100% occupancy rates and multi-year waiting lists for professionally managed facilities. Within the City there are 120 low income tax credit housing units and 158 Section 8 assisted units to serve 2,234 City residents over the age of 65.

EMPLOYMENT BASE

The City of Cortland benefited from a robust manufacturing community that was supported by a railroad system to allow for the transport of manufactured goods to all areas of the country. It also changed the footprint of the City at the turn of the 20th century which lessened the reliance on local farms for the City's economic base and instead turned to manufacturing companies including Smith Corona Marchant (SCM), a manufacturer of portable typewriters who employed 7,000 people; Brockway Motors, producers of the famed Husky trucks; Wickwire brothers, inventors of wire screen employing over 1,500 people; and many others too numerous to mention, which provided ample employment opportunities and ultimately led to an increase in the City's population.

Like many communities that experienced a manufacturing boom, industrial retrenchment began to impact the City and County in the late 1970s and continues to challenge the City. Many longstanding local companies have closed, relocated, or consolidated out of the area. Early industries include: Wickwire's, Brockway Motors, Wilson Sporting Goods, Durkee Bakery, Crescent Corset, and Champion Sheet Metal, to name only a few. Although closings such as Wickwire's and Brockway Motors caused dismay, these job losses were counteracted by the startup of a Rubbermaid Corporation plant in the City, and, at about the same time, the expansion of Buckbee Mears, also in the City. As Smith Corona began a long series of layoffs, Buckbee Mears and other manufacturing entities were there to take up some of the slack. Eventually Buckbee Mears employed 1,100 persons in 1997. It should be noted, however, that the County never recaptured all of its former manufacturing jobs.

A second wave of industrial retrenchment occurred when Rubbermaid closed its plant in 1997 and eliminated 500 jobs; Smith Corona, at one time the region's largest employer, left the area in early 2001, ending a 100-year presence in the community; and Buckbee Mears closed its doors in 2005.

During the early 2000's, companies also left the City for facilities in nearby Cortlandville, including Essex Steel. Although the jobs remained local, the City's tax base declined. The same also happened to the retail market, as big box stores in Cortlandville supplanted smaller, local businesses in the downtown.

CITY OF CORTLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2023

Industrial job losses have been offset with lower paying service sector jobs, many with fewer fringe benefits. Cortland County's manufacturing employment rate has been cut in half: from 32.8% in 1970, to 27.1% in 1980, to 21% in 1990, to only 14.8% in 2000. The New York Department of Labor indicates that Cortland County had 6,000 manufacturing jobs in 1990. By 2000, the number of manufacturing jobs was only 3,400, a 43% drop in ten years. In 2020, 2,430 of the 23,678 employed residents were in manufacturing (10.3%).

Currently, the City's largest employers are not industries. SUNY Cortland (1,300 employees), Guthrie Cortland Medical Center (700), Cortland County (600), and the Cortland Enlarged City School District (500) are the largest employers. The top four employers in the County are located in the City.

INCOME

The City has a large concentration of lower income persons with the 2022 census estimates identifying 21.9% of the City's population as impoverished when compared to only 11% of the entire County's population.

Per capita income within the City in 2021 dollars is \$23,744 which is \$6,840 less than the County of \$30,584. The median household income within the City is \$50,697.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide residents, citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances as well as to show accountability and record of the money the City receives. Questions about the report or if additional financial information is requested, contact the Director of Administration & Finance at City Hall or 25 Court Street, Cortland, NY 13045.

CITY OF CORTLAND

STATEMENT OF NET POSITION DECEMBER 31, 2023

	Governmental Activities
ASSETS	
Current Assets	
Cash and Cash Equivalents - Unrestricted	\$ 7,991,201
Cash and Cash Equivalents - Restricted	2,518,136
Taxes Receivable, Net	840,153
Due From State and Federal Governments	3,979,626
Due From Other Governments	53,276
Other Receivables	2,402,806
Loans Receivable - Current Portion	100,000
Total Current Assets	17,885,198
Noncurrent Assets	
Loans Receivable - Long-Term Portion	942,678
Length of Service Awards Asset	183,632
Land and Other Nondepreciable Capital Assets	33,567,759
Depreciable Capital Assets	40,526,608
Total Noncurrent Assets	75,220,677
Total Assets	93,105,875
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	9,158,929
Other Postemployment Benefits	14,700,996
Total Deferred Outflows of Resources	23,859,925
LIABILITIES	
Current Liabilities	
Accounts Payable	2,615,420
Accrued Liabilities	398,160
Bond Anticipation Notes Payable	22,881,064
Due to Other Governments	2,282,088
Interest Payable	229,871
Unearned Revenue	457,197
Due to Retirement Systems	1,797,648
Current Portion of Long-Term Liabilities:	
Installment Purchase Debt	279,819
Bonds Payable	1,305,428
Total Current Liabilities	32,246,695
Noncurrent Liabilities	
Installment Purchase Debt	821,567
Bonds Payable	18,151,710
Compensated Absences	6,952,811
Other Postemployment Benefits Liability	69,573,066
Net Pension Liability - Proportionate Share	12,019,664
Total Noncurrent Liabilities	107,518,818
Total Liabilities	139,765,513
DEFERRED INFLOWS OF RESOURCES	
Pensions	419,019
Other Postemployment Benefits	22,960,819
Total Deferred Inflows of Resources	23,379,838
NET POSITION	
Net Investment in Capital Assets	36,905,795
Restricted	9,259,039
Unrestricted (Deficit)	(92,344,385)
Total Net Position (Deficit)	\$ (46,179,551)

See Notes to Financial Statements

CITY OF CORTLAND

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2023

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Government
FUNCTIONS/PROGRAMS					
Government Activities					
General Governmental Support	\$ 3,787,518	\$ 316,827	\$ -	\$ -	\$ (3,470,691)
Public Safety	16,536,603	77,312	206,267	35,777	(16,217,247)
Transportation	4,751,542	37,491	1,971,004	190,735	(2,552,312)
Culture and Recreation	1,886,993	108,685	108,108	210,759	(1,459,441)
Home and Community Services	7,716,264	6,447,977	1,413,787	246,553	392,053
Interest on Debt	1,359,611	-	-	-	(1,359,611)
Total Primary Government	\$ 36,038,531	\$ 6,988,292	\$ 3,699,166	\$ 683,824	(24,667,249)
GENERAL REVENUES					
Real Property Taxes					9,603,573
Real Property Tax Items					1,037,764
Nonproperty Tax Items					7,077,348
Use of Money and Property					155,878
Sale of Property and Compensation for Loss					152,520
State Sources					2,228,723
Federal Sources					946,030
Fines and Fees					194,245
Miscellaneous Local Sources					230,242
Total General Revenues					21,626,323
Change in Net Position					(3,040,926)
Net Position (Deficit) - Beginning of Year					(43,138,625)
Net Position (Deficit) - End of Year					\$ (46,179,551)

See Notes to Financial Statements

CITY OF CORTLAND

BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2023

	Major Funds				
	General	Special Revenue Fund Sewer Fund	Capital Projects Fund	Total Non-Major Governmental Funds	Total Governmental Funds
	Fund	Fund	Fund	Funds	Funds
ASSETS					
Cash and Cash Equivalents - Unrestricted	\$ 5,723,089	\$ 980,699	\$ 1,132,550	\$ 154,863	\$ 7,991,201
Cash and Cash Equivalents - Restricted	395,314	1,267,966	-	854,856	2,518,136
Taxes Receivable, Net	840,153	-	-	-	840,153
Due From Other Funds	1,324,321	2,308,433	171,932	536,492	4,341,178
Due From State and Federal Governments	2,681,814	385,516	868,681	43,615	3,979,626
Due From Other Governments	-	-	-	53,276	53,276
Other Receivables, Net	94,934	1,175,469	-	1,132,403	2,402,806
Loans Receivable, Net	-	-	-	1,042,678	1,042,678
Length of Service Awards Asset	183,632	-	-	-	183,632
Total Assets	\$ 11,243,257	\$ 6,118,083	\$ 2,173,163	\$ 3,818,183	\$ 23,352,686
LIABILITIES					
Accounts Payable	\$ 1,059,984	\$ 110,932	\$ 1,231,041	\$ 213,463	\$ 2,615,420
Accrued Liabilities	308,971	17,950	-	9,983	336,904
Accrued Liabilities	61,256	-	-	-	61,256
Due to Other Funds	1,644,439	1,477,209	931,256	288,274	4,341,178
Due to Other Governments	2,282,088	-	-	-	2,282,088
Bond Anticipation Notes Payable	-	-	22,881,064	-	22,881,064
Due to Retirement Systems	1,797,648	-	-	-	1,797,648
Unearned Revenues	457,197	-	-	-	457,197
Total Liabilities	7,611,583	1,606,091	25,043,361	511,720	34,772,755
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenues-Loans	-	-	-	1,042,678	1,042,678
Unavailable Revenues-Taxes	602,978	30,358	-	-	633,336
Total Deferred Inflows of Resources	602,978	30,358	-	1,042,678	1,676,014
FUND BALANCES					
Restricted	5,388,788	1,975,851	-	851,722	8,216,361
Assigned	3,252,661	2,505,783	215,195	1,412,063	7,385,702
Unassigned (Deficit)	(5,612,753)	-	(23,085,393)	-	(28,698,146)
Total Fund Balances (Deficit)	3,028,696	4,481,634	(22,870,198)	2,263,785	(13,096,083)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)	\$ 11,243,257	\$ 6,118,083	\$ 2,173,163	\$ 3,818,183	\$ 23,352,686

See Notes to Financial Statements

CITY OF CORTLAND

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION DECEMBER 31, 2023

Total Governmental Fund Balances (Deficit) \$ (13,096,083)

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets, net of accumulated depreciation, used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.

Historical Cost	\$ 113,303,981	
Accumulated Depreciation	<u>(39,209,614)</u>	74,094,367

Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 1,676,014

The City's proportion of the collective net pension liability is not reported in the funds.

Net Pension Liability - Proportionate Share (12,019,664)

Deferred outflows of resources represents a consumption of net position that applies to future periods and, therefore, is not reported in the funds. Deferred inflows of resources presents an acquisition of net position that applies to future periods and, therefore, is not reported in the funds.

Deferred Inflows of Resources - Pension	\$ (419,019)	
Deferred Inflows of Resources - Other Postemployment Benefits	(22,960,819)	
Deferred Outflows of Resources - Pension	9,158,929	
Deferred Outflows of Resources - Other Postemployment Benefits	<u>14,700,996</u>	480,087

Outstanding debt is not considered a liability in the funds, as it is not a current obligation.

Installment Purchase Debt	\$ (1,101,386)	
Bonds Payable	<u>(19,457,138)</u>	(20,558,524)

Certain accrued obligations and expenses reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported as liabilities in the funds.

Compensated Absences	\$ (6,952,811)	
Other Postemployment Benefits Liability	<u>(69,573,066)</u>	(76,525,877)

Interest is accrued on outstanding balances of debt obligations in the Government-wide financial statements.

Accrued interest payable (229,871)

Net Position of Governmental Activities (Deficit) \$ (46,179,551)

See Notes to Financial Statements

CITY OF CORTLAND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2023

	Major Funds				
	General	Special	Capital	Total Non-Major	Total
	Fund	Revenue Fund	Projects	Governmental	Governmental
	Fund	Sewer	Fund	Funds	Funds
	Fund	Fund	Fund	Funds	Funds
REVENUES					
Real Property Taxes	\$ 10,247,370	\$ 585,907	\$ -	\$ -	\$ 10,833,277
Real Property Tax Items	346,211	-	-	-	346,211
Nonproperty Tax Items	7,077,348	-	-	-	7,077,348
Departmental Income	232,879	3,705,189	-	2,195,164	6,133,232
Intergovernmental Charges	412,105	23,407	-	-	435,512
Use of Money and Property	112,331	1	22,671	20,875	155,878
Licenses and Permits	219,488	-	-	-	219,488
Fines and Forfeitures	194,245	-	-	-	194,245
Sale of Property and Compensation for Loss	180,589	6,424	-	2,991	190,004
Miscellaneous Local Sources	122,981	-	-	148,513	271,494
State Sources	4,261,214	47,847	272,694	272,737	4,854,492
Federal Sources	1,020,185	8,000	102,616	1,334,533	2,465,334
Total Revenues	24,426,946	4,376,775	397,981	3,974,813	33,176,515
EXPENDITURES					
General Governmental Support	2,207,595	-	-	-	2,207,595
Public Safety	9,448,845	-	-	141,343	9,590,188
Transportation	3,866,389	-	-	-	3,866,389
Culture and Recreation	1,166,484	-	-	-	1,166,484
Home and Community Services	1,680,660	1,911,595	-	2,497,341	6,089,596
Employee Benefits	8,419,503	230,720	-	337,841	8,988,064
Debt Service:					
Principal	652,535	691,475	-	150,938	1,494,948
Principal - BANs	-	-	351,000	-	351,000
Interest	152,003	258,473	991,800	66,666	1,468,942
Capital Outlay	-	-	6,653,232	-	6,653,232
Total Expenditures	27,594,014	3,092,263	7,996,032	3,194,129	41,876,438
Excess of Revenues (Expenditures)	(3,167,068)	1,284,512	(7,598,051)	780,684	(8,699,923)
OTHER FINANCING SOURCES (USES)					
Interfund Transfers In	1,673,000	-	39,000	-	1,712,000
Interfund Transfers (Out)	-	(909,000)	-	(803,000)	(1,712,000)
Premium on Obligations	-	-	64,275	-	64,275
BANs Redeemed From Appropriations	-	-	351,000	-	351,000
Total Other Financing Sources (Uses)	1,673,000	(909,000)	454,275	(803,000)	415,275
Net Changes in Fund Balances	(1,494,068)	375,512	(7,143,776)	(22,316)	(8,284,648)
Fund Balances (Deficit), Beginning of Year	4,522,764	4,106,122	(15,726,422)	2,286,101	(4,811,435)
Fund Balances (Deficit), End of Year	\$ 3,028,696	\$ 4,481,634	\$ (22,870,198)	\$ 2,263,785	\$ (13,096,083)

See Notes to Financial Statements

CITY OF CORTLAND

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2023

Net Change in Fund Balances - Total Governmental Funds **\$ (8,284,648)**

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds report purchases of capital assets as expenditures. However, in the Statement of Activities, the cost of those assets is capitalized.

Capital Outlay	\$ 7,283,272	
Net Book Value of Disposed Assets	(5,368)	
Depreciation Expense	<u>(2,237,647)</u>	5,040,257

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the change in unavailable revenue. (173,542)

Long-term debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Principal Payment - Bonds	\$ 1,224,683	
Repayment of Installment Purchase Debt	<u>270,265</u>	1,494,948

Changes in long-term obligations, including related deferred inflows and deferred outflows of resources, associated with employee benefits, are reported in the Statement of Activities as increases or decreases in expenses. Such changes are not reflected in the Governmental Fund financial statements. The following are the changes reported in the Statement of Activities for these net liabilities.

Compensated Absences	\$ 220,862	
Other Postemployment Benefits Liability	20,219,155	
Net Pension (Asset)/ Liability - Proportionate Share	<u>(11,945,216)</u>	8,494,801

Certain expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in Governmental Funds. These include the change in accrued interest and amortization of bond premiums.

Amortization of Bond Premiums	\$ 60,428	
Change in Accrued Interest	<u>(15,372)</u>	45,056

Changes in the City's proportionate share of net pension and OPEB liabilities have no effect on current financial resources and, therefore, are not reported in the Governmental Funds. In addition, changes in the City's deferred outflows and deferred inflows of resources related to pensions and OPEB do not affect current financial resources and are also not reported in the Governmental Funds.

Deferred Inflows of Resources - Pensions	\$ 10,916,664	
Deferred Inflows of Resources - OPEB	(16,123,108)	
Deferred Outflows of Resources - Pensions	(416,937)	
Deferred Outflows of Resources - OPEB	<u>(4,034,417)</u>	<u>(9,657,798)</u>

Change in Net Position of Governmental Activities **\$ (3,040,926)**

See Notes to Financial Statements

CITY OF CORTLAND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

***Note 1* Summary of Significant Accounting Policies**

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

Reporting Entity

The City, which was incorporated and its original charter enacted March 16, 1900. A new charter was enacted and became effective January 1, 1978. The City is governed by its charter, other general laws of New York State, and various local laws and ordinances.

The governing body of the City consists of a Mayor and City Council. The Mayor is the Chief Executive Officer who provides for the enforcement of all general and local laws and rules and regulations of the City Council. The Director of Administration and Finance is the Chief Fiscal Officer and is responsible for the receiving, disbursing, and holding of all City monies and the books of account of the City.

The financial reporting entity consists of the following, as defined by GASB Statement No. 14, "The Financial Reporting Entity," as amended.

- The primary government, which is the City;
- Organizations for which the primary government is financially accountable; and
- Other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete.

The decision to include a potential component unit in the reporting entity is based on the criteria set forth in GASB Statement No. 14, as amended, including legal standing, fiscal dependency, and financial accountability.

Basic Financial Statements

The City's basic financial statements include both Government-wide (reporting the City as a whole) and fund level financial statements (reporting the City's Major Funds). Both the Government-wide and fund financial statements categorize primary activities as either Governmental or Business-type. The City's general governmental support, education, public safety, health, transportation, highways and streets, economic assistance and opportunity, culture and recreation, and home and community services are classified as Governmental Activities. The City has no Business-type Activities.

CITY OF CORTLAND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

***Note 1* Summary of Significant Accounting Policies - Continued**

Government-Wide Financial Statements

The Government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of activities for the primary government. This Government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

In the Government-wide Statement of Net Position, the Governmental Activities column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts - net investment in capital assets, restricted, and unrestricted. The City first utilizes restricted resources to finance qualifying activities.

The Statement of Activities reports both the gross and net cost for each of the City's functions or programs. Gross expenses are direct expenses, including depreciation, specifically associated with a service, program, or department and, therefore, are clearly identifiable to a particular function. Indirect expenses relate to administration and support of the City's programs, including personnel, overall administration, and finance. Employee benefits are allocated to functional expenses as a percentage of payroll expenses. These expenses are offset by program revenues - charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the program or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the City, with certain limited exceptions. The net cost represents the extent to which each function or program is self-financing or draws from the general revenues of the City.

Fund Financial Statements

Financial transactions of the City are reported in individual funds in the Governmental Fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows of resources, reserves, fund equity, revenues, and expenditures or expenses. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

CITY OF CORTLAND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

***Note 1* Summary of Significant Accounting Policies - Continued**

Governmental Funds

Governmental Funds are those through which most governmental functions are financed. The acquisition, use, and balances of expendable financial resources, and the related liabilities are accounted for through Governmental Funds. The measurement focus of the Governmental Funds is based upon determination of financial position and changes in financial position. The following are the City's Governmental Funds.

Major Funds

- General Fund - Primary operating fund used to account for revenues (such as general, tax, and other from state, federal, and local sources) not required by law or other provision to be accounted for in other funds and which finance the basic governmental functions provided by the City.
- Special Revenue Fund
 - Sewer Fund - Accounts for revenues derived from charges for sewer usage and benefitted assessments, and the application of such revenues toward related operating expenditures and debt retirement.
- Capital Projects Fund - Accounts for capital improvements financed from current monies transferred from other funds, federal and state grants, and proceeds of obligations.

Non-Major Funds

- Special Revenue Funds
 - Special Grant Fund - Account for monies distributed by state and federal governments and expended pursuant to rules and regulations as set forth by the Department of Housing and Urban Development and other state and federal agencies.
 - Miscellaneous Special Revenue Fund - Accounts for public safety grants, projects, and the related expenditures.
 - Water Fund - Accounts for revenues derived from charges for water consumption, benefit assessments, and the application of such revenues toward related operating expenses and debt retirement.
- Permanent Fund - Accounts for assets held to benefit the City's tennis program. Only the earnings on these funds can be utilized.

CITY OF CORTLAND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

***Note 1* Summary of Significant Accounting Policies - Continued**

Basis of Accounting/Measurement Focus

Basis of accounting refers to *when* revenues and expenditures and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of *what* is measured, such as expenditures or expenses.

- **Accrual Basis** - The Government-wide financial statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets and liabilities, including capital assets, as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.
- **Modified Accrual Basis** - Governmental fund financial statements are presented on the modified accrual basis of accounting. Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Material revenues accrued include real property taxes, state and federal aid, sales tax, and certain user charges. The City considers property tax receivables collected within 60 days after year end to be available and recognizes them as revenues of the current year.

All other revenues deemed collectible within one year after year end are recognized as revenues in the current year. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made. Expenditures are recorded when incurred. The cost of capital assets is recognized as an expenditure when received. Exceptions to this general rule are that 1) principal and interest on indebtedness are not recognized as an expenditure until due; and 2) compensated absences, such as vacation and sick leave, which vest or accumulate, are charged as an expenditure when paid.

Unearned Revenues

The City reports unearned revenues on its Statement of Net Position and its Balance Sheet - Governmental Funds. On the Statement of Net Position, unearned revenues arise when resources are received by the City before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the City has legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

CITY OF CORTLAND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

***Note 1* Summary of Significant Accounting Policies - Continued**

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows of resources related to pensions and OPEB in the Statement of Net Position, as described in Notes 7 and 8, respectively.

In addition to liabilities, the Statement of Net Position and the Balance Sheet - Governmental Funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element 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. The governmental funds report deferred inflows of resources which arise only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, unavailable revenue is reported only in the Balance Sheet - Governmental Funds. The governmental funds report unavailable revenues from loans receivable and taxes receivable that remain uncollected collected after 60 days after year end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, the City reports deferred inflows of resources related to pensions and OPEB in the Statement of Net Position, as described in Notes 7 and 8, respectively.

Property Taxes

The authority of levying taxes for the support of City government, inclusive of special districts, and for re-levying unpaid city school taxes and county taxes, has been delegated by the State Legislature to the governing board of the City through various provisions of the Real Property Tax Law. For purpose of City taxes, the value of real property is listed and established by the town assessors for each parcel of real property therein. Amounts to be raised by tax are determined from balanced budgets of the towns and the City. Unpaid city school and county taxes are purchased from each school district and the county and added to tax levies and, until paid, are counted among the assets of the City. The City thus acquires all rights, title, and interest in any unpaid balances. Any such taxes remaining unpaid at the time of the tax sale are sold along with any other unpaid taxes subject to City enforcement.

Real property taxes are levied annually no later than January 15 and become a lien on the levy date. Taxes are collected from February to November of the levy year. Property owners may pay their taxes in installments; one-half payable in February (interest-free) and the remainder in August (plus interest). The special districts, city school district, and county receive the full amount of their levies annually out of the first enforcement responsibility for all taxes levied in the City. The collection of city school district and county taxes levied on properties within the City is enforced by the City; the city school district and county receive the full amount of such taxes within the year of the levy.

Real property taxes levied are recognized as revenue in the Governmental Fund financial statements only if they are “available” within 60 days following the end of the fiscal year. Tax revenue deemed not available is treated as a deferred inflow of resources.

CITY OF CORTLAND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

***Note 1* Summary of Significant Accounting Policies - Continued**

Tax Levy

The City is authorized by New York State General Municipal Law (GML) §3-c to increase its tax levy by a statutorily defined percentage. The City has the ability to exceed that percentage upon the vote of sixty percent of the City Council. The City has not exceeded this limit for the years ended December 31, 2023 and 2022.

Insurance

The City assumes the liability for most risk including, but not limited to, property damage and personal injury liability.

The City is a member of the Greater Tompkins County Municipal Health Insurance Consortium (the Consortium) through which the City provides high quality, cost efficient health insurance and prescription drug coverage to its employees, retirees and eligible dependents. The City pays annual premiums to the Consortium which are intended to cover the claims submitted by members. Each member of the Consortium is liable for their share of any additional assessments required for capitalization in future years.

Compensated Absences

City employees are granted vacation, sick leave, and earn compensatory time in varying amounts to specified maximums, depending on tenure with the City or other benchmarks, as defined in agreements between the City and the representative collective bargaining units or as defined in agreements between the City and a specific individual employee. An individual who leaves the employment of the City is entitled to be paid for unused vacation leave, sick leave, and compensatory leave depending on the terms of their corresponding employee agreements. Compensated absences are accrued when incurred in the Statement of Net Position and is reported as a liability in the Government-Wide Financial Statements.

Cash and Cash Equivalents

For financial statement purposes, all highly liquid investments with an initial maturity of three months or less are considered cash equivalents.

CITY OF CORTLAND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

***Note 1* Summary of Significant Accounting Policies - Continued**

Capital Assets

All capital assets are valued at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives of the assets. Capital assets purchased or acquired having a useful life of greater than one year are capitalized. The estimated capitalization threshold and useful lives for capital assets are as follows:

<u>Asset Class</u>	<u>Threshold</u>	<u>Useful Lives</u>
Buildings and Improvements	\$ 5,000	10 - 30 Years
Infrastructure	25,000	10 - 50 Years
Machinery and Equipment	1,000	3 - 20 Years

No interest on construction in progress has been capitalized.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Equity Classifications - Government-Wide Financial Statements

Equity is classified as net position and displayed in three components:

- Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, payables, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted - Consists of resources with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted - Consists of all other resources that do not meet the definition of "restricted" or "net investment in capital assets."

CITY OF CORTLAND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

***Note 1* Summary of Significant Accounting Policies - Continued**

Equity Classifications - Governmental Fund Financial Statements

The City classifies fund balance to reflect spending constraints on resources, rather than availability for appropriation. This approach is intended to provide users more consistent and understandable information about a fund's net resources.

Constraints are broken into five classifications: nonspendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

- Nonspendable - Consists of assets inherently nonspendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowments principal.
- Restricted - Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation. Most of the City's legally adopted reserves are reported here.
- Committed - Consists of amounts subject to a purpose constraint imposed by formal action of the government's highest level of decision-making authority prior to the end of the fiscal year and requires the same level of formal action to remove said constraint.
- Assigned - Consists of amounts subject to a purpose constraint representing an intended use established by the government's highest level of decision-making authority, or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.
- Unassigned - Represents the residual classification of the government's General Fund and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from overspending amounts restricted, committed, or assigned for specific purposes.

The City has not adopted any resolutions to commit fund balance. The City's policy is to apply expenditures against restricted fund balance, assigned fund balance, and unassigned fund balance.

CITY OF CORTLAND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

***Note 1* Summary of Significant Accounting Policies - Continued**

Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

***Note 2* Stewardship, Compliance, and Accountability**

Deficit Net Position

At December 31, 2023, the Government-wide Statement of Net Position reported an unrestricted deficit net position of \$92,344,385 for governmental activities. This is the result of the requirement to record other postemployment benefits liability with no requirement or mechanism to fund this liability. The deficit is not expected to be eliminated during the normal course of operations.

Deficit Fund Balances

At December 31, 2023, the General Fund and Capital Projects Fund had a (deficit) unassigned fund balance of \$5,612,753 and \$23,085,393, respectively. The General Fund deficit will be eliminated through improved budgetary and expenditure controls. The Capital Projects Fund deficit will be eliminated as short-term financing is converted to long-term bonds or when other revenues, including grants and transfers from the General Fund, are realized.

***Note 3* Cash and Investments**

The City's available cash is deposited and invested in accordance with the provisions of applicable state statutes. The City also has its own written investment guidelines which have been established by the City Council.

The City deposits cash into a number of bank accounts. Monies must be deposited in demand or time accounts at, or certificates of deposit issued by, FDIC-insured commercial banks or trust companies located within the state. Some of the City's accounts are mandated by various statutes and borrowing restrictions for specific funds, while the remainder are used for City operating cash and for investment purposes. The City's bank accounts are maintained in separate demand accounts with the respective offset to various fund equities in pooled cash, investments, and restricted cash. Interest income from the pooled accounts is allocated based on the funds' respective share of the pool.

Permissible investments include obligations of the U.S. Treasury and U.S. agencies, contractual repurchase agreements, and obligations of New York State. Per existing policies, the underlying securities for repurchase transactions must be only federal obligations.

CITY OF CORTLAND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

***Note 3* Cash and Investments - Continued**

Collateral is required for deposits and certificates of deposit in an amount equal to or greater than the amount of all deposits not covered by federal deposit insurance. Banks satisfy collateral requirements by pledging eligible securities as specified in §10 of New York State General Municipal Law (GML).

Deposits and investments are valued at cost or cost plus interest. Total financial institution (bank) balances at December 31, 2023, per the banks, were \$11,069,353. These deposits were fully insured and collateralized by securities held by the pledging financial institution's trust department or agent in the City's name. The carrying value of all City deposits was \$10,509,337 at year end.

The City does not typically purchase investments, is not exposed to material interest rate risk, does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

Restricted cash consists of amounts held in reserve funds, as well as amounts to be used in the acquisition or construction of capital assets and debt service expenditures. As of December 31, 2023, restricted cash consisted of:

Government-Wide, Governmental Activities

Short-Term:

Restricted Fund Balance	<u>\$ 2,518,136</u>
Total	<u>\$ 2,518,136</u>

***Note 4* Property Taxes**

At December 31, 2023, gross real property tax receivables of \$890,153 were offset by an allowance for uncollectible taxes of \$50,000. In the Governmental Fund financial statements, the tax assets are offset by deferred inflows of resources of \$602,978 and represent an estimate of the tax liens which will not be collected within the first 60 days of the subsequent year.

The 2023 real property tax levy for City purposes totaled \$9,560,448. The City is permitted by the constitution of New York State to levy taxes up to 2% of the five year average for assessed valuation for general governmental services other than the payment of debt service and capital expenditures. The constitutional tax limit of the City for the fiscal year ended December 31, 2023 was \$11,958,179, leaving a margin of \$3,105,259 after \$707,528 of exclusions.

CITY OF CORTLAND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

Note 5 Compensated Absences

Compensated absences represent unpaid accumulated vacation, sick leave, and unused compensatory time. This liability is liquidated from the General, Sewer, and Water Funds. Activity for the year ended December 31, 2023 consists of the following:

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance
Compensated Absences	<u>\$ 7,173,673</u>	<u>\$ -</u>	<u>\$ (220,862)</u>	<u>\$ 6,952,811</u>

Changes to long-term compensated absences are reported net, as it is impractical to individually determine the amount of additions and deletions during the fiscal year.

Note 6 Capital Assets

A summary of changes in capital assets at December 31, 2023 follows:

Governmental Activities	Balance at December 31, 2022	Additions	Retirements/ Reclassifications	Balance at December 31, 2023
Non-Depreciable Capital Assets				
Land	\$ 1,511,362	\$ -	\$ -	\$ 1,511,362
Construction in Progress	25,403,165	6,653,232	-	32,056,397
Total Non-Depreciable Capital Assets	<u>26,914,527</u>	<u>6,653,232</u>	<u>-</u>	<u>33,567,759</u>
Depreciable Capital Assets				
Buildings and Improvements	18,934,083	-	-	18,934,083
Infrastructure	15,215,101	-	-	15,215,101
Machinery and Equipment	45,368,748	630,040	(411,750)	45,587,038
Total Depreciable Capital Assets	<u>79,517,932</u>	<u>630,040</u>	<u>(411,750)</u>	<u>79,736,222</u>
Total Historical Cost	<u>106,432,459</u>	<u>7,283,272</u>	<u>(411,750)</u>	<u>113,303,981</u>
Less Accumulated Depreciation				
Buildings and Improvements	(9,602,918)	(350,487)	-	(9,953,405)
Infrastructure	(8,796,687)	(627,036)	-	(9,423,723)
Machinery and Equipment	(18,978,744)	(1,260,124)	406,382	(19,832,486)
Total Accumulated Depreciation	<u>(37,378,349)</u>	<u>(2,237,647)</u>	<u>406,382</u>	<u>(39,209,614)</u>
Governmental Activities Capital Assets, Net	<u>\$ 69,054,110</u>	<u>\$ 5,045,625</u>	<u>\$ (5,368)</u>	<u>\$ 74,094,367</u>

CITY OF CORTLAND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

Note 6 Capital Assets - Continued

Depreciation expense was charged to governmental activities as follows:

Governmental Activities	
General Governmental Support	\$ 982,246
Public Safety	317,268
Transportation	157,428
Culture and Recreation	74,257
Home and Community Services	<u>706,448</u>
Total	<u>\$ 2,237,647</u>

Note 7 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS) (the Systems)

Plan Descriptions and Benefits Provided

The City participates in the New York State and Local Employees' Retirement System which includes the New York State and Local Employees' Retirement System plan (ERS) and the New York State Local Police and Fire Retirement System plan (PFRS). These plans are cost-sharing multiple-employer defined benefit pension plans. The Systems provide retirement benefits as well as death and disability benefits. Net position of the Systems is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position 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 (RSSL). Once a public employer elects to participate in the Systems, 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 regard 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, New York 12244.

Generally, Tier 3, 4, and 5 members must contribute 3% of their salary to the System. As a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1973, who have ten or more years of membership or credited service with the System are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service.

CITY OF CORTLAND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

Note 7 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS) (the Systems) - Continued

Summary of Significant Accounting Policies

The Systems' financial statements from which the Systems' fiduciary net position is determined are prepared using the accrual basis of accounting. Plan member contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Plan investments are reported at fair value. For detailed information on how investments are valued, please refer to the Systems' annual report.

Contributions

Participating employers are required under the RSSL to contribute to the System at an actuarially determined rate adopted annually by the Comptroller. The City's contributions for the current year and two preceding Plan years were equal to 100% of the contributions required, and were as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
ERS	\$ 395,218	\$ 530,995	\$ 514,326
PFRS	1,696,876	1,792,985	1,521,452

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

At December 31, 2023, the City reported the following (asset)/liability for its proportionate share of the net pension (asset)/liability for the System. The net pension (asset)/liability was measured as of March 31, 2023. The total pension liability used to calculate the net pension (asset)/liability was determined by an actuarial valuation. The City's proportionate share of the net pension (asset)/liability was based on a projection 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 derived from a report provided to the City by the System.

	<u>ERS</u>	<u>PFRS</u>
Actuarial Valuation Date	April 1, 2022	April 1, 2022
Net Pension (Asset)/Liability	\$ 21,444,032,790	\$ 5,510,471,849
City's Proportionate Share of the		
Plan's Total Net Pension (Asset)/Liability	2,489,056	9,530,608
City's Share of the Plan's		
Total Net Pension (Asset)/Liability	0.0116072%	0.1729545%

CITY OF CORTLAND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

Note 7 Pension Obligations - New York State and Local Retirement System - Continued

For the year ended December 31, 2023, the City recognized pension expense of \$852,100 for ERS and \$2,946,094 for PFRS in the financial statements. At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources:

	<u>ERS</u>	<u>PFRS</u>
Deferred Outflows of Resources		
Differences Between Expected And Actual Experience	\$ 265,104	\$ 931,521
Changes of Assumptions	1,208,846	4,644,241
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	-	16,849
Changes in Proportion and Differences Between the City's Contributions and Proportionate Share of Contributions	87,139	190,591
City's Contributions Subsequent to the Measurement Date	<u>332,672</u>	<u>1,481,966</u>
Total	<u>\$ 1,893,761</u>	<u>\$ 7,265,168</u>
Deferred Inflows of Resources		
Differences Between Expected and Actual Experience	\$ 69,902	\$ -
Changes of Assumptions	13,360	-
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	14,623	-
Changes in Proportion and Differences Between the City's Contributions and Proportionate Share of Contributions	<u>99,843</u>	<u>221,291</u>
Total	<u>\$ 197,728</u>	<u>\$ 221,291</u>

City contributions subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending</u>	<u>ERS</u>	<u>PFRS</u>
2024	\$ 311,419	\$ 1,049,070
2025	(144,482)	(208,520)
2026	508,006	2,829,257
2027	688,418	1,734,689
2028	-	157,415
Thereafter	-	-

CITY OF CORTLAND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

***Note 7* Pension Obligations - New York State and Local Retirement System - Continued**

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following significant actuarial assumptions:

	ERS	PFRS
Measurement Date	March 31, 2023	March 31, 2023
Actuarial Valuation Date	April 1, 2022	April 1, 2022
Inflation Rate	2.9%	2.9%
Salary Increases	4.4%	6.2%
Investment Rate of Return	5.9%	5.9%
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-2020.

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

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 return, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

	ERS and PFRS
Measurement Date	March 31, 2023
Asset Type	
Domestic Equities	4.3%
International Equities	6.9%
Private Equities	7.5%
Real Estate	4.6%
Opportunistic Portfolio/ARC Portfolio	5.4%
Credit	5.4%
Real Assets	5.8%
Fixed Income	1.5%

CITY OF CORTLAND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

Note 7 Pension Obligations - New York State and Local Retirement System - Continued

Discount Rate

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

Sensitivity of the Proportionate Share of the Net Pension (Asset)/Liability to the Discount Rate Assumption

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

	1% Decrease	Current	1% Increase
<u>ERS</u>	<u>(4.9%)</u>	<u>Assumption</u>	<u>(5.9%)</u>
City's Proportionate Share of Net Pension (Asset)/Liability	\$ 6,014,980	\$ 2,489,056	\$ (457,264)

	1% Decrease	Current	1% Increase
<u>PFRS</u>	<u>(4.9%)</u>	<u>Assumption</u>	<u>(5.9%)</u>
City's Proportionate Share of Net Pension (Asset)/Liability	\$ 19,866,999	\$ 9,530,608	\$ 971,456

Pension Plan Fiduciary Net Position

The components of the current year net pension liability of the employers as of the respective measurement dates were as follows:

	<u>Dollars in Thousands</u>	
	<u>ERS</u>	<u>PFRS</u>
Measurement Date	March 31, 2023	March 31, 2023
Employers' Total Pension Liability	\$ 232,627,259	\$ 43,835,333
Plan Net Position	(211,183,223)	(38,324,863)
Employers' Net Pension (Asset)/Liability	<u>\$ 21,444,036</u>	<u>\$ 5,510,470</u>
Ratio of Plan Net Position to the Employers' Total Pension Liability	90.8%	87.4%

CITY OF CORTLAND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

Note 7 **Pension Obligations - New York State and Local Retirement System - Continued**

Payables to the Pension Plan

For ERS and PFRS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of December 31, 2023 represent the projected employer contribution for the period of April 1, 2023 through December 31, 2023, based on estimated wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of December 31, 2023 amounts to \$1,797,648 for ERS and PFRS, which is reported within Due to Retirement Systems.

Current Year Activity

The following is a summary of current year activity:

ERS	Beginning Balance	Change	Ending Balance
Net Pension (Asset)/Liability	\$ (882,190)	\$ 3,371,246	\$ 2,489,056
Deferred Outflows of Resources	(1,892,063)	(1,698)	(1,893,761)
Deferred Inflows of Resources	3,149,494	(2,951,766)	197,728
Total	\$ 375,241	\$ 417,782	\$ 793,023

PFRS	Beginning Balance	Change	Ending Balance
Net Pension (Asset)/Liability	\$ 956,638	\$ 8,573,970	\$ 9,530,608
Deferred Outflows of Resources	(7,683,803)	418,635	(7,265,168)
Deferred Inflows of Resources	8,186,189	(7,964,898)	221,291
Total	\$ 1,459,024	\$ 1,027,707	\$ 2,486,731

Note 8 **Postemployment Benefits Other Than Pensions (OPEB)**

The City complies with GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." The information presented here reflects amounts for the City as whole.

General Information About the OPEB Plan

Plan Description

The City provides postemployment (health insurance, etc.) coverage to retired employees in accordance with the provisions of various employment contracts. The City's plan is a single-employer postemployment benefit plan (the Plan). No assets are accumulated in a trust meeting the criteria in paragraph 4 of GASB Statement No. 75. The Plan does not issue separate financial statements because there are no assets legally segregated for the sole purpose of paying benefits under the plan.

Benefits Provided

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

CITY OF CORTLAND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

***Note 8* Postemployment Benefits Other Than Pensions (OPEB) - Continued**

General Information About the OPEB Plan – Continued

Benefits Provided - Continued

Contribution requirements of Plan members, employers, and other entities are established by action of the City pursuant to applicable collective bargaining agreements. Required contribution rates of the employer and the members vary depending on the applicable agreement. The City currently contributes enough money to the Plan to satisfy current obligations on a pay as you go basis. The expected employer contribution costs of administering the Plan are paid by the City.

Employees covered by Benefit Terms

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

Inactive Employees or Beneficiaries	
Currently Receiving Benefit Payments	140
Active Employees Fully Eligible for Benefits	<u>135</u>
Total	<u>275</u>

Total OPEB Liability

The City's total OPEB liability of \$69,573,066 was measured as of January 1, 2023 and was determined by an actuarial valuation as of January 1, 2023.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the January 1, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.72%
Salary Scale	2.00%
Inflation Rate	2.50%
Marital Assumption	70.00%
Participation Rate	100.00%
Healthcare Cost Trend Rates	7.40% for 2023, decreasing to an ultimate rate of 3.94% for 2091 and later years

The discount rate is based on the Bond Buyer Weekly 20-Bond GO Index rate as of the measurement date (or the nearest business day thereto).

The salary scale was based on the City's review of historical experience as well as future expectations.

Mortality rates were based on the Pub-2010 Mortality Table for employees and healthy retirees, adjusted for mortality improvements using scale MP-2021 mortality improvement scale on a generational basis.

CITY OF CORTLAND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

Note 8 Postemployment Benefits Other Than Pensions (OPEB) - Continued

Total OPEB Liability – Continued

Actuarial Assumptions and Other Inputs - Continued

Termination and retirement rates are based on experience under the New York State Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PRFS). The ERS and PRFS rates are based on the experience study released by the Retirement Systems Actuary and published in the August 2020 Report.

Healthcare cost trend rates were developed using the baseline projections of the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model (v2022_f4). The SOA Long-Run Medical Cost Trend Model and its baseline projections are based on an econometric analysis of historical US medical expenditures and the judgment of experts in the field. The short term (first 4 years) trend rates were based on the recent premium rate history for the City. The long-term (after 4 years) trend rates were based on assumptions of a rate of inflation of 2.5%, a rate of growth in real income/GDP per capita of 1.4%, extra trend due to technology and other factors of 1.0%, and health share of GDP resistance point of 25%.

The actuarial assumptions used in the January 1, 2023 valuation were consistent with the requirements of GASB Statement No. 75 and Actuarial Standards of Practice (ASOPs).

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at December 31, 2022	\$ 89,792,221
Changes for the Year	
Service Cost	3,166,903
Interest Cost	1,895,280
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	-
Changes in Assumptions or Other Inputs	(23,370,843)
Benefit Payments	(1,910,495)
Net Change	(20,219,155)
Balance at December 31, 2023	\$ 69,573,066

Sensitivity of the total OPEB liability to changes in the discount rate

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

	1% Decrease (2.72%)	Discount Rate (3.72%)	1% Increase (4.72%)
Total OPEB Liability	\$ 82,438,843	\$ 69,573,066	\$ 59,515,819

CITY OF CORTLAND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

***Note 8* Postemployment Benefits Other Than Pensions (OPEB) - Continued**

Changes in the Total OPEB Liability - Continued

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

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

	Healthcare Cost		
	1% Decrease	Trend Rate	1% Increase
	(6.40% to 2.94%)	(7.40% to 3.94%)	(8.40% to 4.94%)
Total OPEB Liability	\$ 58,019,723	\$ 69,573,066	\$ 84,741,339

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2023, the City recognized OPEB expense of \$2,036,033.

At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 3,417,862	\$ 2,004,376
Changes in Assumptions or Other Inputs	9,185,471	20,956,443
Contributions Subsequent to Measurement Date	2,097,663	-
Total	<u>\$ 14,700,996</u>	<u>\$ 22,960,819</u>

City contributions subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the OPEB liability in the year ending December 31, 2024. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending December 31,	Amount
2024	\$ (1,879,938)
2025	(659,888)
2026	(1,183,907)
2027	(2,517,969)
2028	(3,695,031)
Thereafter	(420,753)

CITY OF CORTLAND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

Note 8 Postemployment Benefits Other Than Pensions (OPEB) - Continued

Summary

Changes in the OPEB and deferred outflows and deferred inflows of resources for the year ended December 31, 2023 are summarized as follows:

	<u>Beginning Balance</u>	<u>Change</u>	<u>Ending Balance</u>
Other Postemployment Benefits Liability	\$ 89,792,221	\$ (20,219,155)	\$ 69,573,066
Deferred Outflows of Resources	(18,735,413)	4,034,417	(14,700,996)
Deferred Inflows of Resources	6,837,711	16,123,108	22,960,819
Total	<u>\$ 77,894,519</u>	<u>\$ (61,630)</u>	<u>\$ 77,832,889</u>

Note 9 Short-Term Debt

The City may issue revenue anticipation notes (RANs) and tax anticipation notes (TANs), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund. There were no TANs or RANs issued during the year or outstanding at December 31, 2023.

Liabilities for bond anticipation notes (BANs) are generally accounted for in the Capital Projects Fund. Principal payments on BANs must be made annually. The notes or renewal thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within each 12 month period thereafter. State law requires BANs issued for capital purposes be converted to long-term obligations within five years after original issue date. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided stipulated annual reductions of principal are made.

The City accounts for BANs as current obligations and records them in the fund to which they apply. The following is an analysis of short-term debt outstanding at December 31, 2023:

	<u>Amount</u>	<u>Dated</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
BAN - Various Purposes	\$ 20,568,000	11/10/2023	5.00%	11/8/2024
EFC - Short Term Financing, Wastewater Treatment Plants	2,313,064	Various	1.61%	2/1/2025
Total	<u>\$ 22,881,064</u>			

CITY OF CORTLAND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

Note 9 Short-Term Debt - Continued

Changes in short-term debt outstanding are as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Refinanced / Redeemed</u>	<u>Ending Balance</u>
BANs	\$ 20,880,000	\$ 20,568,000	\$ (20,880,000)	\$ 20,568,000
EFC	2,214,421	137,643	(39,000)	2,313,064
Total	<u><u>\$ 23,094,421</u></u>	<u><u>\$ 20,705,643</u></u>	<u><u>\$ (20,919,000)</u></u>	<u><u>\$ 22,881,064</u></u>

Interest expense on short-term debt is calculated as follows:

Interest Paid	\$ 1,054,982
Interest Accrued in the Current Year	148,547
Less Interest Accrued in the Prior Year	(150,771)
Less Premium on BAN	<u>(64,275)</u>
Total	<u><u>\$ 988,483</u></u>

Note 10 Long-Term Debt

Constitutional Debt Limit

At December 31, 2023, the total outstanding bonded indebtedness of the City aggregated \$43,137,450. Of this amount, \$31,466,225 was subject to the City's constitutional debt limit and represented approximately 75.1% of its debt limit.

Serial Bonds

The City borrows money in order to acquire land or equipment, or construct buildings and make improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are given on the full faith and credit debt of the local government, are recorded in the Statement of Net Position.

Installment Purchase Debt

The City purchases public safety equipment utilizing installment purchase agreements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. This liability is liquidated from the General Fund.

CITY OF CORTLAND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

***Note 10* Long-Term Debt - Continued**

Summary of Long-Term Debt

The following is a summary of the City's long-term debt for the year ended December 31, 2023:

Description of Issue	Final Maturity	Interest Rate	Payable to Maturity
2016 Wastewater Treatment Plant	2/1/2046	0.548 - 3.351%	\$ 8,860,000
2017 Refunding Bond	6/1/2031	0 - 5.00%	2,840,000
2018 General Purpose Bond	11/15/2033	3.125 - 3.50%	1,760,000
2019 General Purpose Bond	11/15/2029	0.50 - 2.55%	525,000
2021 Water System Bond	8/1/2051	0.18 - 3.007%	2,370,000
2021 Public Improvement	4/1/2041	1.50 - 2.00%	2,800,000
Subtotal Serial Bonds			19,155,000
Unamortized Premium			302,138
Total Serial Bonds			19,457,138
Installment Purchase Debt:			
Street Lighting Improvements	9/1/2027	3.489%	1,101,386
Total			<u>\$ 20,558,524</u>

Interest paid on the Serial Bonds varies from year to year, in accordance with the interest rates specified in the bond agreements.

Interest expense on long-term debt during the year was comprised of the following:

Serial Bonds	\$ 369,611
Installment Purchase Debt	44,349
Interest Accrued in the Current Year	81,324
(Less) Interest Accrued in the Prior Year	(63,728)
(Less) Amortization of Bond Premium	(60,428)
Total	<u>\$ 371,128</u>

CITY OF CORTLAND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

Note 10 Long-Term Debt - Continued

Changes in Long-Term Debt

Long-term debt balance and activity for the year are summarized below:

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance	Amount Due in One Year
Serial Bonds	\$ 20,379,683	\$ -	\$ (1,224,683)	\$ 19,155,000	\$ 1,245,000
Bond Premiums	362,566	-	(60,428)	302,138	60,428
Total Bond Payable	20,742,249	-	(1,285,111)	19,457,138	1,305,428
 Installment Purchase Debt	 1,371,651	 -	 (270,265)	 1,101,386	 279,819
 Total	 \$ 22,113,900	 \$ -	 \$ (1,555,376)	 \$ 20,558,524	 \$ 1,585,247

Future Debt Service Requirements

The following is a summary of the maturity of serial bonds indebtedness:

	Governmental Activities Serial Bonds		
Year Ending December 31,	Principal	Interest	Total
2024	\$ 1,245,000	\$ 402,666	\$ 1,647,666
2025	1,285,000	373,361	1,658,361
2026	1,325,000	342,357	1,667,357
2027	1,355,000	309,229	1,664,229
2028	1,075,000	280,124	1,355,124
2029-2033	4,705,000	1,042,372	5,747,372
2034-2038	2,960,000	663,088	3,623,088
2039-2043	2,980,000	381,919	3,361,919
2044-2048	1,885,000	131,624	2,016,624
2049-2051	340,000	20,598	360,598
 Total	 \$ 19,155,000	 \$ 3,947,338	 \$ 23,102,338

Installment Purchase Debt

On May 30, 2019, the City entered into an installment purchase agreement for street lighting improvements. Total improvements and equipment under these leases amounted to \$2,148,577. Depreciation expense of \$143,238 was recorded during the year ended December 31, 2023. Repayment of the leases continues through 2027, including 3.489% interest, and will be made from the General Fund.

CITY OF CORTLAND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

Note 10 Long-Term Debt - Continued

The net book value of capital assets procured through installment purchase debt at December 31, 2023 is as follows:

Cost of Leased Assets	\$ 2,148,577
Accumulated Depreciation	<u>(453,588)</u>
Net Book Value	<u>\$ 1,694,989</u>

Repayment of the installment purchase debt is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 279,819	\$ 34,795	\$ 314,614
2025	289,711	24,903	314,614
2026	299,953	14,661	314,614
2027	<u>231,903</u>	<u>4,058</u>	<u>235,961</u>
Total	<u>\$ 1,101,386</u>	<u>\$ 78,417</u>	<u>\$ 1,179,803</u>

Note 11 Interfund Activity

Interfund activity balances as of December 31, 2023 were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Revenue</u>	<u>Interfund Expenditure</u>
General Fund	\$ 1,324,321	\$ 1,644,439	\$ 1,673,000	\$ -
Sewer Fund	2,308,433	1,477,209	-	909,000
Capital Projects Funds	171,932	931,256	39,000	-
Non-Major Funds	<u>536,492</u>	<u>288,274</u>	<u>-</u>	<u>803,000</u>
Totals	<u>\$ 4,341,178</u>	<u>\$ 4,341,178</u>	<u>\$ 1,712,000</u>	<u>\$ 1,712,000</u>

In its normal course of operations, the City loans resources between funds for the purposes of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year. The City uses interfund transfers to support the activities of other funds by using excess fund balances. Additionally, the City routinely transfers amounts to the General Fund from the Sewer and Water Funds as budgeted sources of revenue.

CITY OF CORTLAND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

Note 12 Fund Balance Detail

Fund balances in the Governmental Funds at December 31, 2023 were as follows:

	General Fund	Sewer Fund	Capital Projects Fund	Non-Major Governmental Funds
Restricted				
Employee Benefits Accrued Liability Reserve	\$ 504,651	\$ -	\$ -	\$ -
Snow and Ice Reserve	212,409	-	-	-
Unemployment Insurance Reserve	319,689	-	-	-
Capital Projects Reserve	596,301	-	-	210,020
Tax Stabilization Reserve	1,124,287	-	-	-
Employee Benefits Accrued Liability Reserve	100,000	-	-	-
Debt Service Reserve	-	1,975,851	-	-
Service Award Program	183,632	-	-	-
Other Restricted Fund Balance	2,347,819	-	-	-
Capital Projects	-	-	-	-
Remaining Fund Balance	-	-	-	641,702
Total Restricted	5,388,788	1,975,851	-	851,722
Assigned				
Fund Balance Appropriated for Next Year's Budget	3,166,453	-	-	-
Encumbrances for:				
General Governmental Support	86,208	-	-	-
Public Safety	-	-	-	-
Transportation	-	-	-	-
Culture and Recreation	-	-	-	-
Home and Community Services	-	39,335	-	43,841
Capital Outlay	-	-	215,195	-
Remaining Fund Balance	-	2,466,448	-	1,368,222
Total Assigned	3,252,661	2,505,783	215,195	1,412,063
Total Unassigned Fund Balance	(5,612,753)	-	(23,085,393)	-
Total	\$ 3,028,696	\$4,481,634	\$ (22,870,198)	\$ 2,263,785

CITY OF CORTLAND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

***Note 12* Fund Balance Detail - Continued**

General Fund Restricted Fund Balances

Portions of the General Fund fund balance are restricted and are not available for current expenditures, as reported in the Governmental Funds Balance Sheet. Balances and activity for the year ended December 31, 2023 are as follows:

General Fund Restricted Fund Balance	Beginning Balance	Additions	Appropriated	Ending Balance
Employee Benefits Accrued Liability Reserve	\$ 504,651	\$ -	\$ -	\$ 504,651
Snow and Ice Reserve	212,409	-	-	212,409
Unemployment Insurance Reserve	319,689	-	-	319,689
Capital Projects Reserve	596,301	-	-	596,301
Tax Stabilization Reserve	1,124,287	-	-	1,124,287
Repair Reserve	100,000	-	-	100,000
Service Award Program	196,957	-	(13,325)	183,632
Other Restricted Fund Balance	2,347,819	-	-	2,347,819
Total	\$ 5,402,113	\$ -	\$ (13,325)	\$ 5,388,788

The Other Restricted Fund Balance is comprised of a Budget Operating Reserve, a Land Acquisition Reserve, and a Redevelopment Reserve.

Reconciliation Between Restricted Fund Balance and Restricted Net Position

Restricted fund balances and restricted net position differ because loans receivable in the Special Grant Fund are deferred in the fund financial statements and reported as restricted in the Statement of Net Position.

Restricted Fund Balance in the Fund Financial Statements	\$ 8,216,361
Loans Receivable in the Special Grant Fund	<u>1,042,678</u>
Restricted Net Position in the Government-Wide Financial Statements	<u>\$ 9,259,039</u>

CITY OF CORTLAND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

***Note 13* Summary of Significant Commitments and Contingencies**

General Information

The City is exposed to various risks of loss related to, but not limited to, torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Judgments and Claims

The City and/or its agencies are named in several lawsuits, some of which are for substantial amounts. Most of these claims are either adequately covered by insurance or, in the opinion of City officials, will not result in material judgments against the City or will not be pursued and, therefore, are not expected to have a material effect on the basic financial statements. In the past three years, no settlements exceeded insurance coverage.

Tax Certiorari Claims

The City is a defendant in several tax certiorari claims. These claims could result in substantial refunds of taxes or reductions of future taxes. However, any potential settlement for these claims is unable to be reasonably estimated at December 31, 2023.

State and Federally Assisted Programs

The City receives many different state and federal grants to be used for specific purposes. These grants are generally conditioned on compliance with certain statutory, regulatory, and/or contractual requirements. The City makes every effort to comply with all applicable requirements. However, because these grants are audited from time to time, it is possible the City will be required, upon audit, to repay portions of the grant monies received and recorded as revenue in a prior year. City officials do not anticipate material grant-in-aid disallowances, and no provision, therefore, is reflected in the basic financial statements.

***Note 14* Public Entity Risk Pool**

Risk Financing - Health Insurance Plan

The City participates in a Plan sponsored by the Tompkins County Greater Tompkins Health Consortium. The Plan's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Plan members are subject to a supplemental assessment in the event of deficiencies. If the Plan's assets were to be exhausted, members would be responsible for the Plan's liabilities.

CITY OF CORTLAND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

***Note 14* Public Entity Risk Pool - Continued**

Risk Financing - Health Insurance Plan - Continued

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

During the year ended December 31, 2023, the City incurred premiums or contribution expenditures totaling \$5,286,036. Plan financial statements may be obtained from the Greater Tompkins County Municipal Health Insurance Consortium, at 125 East Court Street, Ithaca, New York, 14850.

Risk Financing - Workers' Compensation Insurance Plan

The City participates in a workers' compensation insurance plan sponsored by the Cortland County Risk Pool. The Plan's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Plan members are subject to a supplemental assessment in the event of deficiencies. If the Plan's assets were to be exhausted, members would be responsible for the Plan's liabilities.

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

During the year ended December 31, 2023, the City incurred premiums or contribution expenditures of \$400,671.

***Note 15* Cortland Fire Department Service Award Program**

Length of Service Awards Program (LOSAP)

The City established a defined contribution LOSAP for the active volunteer firefighters of the Cortland Fire Department. The program took effect on January 1, 1994. The program was established pursuant to Article 11-A of the GML. The program provides municipally-funded pension-like benefits to facilitate the recruitment and retention of active volunteer firefighters. The City is the sponsor of the program.

CITY OF CORTLAND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

***Note 15* Cortland Fire Department Service Award Program - Continued**

Participation, Vesting, and Service Credit

Active volunteer firefighters who have reached the age of 18 and who have completed 1 year of firefighting service are eligible to participate in the program. Participants acquire a nonforfeitable right to a service award after being credited with five years of firefighting service, the participant is awarded a finding of total and permanent disability, the participant dies, or upon attaining the program's entitlement age. The program's entitlement age is age 65. In general, an active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the program in which he or she accumulates fifty points. Points are granted for the performance of certain activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. A participant may also receive credit for five years of firefighting service rendered prior to the establishment of the program.

Benefits

A participant's benefit under the program is the amount resulting from the contributions made by the sponsor on behalf of the participant, plus interest and/or other earnings resulting from the investment of the contributions, less necessary administrative costs, forfeitures and losses resulting from the investment of contributions. Contributions in the amount of \$480 are made on behalf of each participant who is credited with a year of firefighting service. The maximum number of years of firefighting service for which a participant may receive a contribution is forty years. Except in the case of disability or death, benefits are payable when a participant reaches entitlement age. The program provides statutorily mandatory disability and death benefits.

Fiduciary Investment and Control

Service credit is determined by the governing board of the sponsor, based on information certified to the governing board by each fire company having members who participate in the program. Each fire company must maintain all required records on forms prescribed by the governing board. The governing board of the sponsor has retained and designated Penflex Actuarial Services, LLC to assist in the administration of the program. The designated program administrator's functions include investing contributions in a professionally managed account, at the participant's discretion. Disbursements for the payment of benefits or administrative expenses must be approved by the LOSAP administrator, who then requests the funds be sent to the individual from the service award fiscal manager.

Program assets are required to be held in trust by LOSAP legislation, for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the program. The trust agreement is dated January 1, 1994, and the trustees are the Treasurer of the Cortland Fire Department, three members of the Board of Engineers, the Chairperson of the Board of Fire Commissioners, the Director of Finance and Administrations of the City, and a member of the City of Cortland Common Council.

Authority to invest program assets is vested in Penflex Actuarial Services, LLC. Program assets are invested in accordance with a statutory "prudent person" rule.

CITY OF CORTLAND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

***Note 15* Cortland Fire Department Service Award Program - Continued**

Program Financial Condition

Program Financial Condition	
Assets and Liabilities	
Assets Available for Benefits:	
Cash and Cash Alternatives	\$ 2,185
Equities	72,775
Fixed Income	97,304
Mixed Assets	11,369
Less: Liabilities	<u>(5,481)</u>
Total Net Assets Available for Benefits	<u>\$ 178,152</u>
Receipts and Disbursements	
Plan Net Assets, Beginning of Year	\$ 184,791
Changes During the Year:	
Plan Contributions	4,779
Investment Income Earned	8,003
Changes in Fair Market Value of Investments	342
Plan Benefit Withdrawals	(18,364)
Administrative and Other Fees/Charges	<u>(1,399)</u>
Plan Net Assets, End of Year	<u>\$ 178,152</u>
Contributions	
Amount of Sponsor's Required Contribution	\$ 6,240
Amount of Sponsor's Actual Contribution	-
Administration Fees	
Fees Paid for Investment Managements	\$ (1,399)
Other Administration Fees	-

The sponsor's required contributions of \$6,240 were reduced by excess funds in the trust and forfeitures to \$-0- for the year ended December 31, 2023.

CITY OF CORTLAND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

***Note 16* Restatements**

During the audit of the financial statements for the year ended December 31, 2023, it was determined that certain balances reported in the financial statements for the year ended December 31, 2022 should be restated. Restatements of the December 31, 2022 balances are as follows:

	Governmental Activities Net Position (Deficit)	Governmental Funds - Fund Balance			
		General Fund	Capital Projects Fund	Non-Major Governmental Funds	
				Water Fund	Special Grant Fund
As originally reported in report dated September 25, 2023	\$ (44,666,382)	\$ 4,298,801	\$ (17,193,803)	\$ 1,400,235	\$ 724,970
Additional revenue not previously reported	1,527,757	232,308	1,295,449	-	-
Interfund transfers not previously reported	-	(8,345)	171,932	114,043	(277,630)
As restated	(43,138,625)	4,522,764	(15,726,422)	1,514,278	447,340

In addition to these restatements, we also noted that \$886,859 in state source revenues in the Capital Projects Fund should have been reported as federal source revenues; this restatement had no impact on fund balance in the Capital Projects Fund.

***Note 17* Subsequent Events**

In May 2024, the City began negotiations with Cortland County on revisions to the sales tax agreement with the County. Negotiations with the County are ongoing. The impact to the City has not been determined.

On May 7, 2024, the City approved a federal contract under the Assistance to Firefighters grant program, for \$2,180,160 in federal funding.

On May 21, 2024, the City approved a Bond Anticipation Note at an amount of \$10,190,000.

CITY OF CORTLAND

BUDGETARY COMPARISON SCHEDULE GENERAL FUND - NON-U.S. GAAP BUDGET BASIS FOR THE YEAR ENDED DECEMBER 31, 2023

	Original Budget	Final Budget	Actual	Encumbrances	Fav. (Unfav.) Variance
REVENUES					
Real Property Taxes	\$ 10,408,246	\$ 10,408,246	\$ 10,247,370	\$ -	\$ (160,876)
Real Property Tax Items	415,750	415,750	346,211	-	(69,539)
Nonproperty Tax Items	6,900,000	6,919,160	7,077,348	-	158,188
Departmental Income	211,350	232,633	232,879	-	246
Intergovernmental Charges	274,300	378,858	412,105	-	33,247
Use of Money and Property	51,000	51,000	112,331	-	61,331
Licenses and Permits	165,300	169,300	219,488	-	50,188
Fines and Forfeitures	190,500	190,500	194,245	-	3,745
Sale of Property and Compensation for Loss	45,500	87,025	180,589	-	93,564
Miscellaneous Local Sources	254,671	324,267	122,981	-	(201,286)
State Sources	2,786,480	4,907,652	4,261,214	-	(646,438)
Federal Sources	-	964,661	1,020,185	-	55,524
Total Revenues	21,703,097	25,049,052	24,426,946	-	(622,106)
EXPENDITURES					
General Governmental Support	2,386,761	2,696,721	2,207,595	86,208	402,918
Public Safety	9,324,556	9,611,509	9,448,845	-	162,664
Transportation	2,096,759	4,328,460	3,866,389	-	462,071
Culture and Recreation	855,290	1,223,993	1,166,484	-	57,509
Home and Community Services	852,680	1,598,469	1,680,660	-	(82,191)
Employee Benefits	7,490,671	7,645,884	8,419,503	-	(773,619)
Debt Service:					
Principal	382,270	382,270	652,535	-	(270,265)
Interest	107,654	107,654	152,003	-	(44,349)
Total Expenditures	23,496,641	27,594,960	27,594,014	86,208	(85,262)
Excess of Revenues (Expenditures)	(1,793,544)	(2,545,908)	(3,167,068)	(86,208)	(707,368)
OTHER FINANCING SOURCES (USES)					
Interfund Transfers In	1,673,000	1,673,000	1,673,000	-	-
Interfund Transfers (Out)	-	(38,765)	-	-	38,765
Total Other Financing Sources (Uses)	1,673,000	1,634,235	1,673,000	-	38,765
Excess of Revenues and Other Financing Sources Over (Expenditures) and Other (Uses)	(120,544)	(911,673)	(1,494,068)	\$ (86,208)	\$ (668,603)
Appropriated Fund Balance	-	791,129			
Carryforward Encumbrances	120,544	120,544			
Net Increase (Decrease)	\$ -	\$ -	(1,494,068)		
Fund Balance, Beginning of Year			4,522,764		
Fund Balance, End of Year			\$ 3,028,696		

See Notes to Required Supplementary Information

CITY OF CORTLAND

BUDGETARY COMPARISON SCHEDULE SEWER FUND - NON-U.S. GAAP BUDGET BASIS FOR THE YEAR ENDED DECEMBER 31, 2023

	Original Budget	Final Budget	Actual	Encumbrances	Fav. (Unfav.) Variance
REVENUES					
Real Property Taxes	\$ 585,439	\$ 585,439	\$ 585,907	\$ -	\$ 468
Departmental Income	3,283,999	3,283,999	3,705,189	-	421,190
Intergovernmental Charges	-	-	23,407	-	23,407
Use of Money and Property	230	230	1	-	(229)
Sale of Property and Compensation for Loss	-	-	6,424	-	6,424
State Sources	-	-	47,847	-	47,847
Federal Sources	-	-	8,000	-	8,000
Total Revenues	3,869,668	3,869,668	4,376,775	-	507,107
EXPENDITURES					
General Governmental Support	217	217	-	-	217
Home and Community Services	2,360,627	2,379,365	1,911,595	39,335	428,435
Employee Benefits	340,829	349,278	230,720	-	118,558
Debt Service:					
Principal	644,475	644,475	691,475	-	(47,000)
Principal - BAN's	132,788	-	-	-	-
Interest	166,943	299,731	258,473	-	41,258
Total Expenditures	3,645,879	3,673,066	3,092,263	39,335	541,468
Excess of Revenues (Expenditures)	223,789	196,602	1,284,512	(39,335)	1,048,575
OTHER FINANCING SOURCES (USES)					
Interfund Transfers In	618,966	618,966	-	-	(618,966)
Interfund Transfers (Out)	(870,000)	(870,000)	(909,000)	-	(39,000)
Total Other Financing Sources (Uses)	(251,034)	(251,034)	(909,000)	-	(657,966)
Excess of Revenues and Other Financing Sources Over (Expenditures) and Other (Uses)	(27,245)	(54,432)	375,512	\$ (39,335)	\$ 390,609
Appropriated Fund Balance	-	27,187			
Carryforward Encumbrances	27,245	27,245			
Net Increase (Decrease)	\$ -	\$ -	375,512		
Fund Balance, Beginning of Year			4,106,122		
Fund Balance, End of Year			\$4,481,634		

See Notes to Required Supplementary Information

CITY OF CORTLAND

SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE LAST 10 FISCAL YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total OPEB Liability										
Service Cost	\$ 3,166,903	\$ 3,073,951	\$ 2,532,061	\$ 1,738,047	\$ 2,149,583	\$ 2,189,295	\$ *	\$ *	\$ *	\$ *
Interest Cost	1,895,280	1,732,259	1,915,973	2,543,233	2,305,305	2,710,067	*	*	*	*
Changes of Benefit Terms	-	-	-	-	-	-	*	*	*	*
Differences Between Expected and Actual Experience	-	5,081,054	-	(5,550,437)	-	(5,076,817)	*	*	*	*
Changes in Assumptions or Other Inputs	(23,370,843)	2,138,824	8,485,125	10,028,084	(7,397,856)	(2,894,597)	*	*	*	*
Benefit Payments	(1,910,495)	(1,740,474)	(1,641,056)	(1,672,912)	(1,587,259)	(1,549,656)	*	*	*	*
	<u>\$ (20,219,155)</u>	<u>10,285,614</u>	<u>11,292,103</u>	<u>7,086,015</u>	<u>(4,530,227)</u>	<u>(4,621,708)</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Total OPEB Liability - Beginning of Year	<u>89,792,221</u>	<u>79,506,607</u>	<u>68,214,504</u>	<u>61,128,489</u>	<u>65,658,716</u>	<u>70,280,424</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Total OPEB Liability - End of Year	<u>\$ 69,573,066</u>	<u>\$ 89,792,221</u>	<u>\$ 79,506,607</u>	<u>\$ 68,214,504</u>	<u>\$ 61,128,489</u>	<u>\$ 65,658,716</u>	<u>\$ 70,280,424</u>	<u>\$ *</u>	<u>\$ *</u>	<u>\$ *</u>
Covered Employee Payroll	\$ 11,977,037	\$ 10,458,110	\$ 10,614,064	\$ 10,614,064	\$ 10,717,048	\$ 10,165,792	\$ *	\$ *	\$ *	\$ *
Liability as a % of Covered Payroll	581%	859%	749%	643%	570%	646%	*	*	*	*
The Following is a Summary of Changes of Assumptions										
Healthcare Cost Trend Rates	7.40% - 3.94%	7.40% - 3.94%	6.50% - 3.94%	6.50% - 3.94%	5.0% - 3.94%	5.0% - 3.94%	*	*	*	*
Salary Increases	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	*	*	*	*
Inflation Rate	2.50%	2.50%	2.20%	2.20%	2.20%	2.20%	*	*	*	*
Discount Rate	3.72%	2.06%	2.12%	2.74%	4.10%	3.44%	3.50%	*	*	*
Society of Actuaries' Mortality Scale	MP-2021	MP-2021	MP-2020	MP-2020	MP-2018	MP-2018	*	*	*	*

* Information for periods prior to implementation of GASB Statement No. 75 is unavailable and will be completed as it becomes available.

See Notes to Required Supplementary Information

CITY OF CORTLAND

SCHEDULES OF THE CITY'S CONTRIBUTIONS NYSLRS PENSION PLAN FOR THE LAST TEN FISCAL YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Employees' Retirement System										
Contractually Required Contribution	\$ 395,218	\$ 530,995	\$ 514,326	\$ 502,148	\$ 493,000	\$ 504,000	\$ 482,000	\$ 536,000	\$ 581,000	*
Contributions in Relation to the Contractually Required Contribution	(395,218)	(530,995)	(514,326)	(502,148)	(493,000)	(504,000)	(482,000)	(536,000)	(581,000)	*
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-	*
City's Covered Employee Payroll for Year Ended December 31,	3,442,071	3,263,402	3,444,939	3,525,000	3,461,000	3,418,000	3,356,000	3,292,000	3,052,000	*
Contributions as a Percentage of Covered Employee Payroll for the Year Ended December 31,	11.5%	16.3%	14.9%	14.2%	14.2%	14.7%	14.4%	16.3%	19.0%	*
Police and Fire Retirement System										
Contractually Required Contribution	1,696,876	1,792,985	1,521,452	1,451,587	1,391,000	1,438,000	1,385,000	1,451,000	1,537,000	*
Contributions in Relation to the Contractually Required Contribution	(1,696,876)	(1,792,985)	(1,521,452)	(1,451,587)	(1,391,000)	(1,438,000)	(1,385,000)	(1,451,000)	(1,537,000)	*
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-	*
City's Covered Employee Payroll for Year Ended December 31,	6,513,797	6,472,881	6,509,222	6,526,000	6,431,000	6,226,000	6,181,000	6,528,000	5,963,000	*
Contributions as a Percentage of Covered Employee Payroll for the Year Ended December 31,	26.1%	27.7%	23.4%	22.2%	21.6%	23.1%	22.4%	22.2%	25.8%	*

* Information for periods prior to implementation of GASB Statement No. 68 is unavailable and will be completed as it becomes available.

See Notes to Required Supplementary Information

CITY OF CORTLAND

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET)/LIABILITY NYSLRS PENSION PLANS - ERS FOR THE YEARS ENDED DECEMBER 31,

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Employees' Retirement System										
City's Proportion of the Net Pension (Asset)/Liability	0.0116072%	0.0107919%	0.0117889%	0.1266130%	0.0129456%	0.0134122%	0.0130708%	0.0129961%	0.0127782%	*
City's Proportionate Share of the Net Pension (Asset)/Liability	\$ 2,489,056	\$ (882,190)	\$ 11,739	\$ 3,353,000	\$ 917,000	\$ 433,000	\$ 1,228,000	\$ 2,086,000	\$ 432,000	*
City's Covered Employee Payroll During the Measurement Period	3,427,059	3,442,071	3,203,846	3,525,000	3,461,000	3,418,000	3,356,000	3,292,000	3,052,000	*
City's Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of its Covered Employee Payroll	72.6%	25.6%	0.4%	95.1%	26.5%	12.7%	36.6%	63.4%	14.2%	*
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.8%	103.7%	99.9%	86.4%	96.3%	98.2%	94.7%	90.7%	97.9%	*
The Following is a Summary of Changes of Assumptions										
Inflation	2.90%	2.70%	2.70%	2.50%	2.50%	2.50%	2.50%	2.50%	2.70%	*
Salary Increases	4.40%	4.40%	4.40%	4.20%	4.20%	3.80%	3.80%	3.80%	4.90%	*
Investment Rate of Return	5.90%	5.90%	5.90%	6.80%	7.00%	7.00%	7.00%	7.00%	7.50%	*
Cost of Living Adjustments	1.50%	1.40%	1.40%	1.30%	1.30%	1.30%	1.30%	1.30%	1.40%	*
Discount Rate	5.90%	5.90%	5.90%	6.80%	7.00%	7.00%	7.00%	7.00%	7.50%	*
Society of Actuaries' Mortality Scale	MP-2021	MP-2020	MP-2020	MP-2018	MP-2018	MP-2014	MP-2014	MP-2014	MP-2014	*

Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

See Notes to Required Supplementary Information

CITY OF CORTLAND

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET)/LIABILITY NYSLRS PENSION PLANS - PFRS FOR THE YEARS ENDED DECEMBER 31,

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Police and Fire Retirement System										
City's Proportion of the Net Pension (Asset)/Liability	0.1729545%	0.1684089%	0.1638587%	0.1602599%	0.1656403%	0.1694388%	0.1751640%	0.1925773%	0.1880543%	*
City's Proportionate Share of the Net Pension (Asset)/Liability	\$ 9,530,608	\$ 956,638	\$ 2,845,039	\$ 8,566,000	\$ 2,778,000	\$ 1,713,000	\$ 3,631,000	\$ 5,702,000	\$ 518,000	*
City's Covered Employee Payroll During the Measurement Period	7,376,265	6,513,767	6,459,242	6,526,000	6,431,000	6,226,000	6,181,000	6,528,000	5,963,000	*
City's Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of its Covered Employee Payroll	129.2%	14.7%	44.0%	131.3%	43.2%	27.5%	58.7%	87.3%	8.7%	*
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.4%	98.7%	95.8%	84.9%	95.1%	96.9%	93.5%	90.2%	99.0%	*
The Following is a Summary of Changes of Assumptions										
Inflation	2.90%	2.70%	2.70%	2.50%	2.50%	2.50%	2.50%	2.50%	2.70%	*
Salary Increases	6.20%	6.20%	6.20%	5.00%	5.00%	4.50%	4.50%	4.50%	6.00%	*
Investment Rate of Return	5.90%	5.90%	5.90%	6.80%	7.00%	7.00%	7.00%	7.00%	7.50%	*
Cost of Living Adjustments	1.50%	1.40%	1.40%	1.30%	1.30%	1.30%	1.30%	1.30%	1.40%	*
Discount Rate	5.90%	5.90%	5.90%	6.80%	7.00%	7.00%	7.00%	7.00%	7.50%	*
Society of Actuaries' Mortality Scale	MP-2021	MP-2020	MP-2020	MP-2018	MP-2018	MP-2014	MP-2014	MP-2014	MP-2014	*

Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

See Notes to Required Supplementary Information

CITY OF CORTLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION DECEMBER 31, 2023

***Note 1* Budgetary Data**

Budget policies are as follows:

- No later than October 15, the budget officer submits a tentative budget to the City Council for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing for the general and special revenue funds, except for the Special Grant Fund.
- After public hearings are conducted to obtain taxpayer comments, no later than December 31, the City Council adopts the budget.
- All modifications of the budget must be approved by the City Council.
- Budgetary controls are established for the Capital Projects and Special Grant Funds through resolutions authorizing individual projects, which remain in effect for the life of the project.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in the Governmental Funds. Encumbrances are reported as reservations of fund balances, as they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

Budget Basis of Accounting

Budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States (U.S. GAAP). Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

***Note 2* Reconciliation of the General and Sewer Funds Budget Basis to U.S. GAAP**

No adjustment is necessary to convert the General or Sewer Fund's excess of revenues and other sources over expenditures and other uses on the U.S. GAAP basis to the budget basis, as encumbrances are shown in a separate column and are not included in the actual results at December 31, 2023.

CITY OF CORTLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED) **DECEMBER 31, 2023**

Note 3 Stewardship, Compliance, and Accountability

As noted in Budgetary Comparison Schedules, the following functional areas were overspent in the current year:

<u>General Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Encumbrances</u>	<u>Overexpended</u>
Home and Community Services	\$ 1,598,469	\$ 1,680,660	\$ -	\$ (82,191)
Employee Benefits	7,645,884	8,419,503	-	(773,619)
Debt Service	489,924	804,538	-	(314,614)
<u>Sewer Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Encumbrances</u>	<u>Overexpended</u>
Debt Service	\$ 944,206	\$ 949,948	\$ -	\$ (5,742)
Transfers Out	870,000	909,000	-	(39,000)

Overall, the budgeted expenditures in the General Fund were overspent by \$46,497 and the Sewer Fund were underspent by \$502,468. The functional areas that were overspent in the current year are due in part to budget modifications not being made to transfer unexpended appropriation balances.

CITY OF CORTLAND

BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS DECEMBER 31, 2023

	Special Revenue Funds				Total Non-Major Governmental Funds
	Special Grant Fund	Miscellaneous Special Revenue Fund	Water Fund	Permanent Fund	
ASSETS					
Cash and Cash Equivalents - Unrestricted	\$ (37,469)	\$ 245,505	\$ (63,180)	\$ 10,007	\$ 154,863
Cash and Cash Equivalents - Restricted	644,837	-	210,019	-	854,856
Due From Other Funds	-	94,038	442,454	-	536,492
Due From State and Federal Governments	-	-	43,615	-	43,615
Due From Other Governments	53,276	-	-	-	53,276
Other Receivables, Net	-	-	1,132,403	-	1,132,403
Loans Receivable, Net	1,042,678	-	-	-	1,042,678
Total Assets	\$ 1,703,322	\$ 339,543	\$ 1,765,311	\$ 10,007	\$ 3,818,183
LIABILITIES					
Accounts Payable	\$ 25,942	\$ 64,920	\$ 122,601	\$ -	\$ 213,463
Accrued Liabilities	-	-	9,983	-	9,983
Due to Other Funds	277,630	-	10,644	-	288,274
Total Liabilities	303,572	64,920	143,228	-	511,720
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenues-Loans	1,042,678	-	-	-	1,042,678
Total Deferred Inflows of Resources	1,042,678	-	-	-	1,042,678
FUND BALANCES					
Restricted	357,072	274,623	210,020	10,007	851,722
Assigned	-	-	1,412,063	-	1,412,063
Total Fund Balances	357,072	274,623	1,622,083	10,007	2,263,785
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,703,322	\$ 339,543	\$ 1,765,311	\$ 10,007	\$ 3,818,183

CITY OF CORTLAND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NON-MAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2023

	Special Revenue Funds				Total Non-Major Governmental Funds
	Special Grant Fund	Miscellaneous Special Revenue Fund	Water Fund	Permanent Fund	
REVENUES					
Departmental Income	\$ 44,247	\$ -	\$ 2,150,917	\$ -	\$ 2,195,164
Use of Money and Property	16	-	20,859	-	20,875
Sale of Property and Compensation for Loss	-	-	2,991	-	2,991
Miscellaneous Local Sources	-	101,490	47,023	-	148,513
State Sources	170,000	-	102,737	-	272,737
Federal Sources	1,334,533	-	-	-	1,334,533
Total Revenues	1,548,796	101,490	2,324,527	-	3,974,813
EXPENDITURES					
Public Safety	-	141,343	-	-	141,343
Home and Community Services	1,639,064	-	858,277	-	2,497,341
Employee Benefits	-	-	337,841	-	337,841
Debt Service:					
Principal	-	-	150,938	-	150,938
Interest	-	-	66,666	-	66,666
Total Expenditures	1,639,064	141,343	1,413,722	-	3,194,129
Excess of Revenues (Expenditures)	(90,268)	(39,853)	910,805	-	780,684
OTHER FINANCING SOURCES (USES)					
Interfund Transfers (Out)	-	-	(803,000)	-	(803,000)
Total Other Financing Sources (Uses)	-	-	(803,000)	-	(803,000)
Net Changes in Fund Balances	(90,268)	(39,853)	107,805	-	(22,316)
Fund Balances, Beginning of Year	447,340	314,476	1,514,278	10,007	2,286,101
Fund Balances, End of Year	\$ 357,072	\$ 274,623	\$ 1,622,083	\$ 10,007	\$ 2,263,785



**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***

Mayor and Members of the City Council
City of Cortland
Cortland, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Cortland (the City) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 3, 2025. Due to issues described further in the Independent Auditors' Report, we have issued an adverse opinion on the financial statements as a whole.

Report on Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2023-001, 2023-002, 2023-004, 2023-005 and 2023-006 to be material weaknesses.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2023-003.

City's Response to Findings

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

Purpose of This Report

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

Respectfully submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, flowing style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
April 3, 2025



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

Mayor and Members of the City Council
City of Cortland
Cortland, New York

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Cortland'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 December 31, 2023. The City's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

As further described in the Independent Auditors' Report, our opinion on the financial statements as a whole was adverse.

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*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.

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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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2023-007. Our opinion on each major federal program is not modified with respect to this matter. *Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2023-008 to be a material weakness.

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

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

The City is responsible for preparing a corrective action plan to address the audit finding included in our auditors' report. The City's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Respectfully submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
April 3, 2025

CITY OF CORTLAND

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS DECEMBER 31, 2023

Federal Grantor Pass-Through Grantor Program Title	Federal ALN #	Pass - Through Grantor ID #	Pass - Through to Subrecipients	Amount of Expenditures
U.S. Department of Housing and Urban Development				
Direct Program:				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	Program Income	\$ -	\$ 123,253
Passed Through NYS Office of Community Renewal:				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	285ED948-20	-	297,638
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	285-HR144-20	-	422,373
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	285-HR320-21	-	371,663
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	285-ME506-22	-	150,000
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	285-WS315-22	-	117,108
Total Passed Through NYS Office of Community Renewal			-	1,358,782
Total Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii			-	1,482,035
Total U.S. Department of Housing and Urban Development			-	1,482,035
U.S. Department of Justice				
Direct Program:				
Bulletproof Vest Partnership Program	16.607	N/A	-	5,000
Total U.S. Department of Justice			-	5,000
U.S. Department of Transportation				
Passed Through NYS Governor's Traffic Safety Committee:				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	PTS-2023	-	5,781
National Priority Safety Programs	20.616	CPS-2023	-	1,386
Total Highway Safety Cluster			-	7,167
Total U.S. Department of Transportation			-	7,167
U.S. Department of Treasury				
Passed Through NYS Office of the State Comptroller:				
(COVID-19) Coronavirus State and Local Fiscal Recovery Funds	21.027	NY1118	-	946,030
Total U.S. Department of Treasury			-	946,030
U.S. Environmental Protection Agency				
Passed Through NYS Environmental Facilities Corporation:				
(COVID-19) Coronavirus State and Local Fiscal Recovery Funds	66.458	C7-6275-05-00	-	39,381
Total Passed Through NYS Environmental Facilities Corporation			-	39,381
Direct Program:				
Brownfield Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements	66.818	N/A	-	63,235
Total U.S. Environmental Protection Agency			-	102,616
U.S. Department of Health and Human Services				
Passed Through NYS Office of Temporary and Disability Assistance:				
(COVID-19) Low-Income Home Energy Assistance	93.568	COVIDLIHWAP2122	-	8,361
Total U.S. Department of Health and Human Services			-	8,361
U.S. Department of Homeland Security				
Passed Through NYS Department of Homeland Security and Emergency Services:				
(COVID-19) Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	4480-DR-NY	-	46,378
Total Passed Through NYS Department of Homeland Security and Emergency Services			-	46,378
Direct Program:				
Assistance to Firefighters Grant	97.044	N/A	-	35,777
Total U.S. Department of Homeland Security			-	82,155
Total Federal Expenditures			\$ -	\$ 2,633,364

See Notes to Schedule of Expenditures of Federal Awards

CITY OF CORTLAND

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS DECEMBER 31, 2023

Note 1 **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs administered by the City, an entity as defined in Note 1 to the City's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other government agencies, are included on the Schedule of Expenditures of Federal Awards.

Note 2 **Basis of Accounting**

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program. The information is presented in accordance with the requirements of Uniform Guidance, *Audits of State and Local Governments, and Non-Profits Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, preparation of the financial statements.

Note 3 **Indirect Cost Rates**

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

Note 4 **Matching Costs**

Matching costs, such as the City's share of certain program costs, are not included in the reported expenditures.

Note 5 **Subrecipients**

No amounts were provided to subrecipients.

Note 6 **Other Disclosures**

No insurance is carried specifically to cover equipment purchased with Federal Funds. Any equipment purchased with Federal Funds has only a nominal value and is covered by the City's casualty insurance policies.

Note 7 **Revolving Loan Programs**

The City operates a revolving loan program utilizing federal financial assistance received under current and prior Community Development Block Grants (CDBG). Loans outstanding at December 31, 2023 under these programs, as reported in the City's basic financial statements, are as follows:

Loans Receivable - CDBG	\$ 850,287
(Less) Allowance for Uncollectible Accounts	<u>(172,218)</u>
Net Loans Receivable	<u>\$ 678,069</u>

The City disbursed new loans in the amount of \$-0- from Community Development Block Grant program income. The City received program income from the repayment of loan principal in the amount of \$72,564 during the year.

CITY OF CORTLAND

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED) DECEMBER 31, 2023

Note 8* **Prior Year Expenditures*

During the year ended December 31, 2023, the City recorded expenditures of \$46,378 under the (COVID-19) Disaster Grants - Public Assistant (Presidentially Declared Disasters) Program (ALN #97.036), of this amount \$21,663 represented expenditures incurred in a prior year.

CITY OF CORTLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2023

Section I Summary of Auditors' Results

Financial Statements

Type of auditors' report issued

Adverse

Internal control over financial reporting:

Material weakness(es) identified?

☒ yes ☐ no

Significant deficiency(ies) identified that
are not considered to be material weakness(es)?

☐ yes ☒ none reported

Noncompliance material to financial statements noted?

☒ yes ☐ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

☒ yes ☐ no

Significant deficiency(ies) identified that
are not considered to be material weakness(es)?

☐ yes ☒ none reported

Type of auditors' report issued on compliance
for major programs

Unmodified

Any audit findings disclosed that are required
to be reported in accordance with Uniform
Guidance 2 CFR §200.516(a)?

☒ yes ☐ no

Identification of major programs:

ALN Number	Name of Federal Program or Cluster
21.027	Coronavirus State and Local Fiscal Recovery Funds
	Community Development Block Grants/State's Program and Non-Entitlement
14.228	Grants in Hawaii

Dollar threshold used to distinguish between
type A and type B programs

\$750,000

Auditee qualified as low-risk auditee:

☐ yes ☒ no

CITY OF CORTLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) DECEMBER 31, 2023

Section II Financial Statement Findings

Finding 2023-001

Issue: Financial Reporting
 Classification: Material Weakness
 Federal Agency: Not applicable.
 Federal Program: Not applicable.
 Assistance Listing Number: Not applicable.
 Pass-Through Agency: Not applicable.

Criteria:

Internal controls over financial reporting should be properly designed, implemented, and monitored to ensure all material transactions are recorded properly.

Condition:

There is not consistent review or oversight of the financial reporting for the various funds and departments of the City. As a result, not all fund financial statements are reviewed on a periodic basis, and in certain instances, transactions were not recorded accurately or in the proper fiscal year.

Cause:

The continued personnel vacancies at the City made the ability to maintain these reconciliations very difficult.

Effect or Potential Effect:

Adjustments were recorded in several funds, as discussed below under "Context," as a result of audit procedures.

Questioned Costs:

None.

Context:

Audit adjustments, as summarized below, were recorded in the noted funds as a result of our audit procedures. These audit adjustments have also been communicated separately in our required communications letter.

Fund	Effect - Increase (Decrease)				
	Assets	Liabilities	Fund Balance	Revenue	Expense
General Fund	\$ (4,216,811)	\$ (4,785,342)	\$ 671,063	\$ 608,531	\$ 711,063
Sewer Fund	28,774	969,624	(88,830)	(852,020)	-
Capital Projects Fund	1,040,613	70,226	1,467,381	(110,136)	386,858
Non-Major Governmental Funds	(12,105)	540,178	68,355	(453,563)	167,075
Total Governmental Funds	\$ (3,159,529)	\$ (3,205,314)	\$ 2,117,969	\$ (807,188)	\$ 1,264,996

Repeat Finding:

This finding is a repeat of finding 2022-001 from the prior year.

Recommendation:

We recommend that the City implement processes to monitor and reconcile account balances and record transactions in the respective funds in accordance with U.S. GAAP. Adjustments that are necessary should be recorded and supporting documentation should be retained when available.

Views of Responsible Officials of the Auditee:

Management agrees internal controls are lacking, coupled with the fact that many functions have been decentralized and there has been significant institutional knowledge lost from key turnover beginning in 2021. Gaining an understanding of the processes in place, with a largely new administrative and fiscal staff, provides an opportunity to develop new processes and controls that will increase financial coordination with departments, contracted consultants, granting agencies and contractors.

CITY OF CORTLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) DECEMBER 31, 2023

Section II Financial Statement Findings - Continued

Finding 2023-002

Issue: Capital Project Reporting
Classification: Material Weakness
Federal Agency: Not applicable.
Federal Program: Not applicable.
Assistance Listing Number: Not applicable.
Pass-Through Agency: Not applicable.

Criteria:

U.S. GAAP requires that expenditures and revenues be accumulated by project within the Capital Projects Fund, so that tracking the activity for each project can occur. Controls should be designed, implemented, and monitored to ensure that material transactions are properly classified and recorded in the proper project and period.

Condition:

Management did not maintain a detail of expenditures with the Capital Projects Fund incurred by project and did not reconcile expenditures to revenues by type (debt, grants, local sources, etc.).

Cause:

The number of Capital Projects has been quite large, and the lack of staffing to monitor all of the projects has made the necessary reconciliations difficult to maintain.

Effect or Potential Effect:

There is the potential for material misstatements, as well as the increased risk of expenditures not being properly reimbursed in grant-directed projects. There is also increased risk that borrowings of debt are incorrectly spent or tracked.

Questioned Costs:

None.

Context:

Audit adjustments, as summarized in finding 2023-001, were recorded in the Capital Projects Fund as a result of our audit procedures. These audit adjustments have also been communicated separately in our required communications letter.

Repeat Finding:

This finding is a repeat of finding 2022-002 from the prior year.

Recommendation:

We recommend the City develop a system for identifying open capital projects and the corresponding revenue sources. Upon completion of projects, remaining funds should be transferred to the General Fund to pay down debt, or to reduce the local share of Capital Projects.

Views of Responsible Officials of the Auditee:

While the City implemented capital projects in 2019 in the financial system of record, accounts were not updated in accordance with approved sources and uses from Common Council nor did it utilize the chart of accounts recommended by the NYS Comptroller to properly account for different types of revenue sources by project. Since June 2023, Management has been working with department heads, consultants and the auditor to identify active capital projects, their assigned codes and develop approved sources/uses for projects. The last full five-year capital plan adopted by Common Council was for the period of 2020 through 2024. Much work needs to be done to align projects, their funding sources and the financial system.

CITY OF CORTLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) DECEMBER 31, 2023

Section II Financial Statement Findings - Continued

Finding 2023-003

Issue: Budgetary Overexpenditures
Classification: Material Noncompliance
Federal Agency: Not applicable.
Federal Program: Not applicable.
Assistance Listing Number: Not applicable.
Pass-Through Agency: Not applicable.

Criteria:

NYS General Municipal Law provides that expenditures by fund and function should not be overexpended.

Condition:

Certain functional areas of the General and Sewer Funds, as discussed below under "Context," were overexpended.

Cause:

Some of the overexpended items were due to audit adjustments that did not have corresponding budget modifications. In other cases, staff were not aware that budgets had been overspent.

Effect or Potential Effect:

NYS General Municipal Law was not always followed with respect to the budgetary authority of the City.

Questioned Costs:

None.

Context:

Overexpenditures occurred as summarized below.

<u>General Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Encumbrances</u>	<u>Overexpended</u>
Home and Community Services	\$ 1,598,469	\$ 1,680,660	\$ -	\$ (82,191)
Employee Benefits	7,645,884	8,419,503	-	(773,619)
Debt Service	489,924	804,538	-	(314,614)
<u>Sewer Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Encumbrances</u>	<u>Overexpended</u>
Debt Service	\$ 944,206	\$ 949,948	\$ -	(5,742)
Transfers Out	870,000	909,000	-	(39,000)

Repeat Finding:

This finding is a repeat of finding 2022-003 from the prior year.

Recommendation:

We recommend the City modify its budget as needed and provide for the budgetary authority as required within General Municipal Law.

Views of Responsible Officials of the Auditee:

Management agrees work needs to be done to more transparently track departmental budgets and address

CITY OF CORTLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) DECEMBER 31, 2023

Section II Financial Statement Findings - Continued

Finding 2023-004

Issue: Reconciliation of Cash Balances to the Accounting System
Classification: Material Weakness
Federal Agency: Not applicable.
Federal Program: Not applicable.
Assistance Listing Number: Not applicable.
Pass-Through Agency: Not applicable.

Criteria:

Bank reconciliations are a necessary control to safeguard cash against fraud and losses, and to ensure the accuracy of accounting records. A reconciliation of cash activity is necessary to demonstrate that activity is valid and to safeguard against certain types of fraud. If pooled accounts are utilized, a global reconciliation is necessary to effectively compare and reconcile bank accounts to accounting records since individual bank accounts may not correspond exactly to individual accounts in the accounting records. It also demonstrates the completeness of the reconciliation by showing that all bank accounts and all cash accounts in the accounting records are able to be compared.

Condition:

The City reconciles certain bank accounts to an internal listing known as the "cashbook," but does not reconcile these accounts to the general ledger. As a result, there were cash differences between the general ledger and the bank reconciliation.

Cause:

The City did not properly design and implement controls to ensure that bank reconciliations are performed completely and accurately and are reconciled to the general ledger.

Effect or Potential Effect:

Throughout the year, the City's cash balances reported within its general ledger accounts were incorrect. The effect of not investigating and correcting bank reconciliation transactions that are improperly posted is that reporting errors in financial reporting can occur and not be detected or resolved in a timely manner. In addition, a lack of controls around cash management and reconciliation may lead to incorrect or inadequate cash balances in operating accounts.

Questioned Costs:

None.

Context:

The City's cash balances reported within its general ledger accounts were \$277,480 different from the amounts reported on the bank reconciliations. In addition, a lack of controls over cash balances resulted in one overdrawn as of year-end in the amount of \$207,369.

Repeat Finding:

This finding is not a repeat finding.

Recommendation:

On a monthly basis, as part of the bank reconciliation preparation and review, the City's general ledger cash balances should be compared against the bank reconciliation, with any differences being immediately investigated and corrected. In addition, cash should be managed in a way that avoids overdrawn cash accounts.

Views of Responsible Officials of the Auditee:

The City agrees with the finding.

CITY OF CORTLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) DECEMBER 31, 2023

Section II Financial Statement Findings - Continued

Finding 2023-005

Issue: Implementation of New Accounting System Module
Classification: Material Weakness
Federal Agency: Not applicable.
Federal Program: Not applicable.
Assistance Listing Number: Not applicable.
Pass-Through Agency: Not applicable.

Criteria:

Data conversion or migration involves taking data from one computer system, application or server and moving it to a new computer system or application/server. Controls over the systems' development life cycle help ensure data migrates completely and accurately, data is not lost or duplicated in the migration, data does not transfer to the incorrect period in the modified or new system, and data does not transfer to improper accounts in the modified or new system.

Condition:

During the year the City migrated their water and sewer utility billing software from a standalone software to an integrated module within the accounting system. The City did not adequately document the system migration process or the outcome of the migration in order to ensure that data was migrated completely and accurately.

Cause:

The City did not properly design and implement controls to ensure that data migrated completely and accurately.

Effect or Potential Effect:

Receivable and revenue amounts for the water and sewer funds may be materially misstated. In future years, receivable and fund balance amounts may be materially misstated.

Questioned Costs:

None.

Context:

While the City still has access to the previous standalone software, it has reporting limitations that have not allowed the City to produce records as of the date prior to the system migration. In addition, the City is unable to reconcile the reports run from the new system module to the receivable balances at year end, the revenues recorded for the year, and cash collected throughout the year.

Repeat Finding:

This finding is not a repeat finding.

Recommendation:

We recommend the City evaluate collections made during and subsequent to the system migration to determine the reporting period of the transactions and to ensure the accuracy of the receivable and revenue accounts in the water and sewer funds.

Views of Responsible Officials of the Auditee:

The City has worked to ensure that data in the new utility billing system is accurate. The City has also hired a Utility Billing Manager to accurately manage the utility billing and collection process.

CITY OF CORTLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) DECEMBER 31, 2023

Section II Financial Statement Findings - Continued

Finding 2023-006

Issue: Identification of Federal Awards and Preparation of a Complete and Accurate Schedule of Expenditures of Federal Awards (SEFA)

Classification: Material Weakness

Federal Agency: Not applicable.

Federal Program: Not applicable.

Assistance Listing Number: Not applicable.

Pass-Through Agency: Not applicable.

Required Information:

See the finding with Reference Number 2023-008 for the Criteria, Condition, Cause, Effect or Potential Effect, Questioned Costs, Context, Repeat Finding, Recommendation, and Views of Responsible Officials of the Auditee.

CITY OF CORTLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) DECEMBER 31, 2023

Section III Federal Award Findings and Questioned Costs

Finding 2023-007

Issue: Noncompliance with Uniform Guidance Late Filing of Single Audit Reporting Package
Classification: Material Noncompliance
Federal Agency: U.S. Department of Treasury; U.S. Department of Housing and Urban Development
Federal Program: Coronavirus State and Local Fiscal Recovery Funds; Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
Assistance Listing Number: 21.027; 14.228
Pass-Through Agency: NYS Office of the State Comptroller; NYS Office of Community Renewal

Criteria:

Under the Single Audit Act of 1996 and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), §200.512, Report Submission, the Single audit reporting package is required to be filed within the earlier of 30 calendar days after receipt of the auditors' report, or 9 months after the end of the audit period.

Condition:

This deadline was not met on a timely basis for the year ended December 31, 2023.

Cause:

Staffing shortages caused the delays in financial reporting.

Effect or Potential Effect:

As a result, the entity is not in compliance with §200.512 of the Uniform Guidance.

Questioned Costs:

None.

Context:

This year's Single Audit reporting package was filed in early April, approximately six months after the required filing date. This compares with the prior year, when the Single Audit reporting package was filed September 26, 2023, which was prior to the required filing date.

Repeat Finding:

This finding is not a repeat finding.

Recommendation:

We recommend the requirements of §200.512 of the Uniform guidance be adhered to by striving to have all information required for the audit available on a timely basis. This will help to ensure timely audit report issuance and compliance with the filing deadline.

Views of Responsible Officials of the Auditee:

The City is still facing staffing shortages and is working to get the subsequent financial statements completed. It is expected the 2024 reporting package will be filed on time.

CITY OF CORTLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) DECEMBER 31, 2023

Section III Federal Award Findings and Questioned Costs - Continued

Finding 2023-008

Issue: Identification of Federal Awards and Preparation of a Complete and Accurate Schedule of Expenditures of Federal Awards (SEFA)
Classification: Material Weakness
Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
Assistance Listing Number: 14.228
Pass-Through Agency: NYS Office of Community Renewal

Criteria:

The Uniform Guidance requires the auditee to prepare a SEFA for the period covered by the auditee's financial statement. It is the responsibility of the auditee's management to design and implement internal controls that provide reasonable assurance over the completeness and accuracy of the SEFA. The SEFA is the basis for the auditor's identification of major programs.

Condition:

The City's initial SEFA provided for the audit was incomplete and contained inaccurate program expenditure amounts. In particular, there were multiple federal programs that were materially misstated; including the following major federal program for the year under audit:

1. ALN 14.228 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

In addition, there were multiple federal programs that were not identified on the initial SEFA for the year under audit:

1. ALN 20.600 / 20.616 Highway Safety Cluster
2. ALN 66.818 Brownfield Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements
3. ALN 66.458 Capitalization Grants for Clean Water State Revolving Funds
4. ALN 93.568 Low-Income Home Energy Assistance
5. ALN 97.039 (COVID-19) Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Cause:

The City does not have a method to accurately track the related expenditures for reporting.

Effect or Potential Effect:

A Uniform Guidance compliance audit is based on the premise that management must comply with federal statutes, regulations and the terms and conditions of the federal awards it receives. Without identifying the funds as federal, the auditee may not have complied with those requirements. In addition, there is increased risk regarding the accurate reporting of grant expenditures and noncompliance with policies and procedures surrounding the recording of federal awards.

Questioned Costs:

None.

Context:

The City was aware of the requirement to prepare a SEFA prior to the audit; however, they were not able to accumulate the appropriate records to correctly identify the source of funding for all ongoing projects. In addition, management was unable to accurately determine the amounts to be reported on the SEFA in accordance with 2 CFR §200.502. The adjustments to the SEFA amounted to an increase in Total Federal Expenditures reported of \$253,510.

Repeat Finding:

This finding is not a repeat finding.

Recommendation:

We recommend the City develop and implement procedures to ensure that information related to all federal awards is accumulated to assist in the preparation of the SEFA. In addition, we recommend management of the City verify the completeness and accuracy of the amounts reported on the SEFA.

Views of Responsible Officials of the Auditee:

The City agrees with the finding.