

PRELIMINARY OFFICIAL STATEMENT

NEW ISSUE

BOND ANTICIPATION NOTES

In the opinion of Timothy R. McGill Law Offices, Bond Counsel to the District, assuming continuing compliance by the District with its covenants relating to certain requirements contained in the Internal Revenue Code of 1986 (the "Code"), interest on the Notes is excludable from gross income of the owners thereof for Federal income tax purposes under existing statutes and court decisions. Moreover, interest on the Notes is not a specific preference item for purposes of Federal individual alternative minimum tax. For tax years beginning after December 31, 2022, interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. No opinion is expressed regarding other Federal tax consequences arising with respect to the Notes. 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). See "TAX EXEMPTION" herein for a discussion of certain Federal taxes applicable to owners of the Notes.

The District will NOT designate the Notes as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

\$2,500,000

POTSDAM CENTRAL SCHOOL DISTRICT

ST. LAWRENCE COUNTY, NEW YORK

\$2,500,000 Bond Anticipation Notes, 2023

(the "Notes")

Dated: February 16, 2023

Due: July 21, 2023

The Notes are general obligations of the Potsdam Central School District, St. Lawrence County, New York (the "District"), all the taxable real 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. See "TAX LEVY LIMITATION LAW" herein.

The Notes are not subject to redemption prior to maturity. At the option of the purchaser(s), the Notes will be issued as registered notes or registered in the name of the purchaser. If such Notes are issued as registered in the name of the purchaser, principal of and interest on the Notes will be payable in Federal Funds. In such case, the Notes will be issued as registered in the name of the purchaser in denominations of \$5,000 or multiples thereof, as may be determined by such successful bidder(s).

Alternatively, if the Notes are issued as registered notes, 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. Noteholders will not receive certificates representing their ownership interest in the notes purchased if the purchaser(s) elects to register the Notes. Such Notes will be issued in denominations of \$5,000 or integral multiples thereof, as may be determined by such successful bidder(s). If the Notes are issued as registered notes, payment of the principal of and interest on the Notes to the Beneficial Owner(s) of the Notes will be made by DTC Direct Participants and Indirect Participants in accordance with standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers registered in the name of the purchaser or registered in "street name". Payment will be the responsibility of such DTC Direct or Indirect Participants and the District, 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 approving legal opinion as to the validity of the Notes of Timothy R. McGill Law Offices, Fairport, 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 as may be agreed upon with the purchaser(s), on or about February 16, 2023.

ELECTRONIC BIDS for the Notes must be submitted via Fiscal Advisors Auction website ("Fiscal Advisors Auction") accessible via www.fiscaladvisorsauction.com on February 2, 2023 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 District, each bid will constitute an irrevocable offer to purchase the Notes pursuant to the terms provided in the Notice of Sale.

January 27, 2023

THE DISTRICT 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 HERE FROM 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 DISTRICT WILL COVENANT IN AN UNDERTAKING TO PROVIDE NOTICE OF CERTAIN MATERIAL EVENTS AS DEFINED IN THE RULE. SEE "APPENDIX – C, MATERIAL EVENT NOTICES" HEREIN.

POTSDAM CENTRAL SCHOOL DISTRICT ST. LAWRENCE COUNTY, NEW YORK

SCHOOL DISTRICT OFFICIALS

2022-2023 BOARD OF EDUCATION

JOSHUA FISKE
President

RACHEL WALLACE
Vice President

CHRIS COWEN
JAMES HUBBARD
RALPH FULLER
DR. J. PATRICK TURBETT
KEITH SAPP
LYNZIE SCHULTE
ROBERT BROTHERS

* * * * *

ADMINISTRATION

JERRY GRIFFIN
Superintendent of Schools

DAVIDA M. MARTIN
School District Clerk

LAURA L. HART
Business Manager

CARA ADAMS
Treasurer

FERRARA FIORENZA PC
School District Attorney

TIMOTHY R. MCGILL, ESQ.
Bond Counsel



FISCAL ADVISORS & MARKETING, INC.
Municipal Advisor

No person has been authorized by the Potsdam Central School District (the “District”) 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 District.

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PREPARED WITH THE ASSISTANCE OF



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OFFICIAL STATEMENT
of the
POTSDAM CENTRAL SCHOOL DISTRICT
ST. LAWRENCE COUNTY, NEW YORK

Relating To
\$2,500,000 Bond Anticipation Notes, 2023

This Official Statement, which includes the cover page and appendices, has been prepared by the Potsdam Central School District, St. Lawrence County, New York (the "School District" or "District", "County", and "State", respectively) in connection with the sale by the District of \$2,500,000 principal amount of Bond Anticipation Notes, 2023 (the "Notes").

The factors affecting the District'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 District tax base, revenues, and expenditures, this Official Statement should be read in its entirety, and no one factor should be considered more or less important than any other by reason of its relative position in this Official Statement.

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the District 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 District relating thereto are qualified in their entirety by reference to the definitive forms of the Notes and such proceedings.

NATURE OF THE OBLIGATION

Each Note when duly issued and paid for will constitute a contract between the District and the holder thereof.

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

The Notes will be general obligations of the District and will contain a pledge of the faith and credit of the District for the payment of the principal thereof and the interest thereon as required by the Constitution and laws of the State. For the payment of such principal and interest, the District has power and statutory authorization to levy ad valorem taxes on all real property within the District subject to such taxation by the District, without limitation as to rate or amount subject to applicable statutory limitations.

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

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

The Constitutionally-mandated general obligation pledge of municipalities and school districts in New York State has been interpreted by the Court of Appeals, the State's highest court, in *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), as follows:

"A pledge of the City's faith and credit is both a commitment to pay and a commitment of the City's revenue generating powers to produce the funds to pay. Hence, an obligation containing a pledge of the City's "faith and credit" is secured by a promise both to pay and to use in good faith the city's general revenue powers to produce sufficient funds to pay the principal and interest of the obligation as it becomes due. That is why both words, "faith" and "credit" are used and they are not tautological. That is what the words say and this is what the courts have held they mean. So, too, although the Legislature is given the duty to restrict municipalities in order to prevent

abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the City's power to levy taxes on real estate for the payment of interest on or principal of indebtedness previously contracted... While phrased in permissive language, these provisions, when read together with the requirement of the pledge and faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded".

In addition, the Court of Appeals in the *Flushing National Bank* (1976) case has held that the payment of debt service on outstanding general obligation bonds and notes takes precedence over fiscal emergencies and the police power of political subdivisions in New York State.

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

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

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

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

THE NOTES

Description of the Notes

The Notes are general obligations of the District, 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 of New York (State Constitution, Art. VIII, Section 2: Local Finance Law, Section 100.00). All the taxable real property within the District is subject to the levy of ad valorem taxes to pay the Notes and interest thereon.

The Notes will be dated February 16, 2023 and will mature, without option of prior redemption, on July 21, 2023. Interest on the Notes will be calculated on a 30-day month and 360-day year basis, payable at maturity.

The Notes will be issued in either (i) registered form registered in the name of the purchaser, in denominations of \$5,000 each or multiples thereof, as may be determined by the successful bidder(s) or (ii) at the option of the purchaser(s), as registered book-entry-only notes, and, if so issued, registered in the name of Cede & Co. as nominee of DTC, which will act as the securities depository for the Notes. See "BOOK-ENTRY-ONLY SYSTEM" herein.

No Optional Redemption

The Notes are not subject to redemption prior to maturity.

Purpose of Issue

The Notes are being issued pursuant to the constitutional statutes of the State of New York, including among other, the Education Law and the Local Finance Law and a bond resolution of the District dated March 9, 2021 authorizing the issuance of up to \$21,970,000 serial bonds and the use of up to \$1,530,000 capital reserve funds to finance certain capital improvements consisting for addition to, and construction and reconstruction of, District buildings and facilities, at a maximum estimated cost of \$23,500,000. The proceeds of the Notes will provide \$2,500,000 in new money for the aforementioned project.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Notes, if so requested. 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 for each note bearing the same rate of interest and CUSIP number and will be deposited with DTC.

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

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. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

The District 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 District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company.

THE DISTRICT CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE NOTES (1) PAYMENTS OF PRINCIPAL OF OR INTEREST 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 DISTRICT 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 DISTRICT 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.

Certificated Notes

If the book-entry form is initially chosen by the purchaser(s) of the Notes, DTC may discontinue providing its services with respect to the Notes at any time by giving notice to the District and discharging its responsibilities with respect thereto under applicable law, or the District 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 utilized by a purchaser(s) of the Notes upon issuance and later discontinued, the following provisions will apply:

The Notes will be issued in registered form in denominations of \$5,000 or integral multiples thereof. Principal of and interest on the Notes will be payable at a principal corporate trust office of a bank or trust company located and authorized to do business in the State of New York to be named as fiscal agent by the District. The Notes will remain not subject to redemption prior to their stated final maturity date.

THE SCHOOL DISTRICT

General Information

The District is located in northern New York State in the County of St. Lawrence, and centers around the Village of Potsdam. It has a land area of approximately 96 square miles and includes the entire Village of Potsdam as well as portions of the Towns of Canton, Parishville, Pierrepont, Potsdam, and Stockholm. The City of Ogdensburg is located 25 miles to the west and the Village of Massena is 20 miles to the north.

Higher educational opportunities are available at the nearby State University of New York (SUNY) at Potsdam, Clarkson University and St. Lawrence University. SUNY Potsdam and Clarkson University are the two largest employers located in the District. St. Lawrence University, ten miles west of the District near the Village of Canton, employs approximately 800 persons.

Major highways serving the District include U.S. Route #11 and State Highways #56 and #68, which connect the District with Interstate Highways #81 and #87. Air transportation is available from the Town of Massena Airport, which is served by US Air Commuter Service.

Source: District officials.

Population

The current estimated population of the District is 14,482. (Source: 2017-2021 American Community Survey 5-Year Estimate.)

Larger Employers

The larger employers located within the area in and around the District include:

<u>Name</u>	<u>Type</u>	<u>Employees</u>
St. Lawrence University	Higher Education	800
Clarkson University	Higher Education	780
State University of New York at Potsdam	Higher Education	748
Canton-Potsdam Hospital	Hospital	589
Potsdam Central School District	Public Education	217
National Grid	Utility	108

Source: District officials.

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Selected Wealth and Income Indicators

Per capita income statistics are not available for the District as such. The smallest areas for which such statistics are available, which include the District, are the Towns and the County listed below. The figures set below with respect to such Towns and County are included for information only. It should not be inferred from the inclusion of such data in the Continuing Disclosure Statement that the Towns or the County are necessarily representative of the District, or vice versa.

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>2000</u>	<u>2006-2010</u>	<u>2016-2020</u>	<u>2000</u>	<u>2006-2010</u>	<u>2016-2020</u>
Towns of:						
Canton	\$ 14,896	\$ 19,589	\$ 26,842	\$ 43,819	\$ 66,477	\$ 87,325
Parishville	14,924	22,400	32,226	37,981	45,625	69,922
Pierrepont	19,239	24,109	32,585	44,500	57,788	81,250
Potsdam	13,753	16,384	24,270	42,450	55,072	89,830
Stockholm	15,901	19,931	27,831	38,730	45,682	66,087
County of:						
St. Lawrence	15,728	20,143	26,676	38,510	50,384	66,843
State of:						
New York	23,389	30,948	40,898	51,691	67,405	87,270

Note: 2017-2021 American Community Survey estimates are not available as of the date of this Continuing Disclosure Statement.

Source: 2000 U.S. Census Bureau, and 2006-2010 and 2016-2020 5-Year American Community Survey estimates.

Unemployment Rate Statistics

Unemployment statistics are not available for the District as such. The smallest area for which such statistics are available (which includes the District) is the County of St. Lawrence. The information set forth below with respect to the Counties and State of New York is included for informational purposes only. It should not be inferred from the inclusion of such data in this Continuing Disclosure Statement that the Counties or State is necessarily representative of the District, or vice versa.

	<u>Annual Averages</u>						
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
St. Lawrence County	7.4%	6.7%	6.6%	5.6%	5.4%	7.9%	5.1%
New York State	5.2	4.9	4.6	4.1	3.8	9.9	6.9

	<u>2022 Monthly Figures</u>											
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</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>
St. Lawrence County	4.6%	4.7%	4.4%	3.6%	3.4%	4.0%	4.6%	4.7%	3.4%	2.8%	3.5%	N/A
New York State	5.3	5.1	4.7	4.2	4.1	4.3	4.8	4.9	3.9	3.6	3.8	N/A

Note: Unemployment rates for December 2022 are unavailable as of the date of this Official Statement.

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

Form of School Government

The Board of Education, which is the policy-making body of the District, consists of nine members with overlapping four-year terms so that, as nearly as possible, an equal number is elected to the Board each year. Each Board member must be a qualified voter of the District and no Board member may hold certain other district offices or position while serving on the Board of Education. The President and the Vice President are selected by the Board members.

Investment Policy

Pursuant to the statutes of the State, the District 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; (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; (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 District; (6) obligations of a New York public corporation which are made lawful investments by the District pursuant to another provision of law; (7) certain certificates of participation issued on behalf of political subdivisions of the State; and, (8) in the case of District moneys held in certain reserve funds established pursuant to law, obligations issued by the District. 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 District's current policy to invest in: (1) savings accounts or money market accounts of designated banks; (2) certificates of deposit issued by a bank or trust company located in and authorized to do business in the State; (3) demand deposit accounts in a bank or trust company located in and authorized to do business in the State; (4) obligations of New York State; and (5) obligations of the United States Government (U.S. Treasury Bills and Notes).

Budgetary Procedures

Pursuant to the Education Law, the Board of Education annually prepares or causes to be prepared, a budget for the ensuing fiscal year. A public hearing on such budget is held not less than seven days and not more than fourteen days prior to the vote. The Board of Education causes notice of such public hearing to be published four times beginning seven weeks prior to the vote. After the public hearing, but not less than six days prior to the budget vote, the District must mail a school budget notice to all qualified voters which contains the total budget amount, the dollar and percentage increase or decrease in the proposed budget (or contingency budget) as compared to the current budget, the percentage increase or decrease in the consumer price index, the estimated property tax levy, the basic STAR exemption impact and the date, time and place of the vote.

After the budget hearing and subsequent notice, a referendum upon the question of the adoption of the budget is held on the third Tuesday in May each year. All qualified District residents are eligible to participate.

Pursuant to Chapter 97 of the Laws of 2011 ("Chapter 97"), beginning with the 2012 – 2013 fiscal year, if the proposed budget requires a tax levy increase that does not exceed the lesser of 2% or the rate of inflation (the "School District Tax Cap"), then a majority vote is required for approval. If the proposed budget requires a tax levy that exceeds the School District Tax Cap, the budget proposition must include special language and a 60% vote is required for approval. Any separate proposition that would cause the School District to exceed the School District Tax Cap must receive at least 60% voter approval.

If the proposed budget is not approved by the required margin, the Board of Education may resubmit the original budget or a revised budget to the voters on the third Tuesday in June, or adopt a contingency budget (which would provide for ordinary contingent expenses, including debt service) that levies a tax levy no greater than that of the prior fiscal year (i.e. a 0% increase in the tax levy).

If the resubmitted and/or revised budget is not approved by the required margin, the Board of Education must adopt a budget that requires a tax levy no greater than that of the prior fiscal year (i.e. a 0% increase in the tax levy). For a complete discussion of Chapter 97, see "TAX LEVY LIMITATION LAW" herein.

Recent Budget Vote Results

The budget for the 2021-22 fiscal year was approved by qualified voters on May 18, 2021 by a vote of 340 to 55. The District's adopted budget for the 2021-22 fiscal year remained within the Tax Cap imposed by Chapter 97 of the Laws of 2011. The budget called for a total tax levy increase of 1.60%, which was equal to the District's tax levy limit of 1.60%.

The budget for the 2022-23 fiscal year was approved by qualified voters on May 17, 2022 by a vote of 286 to 66. The District's adopted budget for the 2022-23 fiscal year remained within the Tax Cap imposed by Chapter 97 of the Laws of 2011. The budget called for a total tax levy increase of 4.00%, which was equal to the District's tax levy limit of 4.00%.

State Aid

The District receives financial assistance from the State. In its adopted budget for the 2022-2023 fiscal year, approximately 48.17% of the revenues of the District are estimated to be received in the form of State aid. If the State should not adopt its budget in a timely manner, in any year, municipalities and school districts in the State, including the District, may be affected by a delay in the payment of State aid.

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

There can be no assurance that the State's financial position will not change materially and adversely from current projections. If this were to occur, the State would be required to take additional gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid including school districts in the State. Reductions in the payment of State aid could adversely affect the financial condition of school districts in the State.

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

In addition, the availability of State aid and the timeliness of payment of State aid to school districts could be affected by a delay in the adoption of the State budget. No assurance can be given that the State will not experience delays in the adoption of the budget in future fiscal years. Significant delays in the adoption of the State budget could result in delayed payment of State aid to school districts in the State which could adversely affect the financial condition of school districts in the State.

Federal Aid Received by the State

President Biden has signed into law the American Rescue Plan, a \$1.9 trillion COVID-19 relief package that includes \$350 billion to state, local and territorial governments to keep their frontline workers employed, distribute the vaccine, increase testing, reopen schools and maintain vital services. The American Rescue Plan also includes an additional \$1,400 payment to eligible individuals and families, enhanced unemployment aid, rental and utility assistance to low- and moderate-income households, an increase in food stamp benefits, additional funding for child care and an increase in child care tax credits.

The State receives a substantial amount of federal aid for other health care, education, transportation and other governmental purposes, as well as federal funding to respond to, and recover from, severe weather events and other disasters. Many of the policies that drive this federal aid may be subject to change under the federal administration and Congress. Current federal aid projections, and the assumptions on which they rely, are subject to revision in the future as a result of changes in federal policy, the general condition of the global and national economies and other circumstances, including the diversion of federal resources to address the current COVID-19 outbreak.

The District has been allocated \$3,175,761 under the American Rescue Plan (ARP) and \$1,221,250 under the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA). The District has received \$996,250 ARP funds and \$257,069 CRRSA funds as of June 30, 2022.

Reductions in Federal funding levels could have a materially adverse impact on the State budget. In addition to the potential fiscal impact of policies that may be proposed and adopted by the new administration and Congress, the State budget may be adversely affected by other actions taken by the Federal government, including audits, disallowances, and changes to Federal participation rates or other Medicaid rules.

Building Aid

A portion of the District's State aid consists of building aid which is related to outstanding indebtedness for capital project purposes. In order to receive building aid, the District must have building plans and specifications approved by the Facilities Planning Unit of the State Education Department. A maximum construction and incidental cost allowance is computed for each building project that takes into account a pupil construction cost allowance and assigned pupil capacity. For each project financed with debt obligations, a bond percentage is computed. The bond percentage is derived from the ratio of total approved cost allowances to the total principal borrowed. Approved cost allowances are estimated until a project final cost report is completed.

Aid on debt service is generally paid in the current fiscal year provided such debt service is reported to the Commissioner of Education by November 15 of that year. Any debt service in excess of amounts reported by November 15 will not be aided until the following fiscal year. The building aid received is equal to the approved building expense, or bond percent, times the building aid ratio that is assigned to the District. The building aid ratio is calculated based on a formula that involves the full valuation per pupil in the District compared to a State-wide average.

Pursuant to the provisions of Chapter 760 of the Laws of 1963, the District is eligible to receive a Building Aid Estimate from the New York State Department of Education. Since the gross indebtedness of the District is within the debt limit, the District is not required to apply for a Building Aid Estimate. Based on 2022-2023 preliminary building aid ratios, the District State Building aid of approximately 86.0% for debt service on State Education Department approved expenditures from July 1, 2004 to the present.

The State building aid ratio is calculated each year based upon a formula which reflects Resident Weighted Average Daily Attendance (RWADA) and the full value per pupil compared with the State average. Consequently, the estimated aid will vary over the life of each issue. State building aid is further dependent upon the continued apportionment of funds by the State Legislature.

State Aid History

State aid to school districts within the State has declined in some recent years before increasing again in more recent years.

School District Fiscal Year (2018-2019): The State 2018-19 Enacted Budget included nearly \$1 billion in additional education funding, representing a 3.9% increase over 2017-18. Approximately \$859 million of that increase is comprised of traditional public school aid, including increased Foundation Aid and full-funding of expense-based aids. Formula-based school aid now stands at \$26.03 billion statewide, a 3.4% increase over the last year. The State 2018-19 Enacted Budget included an increase of \$618 million in Foundation Aid for school districts. Foundation Aid totaled nearly \$17.8 billion statewide. For the seventh consecutive year, the Foundation Aid increase was distributed using a one year, off formula methodology. The State 2018-19 Enacted Budget guaranteed that all school districts received an increase in Foundation Aid over their 2017-18 levels. \$50 million of the Foundation Aid increase was “set aside” for certain school districts to fund community schools. The State 2018-19 Enacted Budget fully funded all expense-based aid for 2018-19, including building, transportation, BOCES and special education aid. These categories serve as State reimbursements for school district expenses made in the prior year, based on school district-specific aid ratios. A total of \$240 million was approved for increases in all expense-based aids in 2018-19. The State 2018-19 Enacted Budget allows the Governor to reduce aid to school districts mid-year if receipts from the federal government were less than what was expected.

School District Fiscal Year (2019-2020): The State 2019-2020 Enacted Budget included a total of \$27.69 billion for School Aid, a year-to-year funding increase of \$956 million or 3.6 percent and will provide additional funding for Foundation Aid of \$338.0 million and \$409.65 million in reimbursements for expense-based aids. In addition, the 2019-2020 Enacted Budget increases the Community Schools set-aside funding amount by \$49.99 million to a total of \$250.0 million. This increased funding is targeted to districts with failing schools and/or districts experiencing significant growth in English language learners. The State 2019-2020 Enacted Budget increases the minimum community schools funding amount from \$75,000 to \$100,000. This ensures all high-need districts across the State can apply the funds to a wide-range of activities.

School district fiscal year (2020-2021): Due to the anticipated impact of the COVID-19 pandemic on State revenues, State aid in the State’s 2020-2021 Enacted Budget was 3.7 percent lower than in the State’s 2019-2020 Enacted Budget but was offset in part with increased Federal support. This reduction in State Operating Funds support was offset by approximately \$1.1 billion in funding provided to the State through the Federal CARES Act, including the Elementary and Secondary School Emergency Education Relief Fund and the Governor’s Emergency Education Relief Fund. With these Federal funds, State aid in the school district fiscal year 2020-2021 was approximately \$27.9 billion, an annual increase of approximately \$100 million or 0.4 percent. The State’s 2020-2021 Enacted Budget continued prior year funding levels for existing programs, including Foundation Aid, Community Schools and Universal Prekindergarten. The 2020-2021 Enacted Budget also provided over \$200 million in support for competitive grant programs, including \$1 million for development of a new Civics Education curriculum and \$10 million for a Student Mental Health program. Funding for expense-based aids, such as Building Aid, Transportation Aid, and Boards of Cooperative Educational Services (BOCES) Aid was continued under existing aid formulas. Out-year growth in School Aid reflects current projections of the ten-year average growth in State personal income. The State’s 2020-2021 Enacted Budget authorized the State’s Budget Director to make periodic adjustments to State Aid, in the event that actual State revenues come in below 99% percent of estimates or if actual disbursements exceed 101% of estimates. Pursuant to that provision, in October, 2020, the State announced that, in the absence of Federal funding to offset such lost revenue, the State had begun to take steps to reduce spending, including but not limited to, temporarily holding back 20% of most aid payments to local governments and school districts. However, the 2020-2021 State aid declines were offset, in part, by \$1.1 billion of increased federal funding through the Coronavirus Aid, Relief, and Economic Security Act. With these federal funds, State aid totaled \$27.9 billion in the State’s 2020-2021 Enacted Budget, an annual increase of approximately \$100 million or 0.4 percent from the 2019-2020 Enacted Budget. As of February 1, 2021, the State Education Department (“SED”) advised school districts that the State Division of the Budget would, at some point, provide approval for SED to make the payments to school districts for State aid and other Pre-K-12 grant programs that had been subject to the above-referenced 20% withholding. Such approval was received and the State released all of the withheld funds prior to June 30, 2021.

School district fiscal year (2021-2022): The State's 2021-22 Enacted Budget included \$29.5 billion in State aid to school districts, and significantly increased funding for schools and local governments, including a \$1.4 billion increase in Foundation Aid and a three-year phase-in of the full restoration to school districts of Foundation Aid that was initially promised in 2007. Additionally, the budget included the use of \$13 billion of federal funds for emergency relief, along with the Governor's Emergency Education Relief, which included, in part, the allocation of \$629 million to school districts as targeted grants in an effort to address learning loss as a result of the loss of enrichment and after-school activities. In addition, \$105 million of federal funds were allocated to expand full-day kindergarten programs. Under the budget, school districts were reimbursed for the cost of delivering school meals and instructional materials in connection with COVID-19-related school closures in spring 2020, along with the costs of keeping transportation employees and contractors on stand-by during the short-term school closures prior to the announcement of the closure of schools for the remainder of the 2019-20 year. Under the budget, local governments also received full restoration of proposed cuts to Aid and Incentives for Municipalities (AIM) funding, and full restoration of \$10.3 million in proposed Video Lottery Terminal (VLT) aid cuts, where applicable.

School district fiscal year (2022-2023): The State's 2022-23 Enacted Budget provides \$31.5 billion in State funding to school districts for the 2022-23 school year, the highest level of State aid ever. This represents an increase of \$2.1 billion or 7.2 percent compared to the 2021-22 school year, and includes a \$1.5 billion or 7.7 percent Foundation Aid increase. The State's 2022-23 Budget also programs \$14 billion of federal Elementary and Secondary School Emergency Relief and Governor's Emergency Education Relief funds to public schools. This funding, available for use over multiple years, is designed to assist schools to reopen for in-person instruction, address learning loss, and respond to students' academic, social, and emotional needs due to the disruptions of the COVID-19 pandemic. The State's 2022-23 Budget allocates \$100 million over two years for a new State matching fund for school districts with the highest needs to support efforts to address student well-being and learning loss. In addition, the State's 2022-23 Budget increases federal funds by \$125 million to expand access to full-day prekindergarten programs for four-year-old children in school districts statewide in the 2022-23 school year.

State Aid Litigation

In January 2001, the State Supreme Court issued a decision in *Campaign for Fiscal Equity v. New York* mandating that the system of apportionment of State aid to school districts within the State be restructured by the Governor and the State Legislature. On June 25, 2002, the Appellate Division of the State Supreme Court reversed that decision. On June 26, 2003, the State Court of Appeals, the highest court in the State, reversed the Appellate Division, holding that the State must, by July 30, 2004, ascertain the actual cost of providing a sound basic education, enact reforms to the system of school funding and ensure a system of accountability for such reforms. The Court of Appeals further modified the decision of the Appellate Division by deciding against a Statewide remedy and instead limited its ruling solely to the New York City school system.

After further litigation, on appeal in 2006, the Court of Appeals held that \$1.93 billion of additional funds for the New York City schools – as initially proposed by the Governor and presented to the Legislature as an amount sufficient to provide a sound basic education – was reasonably determined. State legislative reforms in the wake of The *Campaign for Fiscal Equity* decision included increased accountability for expenditure of State funds and collapsing over 30 categories of school aid for school districts in the State into one classroom operating formula referred to as foundation aid. The stated purpose of foundation aid is to prioritize funding distribution based upon student need. As a result of the Court of Appeals ruling schools were to receive \$5.5 billion increase in foundation aid over a four fiscal year phase-in covering 2007 to 2011.

In school district fiscal year 2009-2010, foundation aid funding was frozen by the State Legislature to the prior fiscal year level, and in the fiscal year thereafter foundation aid funding was reduced through a “gap elimination adjustment” as described above, and other aid adjustments. The final phase of foundation aid is now scheduled to occur as listed on the following page.

A case related to the *Campaign for Fiscal Equity, Inc. v. State of New York* was heard on appeal on May 30, 2017 in *New Yorkers for Students' Educational Rights v. State of New York* (“*NYSER*”) and a consolidated case on the right to a sound basic education. The *NYSER* lawsuit asserts that the State has failed to comply with the original decision in the Court of Appeals in the *Campaign for Fiscal Equity* case, and asks the Court of Appeals to require the State to develop new methodologies, formulas and mechanisms for determining State aid, to fully fund the foundation aid formula, to eliminate the supermajority requirement for voter approval of budgets which increase school district property tax levies above the property tax cap limitation, and related matters. On June 27, 2017, the Court of Appeals held that the plaintiffs' causes of action were properly dismissed by the earlier Appellate Division decision except insofar as two causes of action regarding accountability mechanisms and sufficient State funding for a “sound basic education” as applicable solely to the school districts in New York City and Syracuse. The Court emphasized its previous ruling in the *Campaign for Fiscal Equity* case that absent “gross education inadequacies”, claims regarding state funding for a “sound basic education” must be made on a district-by-district basis based on the specific facts therein.

On October 14, 2021 Governor Kathy Hochul announced that the State has reached an agreement to settle and discontinue the *New Yorkers for Students' Educational Rights v. New York State* case, following through on the State's commitment to fully fund the current Foundation Aid formula to New York's school districts over three years and ending the State's prior opposition to providing this funding. The litigation, which commenced in 2014, sought to require the State to fully fund the Foundation Aid formula that was put into place following the historic *Campaign for Fiscal Equity* cases, and had been previously opposed by the State. Foundation Aid was created in 2007, and takes school district wealth and student need into account to create an equitable distribution of State funding to schools. However, New York State has never fully funded Foundation Aid. The new settlement requires New York State to phase-in full funding of Foundation Aid by the FY 2024 budget. In the FY 2022 Enacted State Budget approved in April, the Executive and Legislature agreed to fully fund Foundation Aid by the FY 2024 budget and enshrined this commitment into law. A breakdown of currently anticipated Foundation Aid funding is listed below:

- FY 2022: \$19.8 billion, covering 30% of the existing shortfall.
- FY 2023: Approximately \$21.3 billion, covering 50% of the anticipated shortfall.
- FY 2024: Approximately \$23.2 billion, eliminating the anticipated shortfall, and funding the full amount of Foundation Aid for all school districts.

There can be no assurance that the State appropriation for building aid and other State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid, including building aid appropriated and apportioned to the District, can be paid only if the State has such monies available therefor. 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.

State Aid Revenues

The following table illustrates the percentage of total revenues of the District for the below fiscal years comprised of State aid.

<u>Fiscal Year</u>	<u>Total Revenues</u> ⁽¹⁾	<u>Total State Aid</u> ⁽¹⁾	<u>Percentage of Total Revenues Consisting of State Aid</u>
2017-2018	\$ 30,864,717	\$ 16,486,953	53.42%
2018-2019	31,786,319	17,087,776	53.76
2019-2020	32,240,923	17,090,735	53.01
2020-2021	33,141,522	17,346,709	52.34
2021-2022	33,570,586	18,051,141	53.77
2022-2023 (Budgeted)	36,589,182	17,623,534	48.17

⁽¹⁾ General Fund only.

Source: Audited Financial Statements for the 2017-2018 through 2021-2022 fiscal years, and budget of the District for the 2022-2023 fiscal year. This table is not audited.

District Facilities

The District currently operates the following facilities:

<u>Name</u>	<u>Grades</u>	<u>Capacity</u>	<u>Year(s) Built</u>
Lawrence Avenue Elementary School	PK-4	700	1957, '09
A. A. Kingston Middle School	5-8	525	1972, '09
Potsdam High School	9-12	525	1959, '09

Source: District officials.

Enrollment Trends

<u>School Year</u>	<u>Actual Enrollment</u>	<u>School Year</u>	<u>Projected Enrollment</u>
2018-2019	1,364	2023-2024	1,350
2019-2020	1,363	2024-2025	1,350
2020-2021	1,353	2025-2026	1,350
2021-2022	1,325	2026-2027	1,350
2022-2023	1,330	2027-2028	1,350

Source: District officials.

Employees

The District employs a total of approximately 235 persons with representation by various unions as follows:

<u>Employees</u>	<u>Union Representation</u>	<u>Expiration Date</u>
127	Potsdam Teachers' Association	June 30, 2022 ⁽¹⁾
108	Civil Service Employees' Association	June 30, 2024

⁽¹⁾ Currently under negotiation; however, a tentative agreement has been reached as of the date of this Official Statement.

Source: District officials.

Status and Financing of Employee Pension Benefits

Substantially all employees of the District are members of either the New York State and Local Employees' Retirement System ("ERS") (for non-teaching and non-certified administrative employees) or the New York State Teachers' Retirement System ("TRS") (for teachers and certified administrators). (Both Systems are referred to together hereinafter as the "Retirement Systems" where appropriate.) These Retirement Systems are cost-sharing multiple public employer retirement systems. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement and Social Security Law (the "Retirement System Law"). The Retirement Systems offer 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 Retirement Systems are non-contributory with respect to members hired prior to July 27, 1976. All members working less than ten years must contribute 3% (ERS) or 3.5% (TRS) of gross annual salary towards the cost of retirement programs.

On December 12, 2009, a new Tier V was signed into law. The legislation created a new Tier V pension level, the most significant reform of the State's pension system in more than a quarter-century. Key components of Tier V include:

- 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 ERS employees to continue contributing 3% of their salaries and TRS employees to continue contributing 3.5% 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 and firefighters at 15% of non-overtime wages.

On March 16, 2012, the Governor signed into law the new Tier VI pension program, effective for new ERS and TRS employees hired after April 1, 2012. The Tier VI legislation provides for increased employee contribution rates of between 3% and 6% and contributions at such rates continue so long as such employee continues to accumulate pension credits, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for the final average salary calculation from 3 years to 5 years. Tier VI employees would vest in the system after ten years of employment; and employees will continue to make employee contribution throughout employment. As of April 9, 2022, vesting requirements were modified, resulting in employees becoming vested after five years.

The District is required to contribute at an actuarially determined rate. The actual contributions for the 2017-2018 through and including 2021-2022 fiscal years, and budgeted figures for the 2022-2023 fiscal year, are as follows:

<u>Fiscal Year</u>	<u>ERS</u>	<u>TRS</u>
2017-2018	\$ 357,348	\$ 843,465
2018-2019	328,446	922,122
2019-2020	335,663	748,290
2020-2021	379,565	845,558
2021-2022	324,225	859,526
2022-2023 (Budgeted)	482,530	1,131,537

Source: District 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 District does not currently have any early retirement incentive programs.

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 TRS rates as a percent of payroll (2018-19 to 2022-23) is shown below:

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
2018-19	14.9%	10.62%
2019-20	14.6	8.86
2020-21	14.6	9.53
2021-22	16.2	9.80
2022-23	16.1	10.29

In 2003, Chapter 49 of the Laws of 2003 amended the Retirement and Social Security Law and the Local Finance Law. The amendments empowered the State Comptroller to implement a comprehensive structural reform program for ERS. The reform program established a minimum contribution for any local governmental employer equal to 4.5% of pensionable salaries for bills which were due December 15, 2003 and for all fiscal years thereafter, as a minimum annual contribution where the actual rate would otherwise be 4.5% or less due to the investment performance of the fund. In addition, the reform program instituted a billing system to match the budget cycle of municipalities and school districts that will advise such employers over one year in advance concerning actual pension contribution rates for the next annual billing cycle. Under the previous method, the requisite ERS contributions for a fiscal year could not be determined until after the local budget adoption process was complete. Under the new system, a contribution for a given fiscal year is based on the valuation of the pension fund on the prior April 1 of the calendar year preceding the contribution due date instead of the following April 1 in the year of contribution so that the exact amount may now be included in a budget.

Chapter 57 of the Laws of 2010 (Part TT) amended the Retirement and Social Security Law to authorize participating employers, if they so elect, to amortize an eligible portion of their annual required contributions to ERS 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 the 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 District is not amortizing any pension payments, nor does it intend to do so in the foreseeable future.

Stable Rate Pension Contribution Option. The 2013-14 State Budget included a provision that provides local governments and school districts, including the District, with the option to “lock-in” long-term, stable rate pension contributions for a period of years determined by the State Comptroller and ERS and TRS. The stable rates would be 12% for ERS and 14% for TRS. The pension contribution rates under this program would reduce near-term payments for employers, but will require higher than normal contributions in later years.

The District did not participate in the Stable Rate Pension Contribution Option, nor does it intend to do so in the foreseeable future.

The investment of monies, and assumptions underlying same, of the Retirement Systems covering the District’s employees is not subject to the direction of the District. 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 District 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.

The State’s 2019-2020 Enacted Budget, which was signed into law as Chapter 59 of the Laws of 2019, includes a provision that will allow school districts in the State to establish a reserve fund for the purpose of funding the cost of TRS contributions, as a sub-fund of retirement contribution reserve funds presently authorized for amounts payable to the ERS by a school district. School districts will be permitted to pay into such reserve fund during any particular fiscal year, an amount not to exceed two percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year; provided that the balance of such fund may not exceed ten percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year. The District has established such a fund.

Other Post-Employment Benefits

Healthcare Benefits. It should also be noted that the District provides employment healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. There is now an accounting rule that requires governmental entities, such as the District, to account for employment healthcare benefits as it accounts for vested pension benefits.

School districts and Boards of Cooperative Educational Services, unlike other municipal units of government in the State, have been prohibited from reducing health benefits received by or increasing health care contributions 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. OPEB refers to "other post-employment benefits," meaning other than pension benefits, disability benefits and OPEB consist primarily of health care benefits, and may include other benefits such as disability benefits and life insurance. Until now, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements.

GASB 75. In 2015, the Governmental Accounting Standards Board ("GASB") released new accounting standards for public Other Post-Employment Benefits (“OPEB”) plans and participating employers. These standards, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"), have substantially revised the valuation and accounting requirements previously mandated under GASB Statements No. 43 and 45. The District implemented GASB 75 for the fiscal year ended June 30, 2018. The implementation of this statement requires school districts to report OPEB liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. GASB Statement No. 75 replaced GASB Statement 45, which also required the District to calculate and report a net OPEB obligation. However, under GASB 45, school districts could amortize the OPEB liability over a period of years, whereas GASB 75 requires school districts to report the entire OPEB liability on the statement of net position.

The District contracted with Armory Associates, LLC, an actuarial firm, to calculate its valuation under GASB 75. The following outlines the changes to the Total OPEB Liability during the below fiscal years, by source.

	Balance beginning at June 30:	2020	2021
<u>Changes for the year:</u>		<u>\$ 95,887,686</u>	<u>\$ 122,984,261</u>
Service cost		2,482,455	4,121,620
Interest		3,388,562	2,769,141
Changes in benefit terms		(398,878)	-
Differences between expected and actual experience		3,930,142	-
Changes in assumptions or other inputs		20,802,493	(169,065)
Benefit payments		<u>(3,108,199)</u>	<u>(3,610,729)</u>
Net Changes		<u>\$ 27,096,575</u>	<u>\$ 3,110,967</u>
	Balance ending at June 30:	2021	2022
		<u>\$ 122,984,261</u>	<u>\$ 126,095,228</u>

Note: The above table is not audited. For additional information see “APPENDIX – D” attached hereto.

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

The District’s unfunded actuarial accrued OPEB liability could have a material adverse impact upon the District’s finances and could force the District to reduce services, raise taxes or both.

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 District is in compliance with the procedures for the publication of the estoppel notice with respect to the Notes as provided in the Title 6 of Article 2 of the Local Finance Law.

The statutory authority for the power to spend money is the Education Law and the Local Finance Law.

No principal or interest upon any obligation of the District is past due.

The fiscal year of the District is July 1 to June 30.

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 District.

Financial Statements

The District retains independent Certified Public Accountants. The last audit report covers the period ending June 30, 2022 and may be found attached hereto as “APPENDIX – D” to this Official Statement. Certain financial information of the District can be found attached as Appendices to the Official Statement.

The District complies with the Uniform System of Accounts as prescribed for school districts in New York State by the State. This system differs from generally accepted accounting principles as prescribed by the American Institute of Certified Public Accountants' Industry Audit Guide, "Audits of State and Local Governmental Units", and codified in Government Accounting, Auditing and Financial Reporting (GAAFR), published by the Governmental Accounting Standards Board (GASB).

Beginning with the fiscal year ending June 30, 2003 the District 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 School District is currently in full compliance with GASB Statement No. 34.

D'Arcangelo & Co., LLP, the independent auditor for the District, 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. D'Arcangelo & Co., LLP also has not performed any procedures relating to this Official Statement.

New York State Comptroller Report of Examination

The State Comptroller's office, i.e., the Department of Audit and Control, periodically performs a compliance review to ascertain whether the District 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 most recent State Comptroller audit report of the District dated December 2, 2022 was to determine whether District officials established adequate controls over network user accounts and developed an information technology contingency plan for the period July 1, 2020 through December 20, 2021. A copy of the complete report and the District's response can be found via the website of the Office of the New York State Comptroller.

Key Findings:

District officials did not establish adequate controls over network user accounts and did not develop a written IT contingency plan. As a result, the District had additional entry points for attackers to access and view personal, private and sensitive information on the network and did not have sufficient documented guidance or plans to follow to resume essential operations if an unexpected IT incident occurred.

Key Findings:

In addition to finding sensitive IT control weaknesses that were confidentially communicated to officials, we found that:

- Of the District's 1,909 network user accounts 1,896 network user accounts were granted unneeded administrative permissions.
- 105 network user accounts were unneeded.

Key Recommendations:

- Develop written procedures for managing and reviewing network user accounts
- Develop a comprehensive written IT contingency plan

The Office of the State Comptroller has an audit of the District in progress as of the date of this Continuing Disclosure Statement. It is anticipated that the audit will be available on the website of the Office of the State Comptroller upon completion.

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

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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 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 past five fiscal years of the District are as follows:

<u>Fiscal Year Ending</u>	<u>Stress Designation</u>	<u>Fiscal Score</u>
2021	No Designation	0.0
2020	No Designation	0.0
2019	No Designation	0.0
2018	No Designation	0.0
2017	No Designation	0.0

Source: Website of the Office of the New York State Comptroller.

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

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TAX INFORMATION

Taxable Assessed Valuations

<u>Fiscal Year Ending June 30:</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Towns of:					
Canton	\$ 188,732	\$ 189,500	\$ 189,288	\$ 189,977	\$ 209,985
Parishville	48,977	49,142	49,287	49,687	51,581
Pierrepont	59,020,011	59,619,895	59,957,004	60,856,046	61,641,834
Potsdam	439,325,421	442,900,632	445,529,568	452,496,111	454,662,113
Stockholm	46,193,628	46,351,336	46,573,703	47,311,015	47,258,283
Total Assessed Values	<u>\$ 544,776,769</u>	<u>\$ 549,110,505</u>	<u>\$ 552,298,850</u>	<u>\$ 560,902,836</u>	<u>\$ 563,823,796</u>

State Equalization Rates

Towns of:					
Canton	100.00%	99.00%	90.00%	90.00%	86.00%
Parishville	6.09%	6.09%	6.09%	6.09%	5.60%
Pierrepont	87.50%	87.50%	90.00%	88.00%	79.50%
Potsdam	97.00%	95.00%	94.00%	90.00%	84.00%
Stockholm	97.00%	87.00%	85.00%	83.00%	76.00%
Total Taxable Full Valuation	<u>\$ 568,979,495</u>	<u>\$ 588,623,956</u>	<u>\$ 596,398,741</u>	<u>\$ 629,956,241</u>	<u>\$ 682,148,528</u>

Tax Rates Per \$1,000 (Assessed)

<u>Fiscal Year Ending June 30:</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Towns of:					
Canton	\$ 23.27	\$ 23.27	\$ 25.98	\$ 24.99	\$ 25.13
Parishville	382.16	378.28	383.97	369.28	685.86
Pierrepont	26.60	26.33	25.98	25.56	27.18
Potsdam	23.99	24.25	24.88	24.99	25.72
Stockholm	23.99	26.48	27.51	27.10	28.43

Tax Collection Procedure

School taxes are due September 1. If paid by September 30, no penalty is imposed. There is a 2% penalty if paid by November 14. On November 15, a list of unpaid taxes is given to the County for re-levy on County/Town tax rolls. The District is reimbursed by the County for all unpaid taxes before the end of the District's fiscal year and is thus assured of 100% collection of its annual levy.

Tax Levy and Tax Collection Record

<u>Fiscal Year Ending June 30:</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Total Tax Levy	\$ 13,242,282	\$ 13,560,391	\$ 13,945,896	\$ 14,167,364	\$ 14,740,107
Amount Uncollected ⁽¹⁾	1,283,489	1,364,528	1,313,073	1,151,682	1,240,158
% Uncollected	9.69%	10.06%	9.42%	8.13%	8.41%

⁽¹⁾ The District receives 100% of its tax levy each year. See "Tax Collection Procedure" herein.

Real Property Tax Revenues

The following table illustrates the percentage of total revenues of the District for the below fiscal years comprised of Real Property Taxes.

<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>Total Property Tax Levy</u>	<u>Percentage of Total Revenues Consisting of Real Property Tax</u>
2017-2018	\$ 30,864,717	\$ 12,904,247	41.81%
2018-2019	31,786,319	13,322,110	41.91
2019-2020	32,240,923	13,642,562	42.31
2020-2021	33,141,522	14,082,066	42.49
2021-2022	33,570,586	14,235,039	42.40
2022-2023 (Budgeted)	36,589,182	14,740,107	40.29

Source: Audited Financial Statements for the 2017-2018 through 2021-2022 fiscal years, and budget of the District for the 2022-2023 fiscal year. This table is not audited.

Larger Taxpayers 2022 Tax Roll for 2022-23

<u>Name</u>	<u>Type</u>	<u>Full Valuation</u>
Erie Boulevard Hydro/Niagara Mohawk	Utility	\$ 24,506,300
National Grid	Utility	18,777,591
Wal Mart	Retail	11,269,500
Affinity Housing	Apartments	10,181,000
Lowes	Retail	6,490,100
Law Ave. Comm. Partner	Apartments	5,142,400
CSX	Railroad	4,669,300
Potsdam Association	Retail	4,626,000
Potsdam Hotel, LLC	Hotel	4,050,000
Ronald Page	Housing, Property	3,649,600

The ten larger taxpayers have a total estimated full valuation of \$91,458,884, which represents 13.41% of the tax base of the District for the 2022-2023 fiscal year. As of the date of this Official Statement, the District does not have any pending or outstanding tax certioraris that are known or believed could have a material impact on the finances of the District.

Source: District Tax Rolls.

Additional Tax Information

Real property located in the District is assessed by the Towns.

Senior citizens' exemptions are offered to those who qualify.

Total assessed valuation of the District is estimated to be categorized as follows: Agricultural-2%, Residential-64%, Commercial-8% and Other-26%.

The estimated annual property tax bill of a \$100,000 market value residential property located in the District is approximately \$2,488 (School District taxes only).

STAR – School Tax Exemption

The STAR (School Tax Relief) program provides State-funded exemptions from school property taxes to homeowners for their primary residences. School districts are reimbursed by the State for real property taxes exempted pursuant to the STAR Program.

The STAR program provides State-funded exemptions from school property taxes to homeowners for their primary residences. Homeowners over 65 years of age with household adjusted gross incomes, less the taxable amount of total distributions from individual retirement accounts and individual retirement annuities (“STAR Adjusted Gross Income”) of \$90,550 or less in 2021-22 and \$92,000 or less in 2022-2023, increased annually according to a cost of living adjustment, are eligible for a “full value” exemption of the first \$70,700 for the 2021-22 school year and \$74,900 for the 2022-23 school year (adjusted annually). Other homeowners with household STAR Adjusted Gross income not in excess of \$250,000 (\$500,000 in the case of a STAR credit, as discussed below) are eligible for a \$30,000 “full value” exemption on their primary residence.

The 2022-23 Enacted State Budget provides \$2.2 billion in State funding for a new property tax relief credit, the Homeowner Tax Rebate Credit, for eligible low- and middle-income households, as well as eligible senior households. Under this program, basic STAR exemption and credit beneficiaries with incomes below \$250,000 and Enhanced STAR recipients are eligible for the property tax rebate where the benefit is a percentage of the homeowners’ existing STAR benefit.

The below table lists the most current basic and enhanced exemption amounts for the municipalities applicable to the District:

<u>Towns of:</u>	<u>Enhanced Exemption</u>	<u>Basic Exemption</u>	<u>Date Certified</u>
Canton	\$ 67,410	\$ 27,000	4/7/2022
Parishville	4,560	1,830	4/7/2022
Pierrepont	65,910	26,400	4/7/2022
Potsdam	67,410	27,000	4/7/2022
Stockholm	62,170	24,900	4/7/2022

\$1,522,224 of the District’s \$14,167,364 school tax levy for the 2021-22 fiscal year was exempt by the STAR Program. The District received full reimbursement of such exempt taxes from the State by January 2022.

Approximately \$1,437,978 of the District’s \$14,740,107 school tax levy for the 2022-23 fiscal year is expected to be exempt by the STAR Program. The District expects to receive full reimbursement of such exempt taxes from the State by January 2023.

TAX LEVY LIMITATION LAW

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (“Chapter 97” or the “Tax Levy Limitation Law”). The Tax Levy Limitation Law applies to all local governments, including school districts (with the exception of New York City, and the counties comprising New York City and school districts in New York City, Buffalo, Rochester, Syracuse, and Yonkers, the latter four of which are indirectly affected by applicability to their respective City.)

Prior to the enactment of the Tax Levy Limitation Law, there was no statutory limitation on the amount of real property taxes that a school district could levy as part of its budget if its budget had been approved by a simple majority of its voters. In the event the budget had been defeated by the voters, the school district was required to adopt a contingency budget. Under a contingency budget, school budget increases were limited to the lesser of four percent (4%) of the prior year’s budget or one hundred twenty percent (120%) of the consumer price index (“CPI”).

Chapter 97 requires that a school district submit its proposed tax levy to the voters each year beginning with the 2012-2013 fiscal year.

Chapter 97 restricts, among other things, the amount of real property taxes that may be levied by or on behalf of a school district in a particular year. It was set to expire on June 15, 2020; however, recent legislation has made it permanent. Pursuant to the Tax Levy Limitation Law, the tax levy of a school district cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the CPI, over the amount of the prior year’s tax levy. Certain adjustments are 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 school district can exceed the tax levy limitation for the coming fiscal year only if the voters of such school district first approve a tax levy by at least 60% affirmative vote of those voting to override such limitation for such coming fiscal year only. Tax levies that do not exceed the limitation will only require approval by at least 50% of those voting. In the event that the voters reject a tax levy and the district does not go out for a second vote, or if a second vote is likewise defeated, Chapter 97 provides that the tax levy for the new fiscal year may not exceed the tax levy for the prior fiscal year.

A school district's calculation of each fiscal year's tax levy limit is subject to review by the Commissioner of Education and the Commissioner of Taxation and Finance prior to adoption of each fiscal year budget.

There are exceptions for school districts to the tax levy limitation provided in Chapter 97, 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 and the Teachers' Retirement System. School districts are also permitted to carry forward a certain portion of their unused levy limitation from a prior year.

There is also an exception for school districts for "Capital Local Expenditures" subject to voter approval where required by law. This term is defined in a manner that does not include certain items for which a school district may issue debt, including the payment of judgments or settled claims, including tax certiorari payments, and cashflow borrowings, including tax anticipation notes, revenue anticipation notes, budget notes and deficiency notes. "Capital Local Expenditures", are defined as "the taxes associated with budgeted expenditures resulting from the financing, refinancing, acquisition, design, construction, reconstruction, rehabilitation, improvement, furnishing and equipping of or otherwise providing for school district capital facilities or school district capital equipment, including debt service and lease expenditures, and transportation capital debt service, subject to the approval of the qualified voters where required by law". The portion of the tax levy necessary to support "Capital Local Expenditures" is defined as the "Capital Tax Levy", and is an exclusion from the tax levy limitation, applicable to the Notes.

See "State Aid" for a discussion of the *New Yorkers for Students' Educational Rights v. State of New York* case which includes a challenge to the supermajority requirements regarding school district property tax increases.

An additional real property tax rebate program applicable solely to school districts was enacted by Chapter 20 of the Laws of 2015, signed into law by the Governor on June 26, 2015. The program began in 2016 and was fully phased in in 2019 and includes continued tax cap compliance.

See "THE SCHOOL DISTRICT – Budgetary Procedures and Recent Budget Votes" herein for additional information regarding the District's Tax Levy.

STATUS OF INDEBTEDNESS

Constitutional Requirements

The New York State Constitution limits the power of the District (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 District and the Notes include the following:

Purpose and Pledge. The District 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 School District may contract indebtedness only for a District 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 determined by statute; unless substantially level or declining annual debt service is authorized by the Board of Education and utilized, no installment may be more than fifty percent in excess of the smallest prior installment. The District 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 or such required annual installments on its notes.

Statutory Procedure

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

The District has the power to contract indebtedness for any School District purpose provided that the aggregate principal amount thereof shall not exceed ten per centum of the full valuation of the taxable real estate of the District as required by the Local Finance Law and subject to certain enumerated deductions such as State aid for building purposes. The statutory method for determining full valuation is by dividing the assessed valuation of taxable real estate for the last completed assessment roll by the equalization rate established by the State Office of Real Property Services in accordance with applicable State law.

The District is generally required by such laws to submit propositions for the expenditure of money for capital purposes to the qualified electors of the District. Upon approval thereby, the Board of Education may adopt a bond resolution authorizing the issuance of bonds, and notes in anticipation of the bonds.

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 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 School District 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.

The District complied with this estoppel procedure. It is a procedure that is recommended by Bond Counsel, but it is not an absolute legal requirement.

The Board of Education, as the finance board of the School District, 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 delegate the power to sell the obligations to the President of the Board of Education, the chief fiscal officer of the District, 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 District with power to issue certain other short-term general obligation indebtedness including revenue and tax anticipation notes and budget notes (see "Details of Outstanding Indebtedness" herein).

STATUS OF INDEBTEDNESS

Debt Outstanding End of Fiscal Year

<u>Fiscal Years Ending June 30th:</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Bonds	\$21,990,000	\$ 19,821,000	\$ 17,110,000	\$ 14,015,000	\$ 11,165,000
Revenue Anticipation Notes	350,000	0	0	0	0
Bond Anticipation Notes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Debt Outstanding	<u>\$ 22,340,000</u>	<u>\$ 19,821,000</u>	<u>\$ 17,110,000</u>	<u>\$ 14,015,000</u>	<u>\$ 11,165,000</u>

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the District as of January 26, 2023.

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Amount</u>
Bonds	2023-2031	<u>\$ 11,556,175</u>
	Total	\$ 11,556,175

Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of January 26, 2023:

Full Valuation of Taxable Real Property	\$ 682,148,528
Debt Limit – 10% thereof	68,214,853

Inclusions:

Bonds	\$ 11,556,175	
Bond Anticipation Notes	<u>0</u>	
Total Inclusions		<u>\$ 11,556,175</u>

Exclusions:

Building Aid ⁽¹⁾	\$ <u>0</u>	
Total Exclusions		<u>\$ 0</u>

Total Net Indebtedness	<u>\$ 11,556,175</u>
Net Debt-Contracting Margin	<u>\$ 56,658,678</u>
The percent of debt contracting power exhausted is	16.94%

- ⁽¹⁾ Based on preliminary 2022-2023 building aid estimates, the District anticipates State Building aid of 86.0% for debt service on State Education Department approved expenditures from July 1, 2004 to the present. The District has no reason to believe that it will not ultimately receive all of the building aid it anticipates, however, no assurance can be given as to when and how much building aid the District will receive in relation to the outstanding bonds.

Note: The State Constitution does not provide for the inclusion of tax anticipation or revenue anticipation notes in the computation of the net indebtedness of the District.

Bonded Debt Service

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

Capital Project Plans

The District issues serial bonds annually for the purchase of buses. During the May budget vote the public is asked to authorize between \$320,000-\$420,000 for the acquisition of buses, if voter approved the District will issue bonds for the buses during the summer.

District voters have approved a capital project for the constructions, reconstruction, and improvement of District buildings and facilities in the total amount of \$23,500,000. The issuance of the Notes will represent the first borrowing against this authorization.

There are presently no other capital projects authorized and unissued by the District.

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Cash Flow Borrowings

The District has had to issue revenue anticipation notes in the past to align the cash flow needs of the District with the State aid payment schedule. The following is a history of the District's revenue anticipation note borrowings since the 2006-07 fiscal year.

<u>Fiscal Year</u>	<u>Amount</u>	<u>Type</u>	<u>Issue Date</u>	<u>Due Date</u>
2006-2007	\$ 650,000	RAN	6/22/07	6/20/08
2007-2008	650,000	RAN	6/20/08	6/19/09
2008-2009	1,000,000	RAN	6/19/09	6/18/10
2009-2010	1,000,000	RAN	6/18/10	6/17/11
2010-2011	750,000	RAN	6/17/11	6/15/12
2011-2012	750,000	RAN	6/18/12	6/18/13
2012-2013	750,000	RAN	6/20/13	6/20/14
2013-2014	750,000	RAN	6/19/14	6/19/15
2014-2015	750,000	RAN	6/17/15	6/17/16
2015-2016	750,000	RAN	6/16/16	6/16/17
2016-2017	500,000	RAN	6/28/17	6/28/18
2017-2018	350,000	RAN	6/28/18	6/27/19

The District historically does not issue tax anticipation notes, and does not reasonably expect to in the foreseeable future. The District did not issue revenue anticipation notes during the 2018-2019 through 2021-2022 fiscal years, and does not currently intend to issue such notes in the current fiscal year.

Estimated Overlapping Indebtedness

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

<u>Municipality</u>	<u>Status of Debt as of</u>	<u>Gross Indebtedness</u> ⁽¹⁾	<u>Exclusions</u> ⁽²⁾	<u>Net Indebtedness</u>	<u>District Share</u>	<u>Applicable Indebtedness</u>
County of:						
St. Lawrence	12/31/2020	\$ 24,940,000	\$ -	\$ 24,940,000	9.69%	\$ 2,416,686
Town of:						
Canton	12/31/2020	-	-	-	0.05%	-
Parishville	12/31/2020	1,191,000	1,191,000	-	0.40%	-
Pierrepont	12/31/2020	164,231	106,157	58,074	37.45%	21,749
Potsdam	12/31/2020	226,274	94,574	131,700	76.74%	101,067
Stockholm	12/31/2020	1,090,642	1,090,642	-	31.06%	-
Village of:						
Potsdam	5/31/2021	15,816,640	578,218	15,238,422	100.00%	15,238,422
Total:						\$ 17,777,923

⁽¹⁾ Bonds and bond anticipation notes are as of the close of the respective fiscal years, and are not adjusted to include subsequent bond or note sales, if any.

⁽²⁾ Water and sewer debt and appropriations. Pursuant to the Local Finance Law, this indebtedness is excluded from the constitutional debt limit.

Source: Comptroller's Special Report on Municipal Affairs for Local Finance Years Ended in 2020 and 2021.

Debt Ratios

The following table sets forth certain ratios relating to the District's indebtedness as of January 26, 2023.

	<u>Amount</u>	<u>Per Capita</u> ^(a)	<u>Percentage of Full Value</u> ^(b)
Net Indebtedness ^(c)	\$ 11,556,175	\$ 797.97	1.69%
Net Indebtedness Plus Net Overlapping Indebtedness ^(d)	29,334,098	2,025.56	4.30

(a) The 2021 estimated population of the District is 14,482. (See "THE SCHOOL DISTRICT – Population" herein.)

(b) The District's full value of taxable real estate for the 2022-23 fiscal year is \$682,148,528. (See "TAX INFORMATION – Taxable Assessed Valuations" herein.)

(c) See "Debt Statement Summary" herein for the calculation of Net Indebtedness.

(d) Estimated net overlapping indebtedness is \$17,777,923. (See "Estimated Overlapping Indebtedness" herein.)

Note: The above ratios do not take into account State building aid the District will receive for past and current construction building projects.

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

In the event of a default in the payment of the principal of and/or interest on the Notes, the State Comptroller is required to withhold, under certain conditions prescribed by Section 99-b of the State Finance Law, state aid and assistance to the District and to apply the amount thereof so withheld to the payment of such defaulted principal and/or interest, which requirement constitutes a covenant by the State with the holders from time to time of the Notes.

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

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

The Federal Bankruptcy Code allows public bodies, such as the District, 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 to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness. While these Local Finance Law provisions do not apply to school districts, there can be no assurance that they will not be made so applicable in the future.

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 such obligations.

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

There is in the Constitution of the State, Article VIII, Section 2, the following provision relating to the annual appropriation of monies for the payment of due principal of and interest on indebtedness of every county, city, town, village and school district in the State: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness."

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

MARKET AND RISK FACTORS

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

The financial and economic condition of the District as well as the market for the Notes could be affected by a variety of factors, some of which are beyond the District'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 District to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

The District 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 District, in any year, the District may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the District. In several recent years, the District has received delayed payments of State aid which resulted from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts, and consequent delay in State borrowing to finance such appropriations. (See also "THE SCHOOL DISTRICT – State Aid").

CYBERSECURITY: The District, 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 District 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 and Notes be and remain excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code. The District has covenanted to comply with such requirements. Failure by the District to comply with such requirements may cause interest on the Notes to be includable in gross income for federal income tax purposes retroactive to the date of initial issuance of the Notes. In the opinion of Bond Counsel, to be delivered at the time of initial issuance of the Notes, under existing statute, regulations and court decisions, interest on the Notes is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code and will continue to be so excluded if the District complies with all such requirements; and under the Code, interest on the Notes is not a specific item of tax preference for purposes of the federal alternative minimum tax, however, for tax years beginning after December 31, 2022, interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. Bond Counsel expresses no opinion regarding other federal income tax consequences caused by the receipt or accrual of interest on the Notes.

Among other things, the Code requires that, under certain circumstances, the yield on investments acquired with the proceeds of debt obligations be restricted and that an amount equal to the net arbitrage earnings from the investment of the proceeds thereof be paid to the Federal Government. If, in those circumstances, the School District intentionally failed to restrict the yield on such investments, or failed to make the required payments to the Federal Government within the periods and in the manner specified by the Code with regard to both the Notes and any obligations refunded with proceeds of the Notes, or failed to comply with certain other provisions of the Code, interest on the Notes would be subject to the Federal Government on a timely basis, such noncompliance was not due to willful disregard and relief was sought from, and granted by, the Internal Revenue Service. The School District will covenant in its arbitrage and closing certificate with respect to the Notes that it will take all actions on its part necessary under the Code to cause interest on the Notes not be includable in the gross income of the owners thereof for Federal income tax purposes, including compliance with the requirements set forth above, to the extent the same are applicable, and refrain from taking any action which would cause interest on the Notes to be includable in the gross income of the owners thereof for Federal income tax purposes,

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.

In addition to the matters referred to in the preceding paragraph, prospective purchasers of the Notes should be aware of other federal income tax consequences of acquiring the Notes, including, without limitation, that (i) with respect to certain insurance companies, the Code reduces the deduction for loss reserves by a portion of the sum of certain items, including interest on the Notes, (ii) interest on the Notes earned by certain foreign corporations doing business in the United States may be subject to a branch profits tax imposed by the Code, (iii) passive investment income, including interest on the Notes, may be subject to federal income taxation under the Code for certain S corporations that have certain earnings and profits, and (iv) the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Notes. In addition, the Code, subject to the limited exception hereinafter described, denies the interest deduction for indebtedness, incurred or continued by banks, thrift institutions and certain other financial institutions to purchase or carry tax-exempt obligations, such as the Notes. The denial to such financial institutions of 100% of the deduction for interest paid on funds allocable to tax-exempt obligations applies to those tax-exempt obligations acquired by such financial institutions after August 7, 1986, for taxable years ending after December 31, 1986. The Code, however, contains a limited exception to this provision which permits a deduction for interest for such financial institutions to the extent that they purchase, directly or in the secondary market, obligations of certain governmental units that together with all subordinate or "on behalf of" entities thereof (and other governmental units with respect to which they are an "on behalf of" entity) do not reasonably expect to issue in the aggregate more than \$10,000,000 of tax-exempt obligations [other than certain current refunding obligations and private activity bonds except for qualified 501(c)(3) bonds] in a calendar year and that designate such obligations as qualifying for such exception, unless such obligations are deemed so designated pursuant to the Code. In the record of proceedings providing for the issuance of the Notes, the District has (i) represented that there is no other governmental unit with respect to which the District would be a subordinate or "on behalf of" entity, (ii) represents that it reasonably expects that it, together with any subordinate or "on behalf of" entity thereof, will issue in the aggregate more than \$10,000,000 of such tax-exempt obligations during the relevant calendar year, and (iii) does NOT designate the Notes as qualifying for such exception, and the Notes are not deemed so designated pursuant to the Code for such purpose.

The Code has been continuously subject to legislative modifications, amendments and revisions and proposals for further changes are regularly submitted by leaders of the legislative and executive branches of the federal government. Future or pending proposals, if enacted into law, regulations, rulings or court decisions may cause interest on the Bonds to be subject, directly or indirectly to federal income taxation or to State or local taxation, or may otherwise prevent beneficial owners from realizing the full benefit of the tax status of such interest. No representation is made as to the likelihood of such proposals being enacted in the current or similar form, or if enacted, the effective date of any such legislation and no assurances can be given that such proposals or amendments will not materially and adversely affect the economic value of the Bonds or the tax consequences of ownership on the Bonds. Prospective purchasers should consult their tax advisors regarding any pending or proposed federal or State tax legislations, regulations, rulings or litigation.

For example, various proposals have been made in Congress and by the President (the "Proposed Legislation") which, if enacted, would subject interest on the bonds that is otherwise excludable from gross income for federal income tax purposes, including interest on the Bonds to a tax payable by certain bondholders that are individuals, estates or trusts with adjusted gross income in excess of thresholds specified in the Proposed Legislation. It is unclear if the Proposed Legislation would be enacted, whether in its current or amended form, or if other legislation that would subject interest on the Bonds to a tax or cause interest on the Bonds to be included in the computation of a tax, will be introduced or enacted. Prospective purchasers should consult their tax advisors as to the effect of the Proposed Legislation, if enacted in its current form or as it may be amended, or such other legislation on their individual situations.

ALL PROSPECTIVE PURCHASERS OF THE NOTES SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE AS TO THE TAX CONSEQUENCES OF PURCHASING OR HOLDING THE NOTES.

LEGAL MATTERS

The validity of the Notes will be covered by the unqualified legal opinion of Timothy R. McGill, Esq., Fairport, New York, Bond Counsel to the District, such opinion to be delivered with the Notes. The proposed form of such opinion is attached hereto as "APPENDIX – E."

Such legal opinion also will state that (i) in rendering the opinions expressed therein, Bond Counsel has assumed the accuracy and truthfulness of all public records, documents and proceedings examined by Bond Counsel which have been executed or certified by public officials acting within the scope of their official capacities, and has not verified the accuracy or truthfulness thereof, and Bond Counsel also has assumed the genuineness of the signatures appearing upon such public records, documents and proceedings, and such certifications; (ii) the scope of Bond Counsel's engagement in relation to the issuance of the Notes has extended solely to the examination of the facts and law incident to rendering the opinions expressed therein; (iii) the opinions expressed therein are not

intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the District, together with other legally available sources of revenue, if any, will be sufficient to enable the District to pay the principal of and interest on the Notes as the same respectively become due and payable; (iv) reference should be made to the Official Statement for factual information which, in the judgment of the District, would materially affect the ability of the District to pay such principal and interest; and (v) while Bond Counsel has participated in the preparation of the Official Statement, Bond Counsel has not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, no opinion is expressed by Bond Counsel as to whether the District, in connection with the sale of the Notes, has made any untrue statement of a material fact, or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading. In particular, no opinion is expressed, or may be inferred, with respect to the direct or indirect effect of the COVID-19 pandemic and the federal, state and local government and private industry responses thereto (i) on the financial condition of the District, or (ii) on the market price and fair market value of the Notes at initial issuance or at any time thereafter.

LITIGATION

The District is subject to a number of lawsuits in the ordinary conduct of its affairs. The District 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 District.

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 District, threatened against or affecting the District 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 District taken with respect to the authorization, issuance or sale of the Notes or contesting the corporate existence or boundaries of the District.

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 ("The Rule"), the District will enter into an Undertaking to Provide Notice of Material Events Certificate, a description of which is attached hereto as "APPENDIX – C".

Historical Compliance

Except as noted below, the District is in compliance, in all material respects, with all previous undertakings made pursuant to the Rule.

The District filed its Annual Financial Information and Operating Data for the fiscal year ended June 30, 2022 (the "AFIOD") on December 28, 2022. The AFIOD was filed within six months of the fiscal year end in accordance with outstanding continuing disclosure undertakings of the District; however, it was not filed in accordance with an outstanding continuing disclosure undertaking made in connection with an issuance through the Dormitory Authority of the State of New York, which required that the filing be made within 180 days (December 27, 2022). The filing of the AFIOD was therefore made one day late with respect to said undertaking of the District.

MUNICIPAL ADVISOR

Fiscal Advisors & Marketing, Inc. (the "Municipal Advisor"), is a municipal advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent municipal advisor to the District on matters relating to debt management. The Municipal Advisor is a municipal 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 District and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the District or the information set forth in this Official Statement or any other information available to the District 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 District 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 District; provided, however, the District assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers.

RATING

The Notes are not rated. Subject to the approval of the District, 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 District, 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.

Moody's Investors Service, Inc. ("Moody's") has assigned its rating of "A1" with no outlook Underlying to the District's outstanding bonds. The rating reflects only the view of Moody's, and any desired explanation of the significance of such rating should be obtained from Moody's Investors Service, Inc., World Trade Center, 250 Greenwich St., New York, New York 10007. Phone: (212) 553-0038, Fax: (212) 553-1390.

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

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 which 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 District management's beliefs as well as assumptions made by, and information currently available to, the District'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 District's files with the repositories. When used in District 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.

Timothy R. McGill Law Offices, Fairport, New York, Bond Counsel to the District, expresses no opinions as to the accuracy or completeness of information in any documents prepared by or on behalf of the District 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 District 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 District.

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

The District 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 District nor Fiscal Advisors & Marketing, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Fiscal Advisors & Marketing, Inc. and the District 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 District also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

The District's contact information is as follows: Ms. Laura Hart, School Business Manager, 29 Leroy Street, Potsdam, New York 13676, Phone: (315) 265-2000 x36721, Fax: (315) 265-2048, Email: lhart@potsdam.k12.ny.us.

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.

POTSDAM CENTRAL SCHOOL DISTRICT

Dated: January 27, 2023

JOSHUA FISKE
PRESIDENT OF THE BOARD OF EDUCATION AND
CHIEF FISCAL OFFICER

GENERAL FUND

Balance Sheets

Fiscal Years Ending June 30:	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<u>ASSETS</u>					
Unrestricted Cash	\$ 5,258,331	\$ 4,835,957	\$ 5,738,601	\$ 6,609,155	\$ 6,365,310
Restricted Cash	4,063,870	4,743,727	4,531,064	3,315,794	3,262,713
State & Federal Aid Receivables	1,129,326	1,241,953	180,828	1,207,421	1,237,204
Due from Other Funds	774	3	187,153	220,215	408,455
Other Receivables	51,222	24,436	40,364	14,707	114,151
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 10,503,523</u>	<u>\$ 10,846,076</u>	<u>\$ 10,678,010</u>	<u>\$ 11,367,292</u>	<u>\$ 11,387,833</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 158,395
Accrued Liabilities	143,221	264,889	279,459	280,015	172,599
Accrued Interest	-	-	-	-	-
Due to Other Governments	250,210	250,210	250,210	317,465	317,465
Due to Other Funds	440,956	111,234	2,017	80	11,081
Due to Teachers' Retirement System	899,781	990,959	825,546	922,223	1,033,073
Due to Employees' Retirement System	93,128	91,576	94,880	106,335	71,060
Revenue Anticipation Notes Payable	350,000	-	-	-	-
Overpayments and Collections in Advance	24,380	18,654	23,422	39,373	42,818
Deferred Credits	-	-	236,166	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>\$ 2,201,676</u>	<u>\$ 1,727,522</u>	<u>\$ 1,711,700</u>	<u>\$ 1,665,491</u>	<u>\$ 1,806,491</u>
<u>FUND EQUITY</u>					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	4,063,870	4,743,727	4,531,064	3,315,794	3,262,713
Assigned	2,433,112	2,562,714	2,308,919	2,727,812	2,982,691
Unassigned	1,804,865	1,812,113	3,126,327	3,658,195	3,335,938
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND EQUITY	<u>\$ 8,301,847</u>	<u>\$ 9,118,554</u>	<u>\$ 9,966,310</u>	<u>\$ 9,701,801</u>	<u>\$ 9,581,342</u>
TOTAL LIABILITIES and FUND EQUITY	<u>\$ 10,503,523</u>	<u>\$ 10,846,076</u>	<u>\$ 11,678,010</u>	<u>\$ 11,367,292</u>	<u>\$ 11,387,833</u>

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

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending June 30:	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
REVENUES					
Real Property Taxes	\$ 10,835,304	\$ 10,946,677	\$ 11,423,638	\$ 11,848,291	\$ 12,379,755
STAR & Other Real Property Tax Items	2,014,497	1,957,570	1,898,472	1,794,271	1,702,311
Charges for Services	112,533	88,650	128,234	69,292	34,435
Use of Money & Property	641,469	732,069	704,320	704,630	509,469
Sale of Property and					
Compensation for Loss	9,708	12,117	14,084	426	578
Miscellaneous	688,779	580,657	448,029	635,925	744,735
Reserve Revenues	-	-	-	-	0
Revenues from State Sources	16,001,489	16,486,953	17,087,776	17,090,735	17,346,709
Revenues from Federal Sources	66,585	60,024	81,766	97,353	423,530
Total Revenues	<u>\$ 30,370,364</u>	<u>\$ 30,864,717</u>	<u>\$ 31,786,319</u>	<u>\$ 32,240,923</u>	<u>\$ 33,141,522</u>
Other Sources:					
Interfund Transfers	-	-	-	-	-
Appropriated Fund Balance	-	-	-	-	-
Retirement System Credits	-	-	-	-	-
Total Revenues and Other Sources	<u>\$ 30,370,364</u>	<u>\$ 30,864,717</u>	<u>\$ 31,786,319</u>	<u>\$ 32,240,923</u>	<u>\$ 33,141,522</u>
EXPENDITURES					
General Support	\$ 3,034,688	\$ 3,013,091	\$ 3,064,227	\$ 3,245,370	\$ 3,251,963
Instruction	13,633,381	14,027,364	14,038,223	14,365,365	14,545,735
Pupil Transportation	1,078,194	1,112,790	1,157,947	1,089,817	989,421
Community Services	-	-	-	-	-
Employee Benefits	7,780,621	8,175,432	8,700,409	8,684,714	9,120,397
Debt Service	3,776,712	3,790,971	3,832,440	3,823,463	3,817,151
Total Expenditures	<u>\$ 29,303,596</u>	<u>\$ 30,119,648</u>	<u>\$ 30,793,246</u>	<u>\$ 31,208,729</u>	<u>\$ 31,724,667</u>
Other Uses:					
Interfund Transfers	167,135	257,719	176,366	165,962	1,681,364
Total Expenditures and Other Uses	<u>\$ 29,470,731</u>	<u>\$ 30,377,367</u>	<u>\$ 30,969,612</u>	<u>\$ 31,374,691</u>	<u>\$ 33,406,031</u>
Excess (Deficit) Revenues Over Expenditures	<u>899,633</u>	<u>487,350</u>	<u>816,707</u>	<u>866,232</u>	<u>(264,509)</u>
FUND BALANCE					
Fund Balance - Beginning of Year	6,914,864	7,814,497	8,301,847	9,118,554	9,966,310
Prior Period Adjustments (net)	-	-	-	(18,476)	
Fund Balance - End of Year	<u>\$ 7,814,497</u>	<u>\$ 8,301,847</u>	<u>\$ 9,118,554</u>	<u>\$ 9,966,310</u>	<u>\$ 9,701,801</u>

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

GENERAL FUND

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

Fiscal Years Ending June 30:	2022			2023
	Original Budget	Final Budget	Actual	Adopted Budget
REVENUES				
Real Property Taxes	\$ 14,167,364	\$ 12,645,140	\$ 12,644,739	\$ 14,740,107
STAR & Other Real Property Tax Items	50,000	1,572,224	1,590,300	90,000
Charges for Services	50,000	50,000	158,465	50,000
Use of Money & Property	550,000	550,000	546,567	512,000
Sale of Property and Compensation for Loss	-	-	37,380	-
Miscellaneous	180,000	180,000	479,407	190,000
Revenues from State Sources	18,002,953	18,002,953	17,972,399	17,623,534
Revenues from Federal Sources	50,000	50,000	141,329	50,000
Total Revenues	<u>\$ 33,050,317</u>	<u>\$ 33,050,317</u>	<u>\$ 33,570,586</u>	<u>\$ 33,255,641</u>
Other Sources:				
Interfund Transfers	-	-	-	-
Appropriated Reserves	400,000	400,000	-	400,000
Appropriated Fund Balance	2,721,071	2,721,071	-	2,933,541
Retirement System Credits	-	-	-	-
Total Revenues and Other Sources	<u>\$ 36,171,388</u>	<u>\$ 36,171,388</u>	<u>\$ 33,570,586</u>	<u>\$ 36,589,182</u>
EXPENDITURES				
General Support	\$ 3,984,820	\$ 3,974,820	\$ 3,620,062	\$ 4,783,988
Instruction	16,276,604	16,332,635	15,704,707	16,307,218
Pupil Transportation	1,319,082	1,319,082	1,182,150	1,305,595
Community Services	-	-	-	-
Employee Benefits	10,551,982	10,505,951	9,172,347	11,021,851
Debt Service	3,848,900	3,848,900	3,842,761	2,970,530
Total Expenditures	<u>\$ 35,981,388</u>	<u>\$ 35,981,388</u>	<u>\$ 33,522,027</u>	<u>\$ 36,389,182</u>
Other Uses:				
Interfund Transfers	190,000	190,000	169,018	200,000
Total Expenditures and Other Uses	<u>\$ 36,171,388</u>	<u>\$ 36,171,388</u>	<u>\$ 33,691,045</u>	<u>\$ 36,589,182</u>
Excess (Deficit) Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>(120,459)</u>	<u>-</u>
FUND BALANCE				
Fund Balance - Beginning of Year	-	-	9,701,801	-
Prior Period Adjustments (net)	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,581,342</u>	<u>\$ -</u>

Source: Audited financial report and budgets of the District. This Appendix is not itself audited.

APPENDIX - B
Potsdam CSD

BONDED DEBT SERVICE

Fiscal Year Ending June 30th				
	Principal	Interest	Total	
2023	\$ 2,451,175	\$ 513,958.32	\$ 2,965,133.32	
2024	1,290,000	422,585.50	1,712,585.50	
2025	1,255,000	367,598.00	1,622,598.00	
2026	1,235,000	311,310.00	1,546,310.00	
2027	1,205,000	264,970.00	1,469,970.00	
2028	1,180,000	206,000.00	1,386,000.00	
2029	1,240,000	147,000.00	1,387,000.00	
2030	1,120,000	85,000.00	1,205,000.00	
2031	580,000	29,000.00	609,000.00	
TOTAL	\$ 11,556,175	\$ 2,347,421.82	\$ 13,903,596.82	

CURRENT BONDS OUTSTANDING

Fiscal Year Ending June 30th	2015			2016			2017			2018		
	Refunding of 2007 Series Bonds			Capital Project (Issued through DASNY)			Buses			Buses		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 640,000	\$ 19,200.00	\$ 659,200.00	\$ 935,000	\$ 452,300.00	\$ 1,387,300.00	\$ 76,175	\$ 10,432.82	\$ 86,607.82	\$ 60,000	\$ 1,575.00	\$ 61,575.00
2024	-	-	-	980,000	405,550.00	1,385,550.00	75,000	10,322.50	85,322.50	-	-	-
2025	-	-	-	1,030,000	356,550.00	1,386,550.00	80,000	7,960.00	87,960.00	-	-	-
2026	-	-	-	1,080,000	305,050.00	1,385,050.00	80,000	5,360.00	85,360.00	-	-	-
2027	-	-	-	1,125,000	262,250.00	1,387,250.00	80,000	2,720.00	82,720.00	-	-	-
2028	-	-	-	1,180,000	206,000.00	1,386,000.00	-	-	-	-	-	-
2029	-	-	-	1,240,000	147,000.00	1,387,000.00	-	-	-	-	-	-
2030	-	-	-	1,120,000	85,000.00	1,205,000.00	-	-	-	-	-	-
2031	-	-	-	580,000	29,000.00	609,000	-	-	-	-	-	-
TOTALS	\$ 640,000	\$ 19,200.00	\$ 659,200.00	\$ 9,270,000	\$ 2,248,700.00	\$ 11,518,700	\$ 391,175	\$ 36,795.32	\$ 19,842,247.50	\$ 60,000	\$ 1,575.00	\$ 19,842,247.50

Fiscal Year Ending June 30th	2019			2019			2020			2021		
	Buses			Refunding of 2008 Bonds			Buses			Buses		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 85,000	\$ 3,937.50	\$ 88,937.50	\$ 510,000	\$ 20,400.00	\$ 530,400.00	\$ 70,000	\$ 2,513.00	\$ 72,513.00	\$ 75,000	\$ 3,600.00	\$ 78,600.00
2024	90,000	2,025	92,025.00	-	-	-	70,000	1,988	71,988.00	75,000	2,700	77,700.00
2025	-	-	-	-	-	-	70,000	1,288	71,288.00	75,000	1,800	76,800.00
2026	-	-	-	-	-	-	-	-	-	75,000	900	75,900.00
TOTALS	\$ 175,000	\$ 5,962.50	\$ 180,962.50	\$ 510,000	\$ 20,400.00	\$ 530,400.00	\$ 210,000	\$ 5,789.00	\$ 215,789.00	\$ 300,000	\$ 9,000.00	\$ 309,000.00

MATERIAL EVENT NOTICES

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 Commission pursuant to the Securities Exchange Act of 1934, the District 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 EMMA system of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, notice of the occurrence of any of the following events with respect to the Notes:

- (a) principal and interest payment delinquencies
- (b) non-payment related defaults, if material
- (c) unscheduled draws on debt service reserves reflecting financial difficulties
- (d) in the case of credit enhancement, if any, provided in connection with the issuance of the Notes, unscheduled draws on credit enhancements reflecting financial difficulties
- (e) substitution of credit or liquidity providers, or their failure to perform
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Note, or other material events affecting the tax status of the Notes
- (g) modifications to rights of Note holders, if material
- (h) note calls, if material and tender offers
- (i) defeasances
- (j) release, substitution, or sale of property securing repayment of the Note
- (k) rating changes
- (l) bankruptcy, insolvency, receivership or similar event of the District
- (m) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material
- (o) incurrence of a financial obligation (as defined in the Rule) of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, 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 District, 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 District 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 District 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 District, 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 District.

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

The District reserves the right to terminate its obligation to provide the aforescribed notices of material events, as set forth above, if and when the District no longer remains an obligated person with respect to the Notes within the meaning of the Rule. The District 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 District’s obligations under its material event notices undertaking and any failure by the District 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 District 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 District; provided that the District agrees that any such modification will be done in a manner consistent with the Rule.

An "Undertaking to Provide Notice of Material Events" to this effect shall be provided to the purchaser(s) at closing.

**POTSDAM CENTRAL SCHOOL DISTRICT
ST. LAWRENCE COUNTY, NEW YORK**

**FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION**

FOR THE FISCAL YEAR ENDED

JUNE 30, 2022

The 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.

POTSDAM CENTRAL
SCHOOL DISTRICT

MANAGEMENT'S
DISCUSSION AND
ANALYSIS

AND

BASIC FINANCIAL
STATEMENTS

For the Year Ended
June 30, 2022

**POTSDAM CENTRAL SCHOOL DISTRICT
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D'Arcangelo & Co., LLP
Certified Public Accountants & Consultants

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315-336-9220 Fax: 315-336-0836

Independent Auditor's Report

Board of Education
Potsdam Central School District

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Potsdam Central School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Potsdam Central School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Potsdam Central School District, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

New Accounting Standard

As discussed in Notes 1 and 15 to the financial statements, the School District changed its accounting policies related to the accounting and reporting of leases by adopting the Governmental Accounting Standards Board's (GASB) Statement No. 87, *Leases*. The new pronouncement changes the criteria used, and provides guidance on accounting and reporting for leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Potsdam Central School District'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.

Auditor's 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 auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Potsdam Central School District'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 Potsdam Central School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Potsdam Central School District's basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis as required by the New York State Education Department and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The Schedule of Expenditures of Federal Awards and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2022, on our consideration of the Potsdam Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Potsdam Central School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Potsdam Central School District's internal control over financial reporting and compliance.

D'Arcangelo & Co., LLP

September 26, 2022

Rome, New York

**POTSDAM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022**

The Potsdam Central School District's management discussion and analysis of financial performance provides an overall review of the District's financial activities for the fiscal years ended June 30, 2022 and 2021. The intent of this discussion and analysis is to look at the District's financial performance as a whole. This should be read in conjunction with the financial statements, which immediately follow this section.

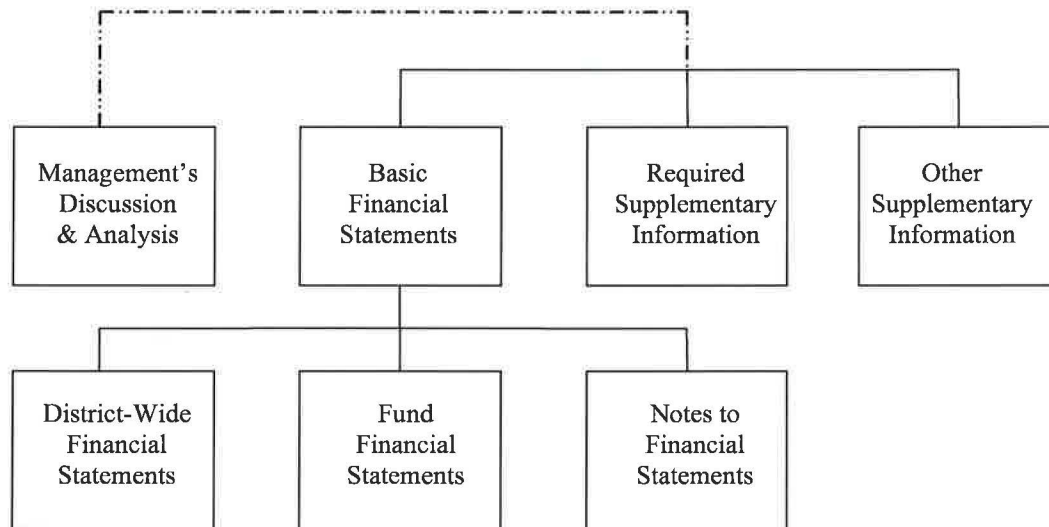
1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2022, are as follows:

- The District's total Net Position as reflected in the District-wide financial statements, decreased by \$2,487,452.
- State and Federal revenue increased by \$861,856 to \$17,972,399 in 2022 from \$17,110,543 in 2021.
- The District's expenses for the year, as reflected in the District-wide financial statements, totaled \$40,093,564. Of this amount, 10.7% was offset by program revenues. General revenues of \$33,316,784 amount to 88.6% of total revenues.
- The General Fund's total fund balance, as reflected in the fund financial statements on pages 15 and 17, decreased by the amount of \$120,459 to a balance of \$9,581,342.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – Management's Discussion and Analysis (MD&A), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements consist of district-wide financial statements, fund financial statements, and notes to the financial statements. A graphic display of the relationship of these statements follows:



**POTSDAM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022**

(Continued)

(a) District-wide Financial Statements

The District-wide financial statements are organized to provide an understanding of the fiscal performance of the District as a whole in a manner similar to a private sector business. There are two District-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the District's finances.

These statements utilize the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Position

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating, respectively.

The Statement of Activities

The Statement of Activities presents information showing the change in net position during the fiscal year. All changes in net position are recorded at the time the underlying financial event occurs. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

(b) Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the District are reported in the governmental funds and the fiduciary funds.

These statements utilize the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period that they become measurable and available. It recognizes expenditures in the period that they become measurable, funded through available resources and payable within a current period.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the District-wide financial statements. However, the governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the District's operations and the services it provides.

Because the focus of governmental funds is narrower than that of District-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the District-wide financial statements. By doing so, you may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains six individual governmental funds; General Fund, School Lunch Fund, Special Aid Fund, Miscellaneous Special Revenue Fund, Debt Service Fund, and Capital Projects Fund, each of which is considered to be a major fund and is presented separately in the fund financial statements.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District in its capacity as agent or trustee. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. The fiduciary activities have been excluded from the District's District-wide financial statements because the District cannot use these assets to finance its operations.

**POTSDAM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022**

(Continued)

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

(a) Net Position

The District's total Net Position decreased \$2,487,452 between fiscal year 2021 and 2022. A summary of the District's Statement of Net Position for June 30, 2022 and 2021, is as follows:

	2022	Restated 2021	Increase (Decrease)	Percentage Change
Current and Other Assets	\$ 24,282,741	\$ 15,261,422	\$ 9,021,319	59.1%
Capital Assets, (Net of Accumulated Depreciation)	<u>54,310,212</u>	<u>54,513,911</u>	<u>(203,699)</u>	(0.4%)
Total Assets	<u>78,592,953</u>	<u>69,775,333</u>	<u>8,817,620</u>	12.6%
Deferred Outflows of Resources	<u>26,990,443</u>	<u>32,539,741</u>	<u>(5,549,298)</u>	(17.1%)
Total Assets and Deferred Outflows	<u>\$ 105,583,396</u>	<u>\$ 102,315,074</u>	<u>\$ 3,268,322</u>	3.2%
Current and Other Liabilities	\$ 2,094,449	\$ 1,891,025	\$ 203,424	10.8%
Non-Current Liabilities	<u>139,374,652</u>	<u>140,880,941</u>	<u>(1,506,289)</u>	(1.1%)
Total Liabilities	<u>141,469,101</u>	<u>142,771,966</u>	<u>203,424</u>	0.1%
Deferred Inflows of Resources	<u>13,786,340</u>	<u>6,727,701</u>	<u>7,058,639</u>	104.9%
Total Liabilities and Deferred Inflows	<u>155,255,441</u>	<u>149,499,667</u>	<u>5,755,774</u>	3.9%
Net Position				
Net Investment in Capital Assets	\$ 41,989,563	\$ 38,776,049	\$ 3,213,514	8.3%
Restricted	5,453,766	6,770,753	(1,316,987)	(19.5%)
Unrestricted (Deficit)	<u>(97,115,374)</u>	<u>(92,731,395)</u>	<u>(4,383,979)</u>	(4.7%)
Total Net Position (Deficit)	<u>(49,672,045)</u>	<u>(47,184,593)</u>	<u>(2,487,452)</u>	(5.3%)
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 105,583,396</u>	<u>\$ 102,315,074</u>	<u>\$ 3,268,322</u>	3.2%

Current and other assets increased by \$9,021,319, as compared to the prior year. The increase is primarily due to a change in the total pension liability for both Employee Retirement System (ERS) and Teachers Retirement System (TRS) from a net pension liability to a net pension asset, a difference of \$9,904,096.

Capital assets decreased by \$203,699, as compared to the prior year. This decrease is primarily due to current year depreciation exceeding current year additions.

Deferred outflow of resources decreased by \$5,549,298, as compared to the prior year, due primarily to a decrease related to deferred outflows of resources for Other Postemployment Benefits (OPEB), ERS and TRS.

Current and other liabilities increased by \$203,424 as compared to the prior year primarily due to an increase in accounts payable in the amount of \$170,312.

Non-current liabilities decreased by \$1,506,289, as compared to the prior year. This decrease is primarily due to a change in the total pension liability for both ERS and TRS in the amount of \$1,440,131 and in bonds payable of \$2,850,000, offset by an increase in the liability for OPEB of \$3,110,967.

The net investment in capital assets is calculated by subtracting the amount of outstanding debt used for construction from the total cost of all asset acquisitions, net of accumulated depreciation. The total cost of these acquisitions includes expenditures to purchase land, construct and improve buildings, and purchase vehicles, equipment and furniture to support District operations.

**POTSDAM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022**

(Continued)

The unrestricted net position at June 30, 2022, is a deficit of \$97,115,374 which represents the amount by which the District's liabilities and deferred inflows, excluding debt related to capital construction, exceeded the District's assets and deferred outflows, other than capital and right to use assets. This is a result of the required accrual of post-retirement benefits related to GASB 75.

(b) Changes in Net Position

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format in the accompanying financial statements. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2022 and 2021 is as follows.

Revenues	2022	2021	Increase (Decrease)	Percentage Change
Program Revenues				
Charges for Services	\$ 228,095	\$ 65,345	\$ 162,750	249.1%
Operating Grants	4,061,233	2,489,665	1,571,568	63.1%
Capital Grants		233,536	(233,536)	(100.0%)
General Revenues				
Property Taxes and STAR	14,235,039	14,082,066	152,973	1.1%
State and Federal Sources	17,972,399	17,110,543	861,856	5.0%
Other	1,109,346	1,259,937	(150,591)	(12.0%)
Total Revenues	<u>\$ 37,606,112</u>	<u>\$ 35,241,092</u>	<u>\$ 2,365,020</u>	6.7%
Expenses				
General Support	\$ 4,200,208	\$ 4,690,775	\$ (490,567)	(10.5%)
Instruction	32,513,222	30,069,372	2,443,850	8.1%
Pupil Transportation	2,336,204	2,485,160	(148,956)	(6.0%)
Debt Service-Unallocated Interest	430,355	535,828	(105,473)	(19.7%)
Food Service Program	613,575	625,212	(11,637)	(1.9%)
Total Expenses	<u>\$ 40,093,564</u>	<u>\$ 38,406,347</u>	<u>\$ 1,687,217</u>	4.4%
Total Change in Net Position	<u>\$ (2,487,452)</u>	<u>\$ (3,165,255)</u>	<u>\$ 677,803</u>	

The District's revenues increased by \$2,365,020. The major factors that contributed to the increase were:

- State and Federal revenue received by the district increased by \$861,856 from 2021 to 2022.
- Property taxes and STAR increased by \$152,973.
- Operating Grants increased by \$1,571,568 due to COVID-19 related Education Stabilization Fund grants recognized during the year.

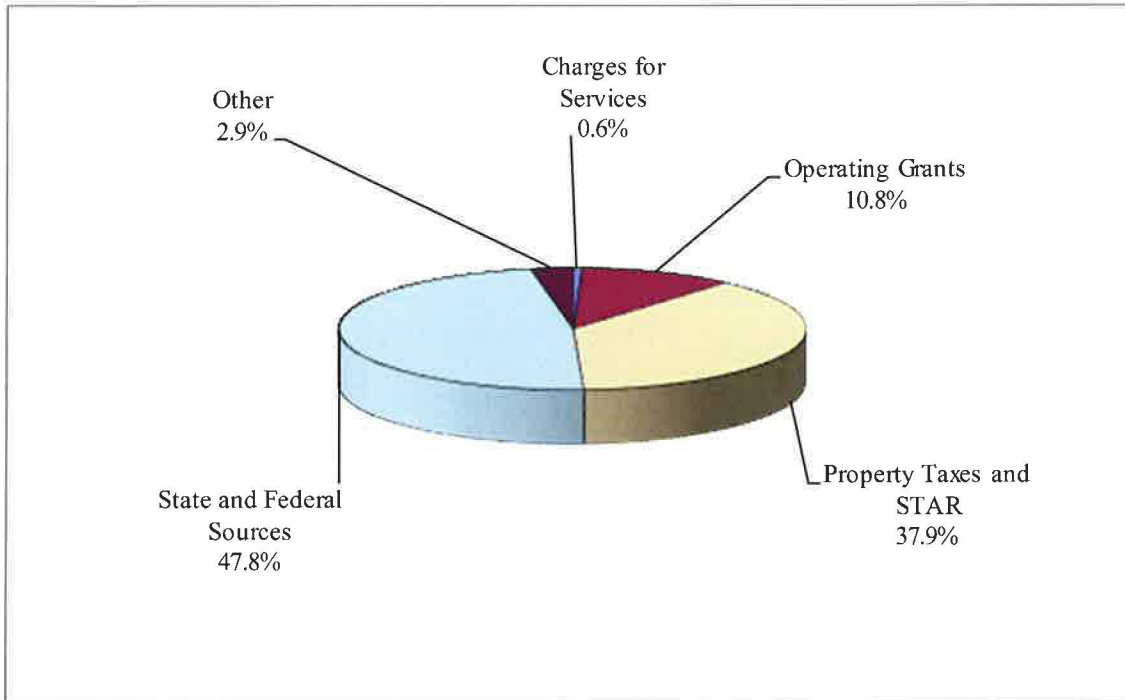
The District's expenditures for the year increased by \$1,687,217 or 4.4% primarily in Instruction due to enhanced instructional programs which were covered by COVID-19 Education Stabilization Fund grants.

**POTSDAM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022**

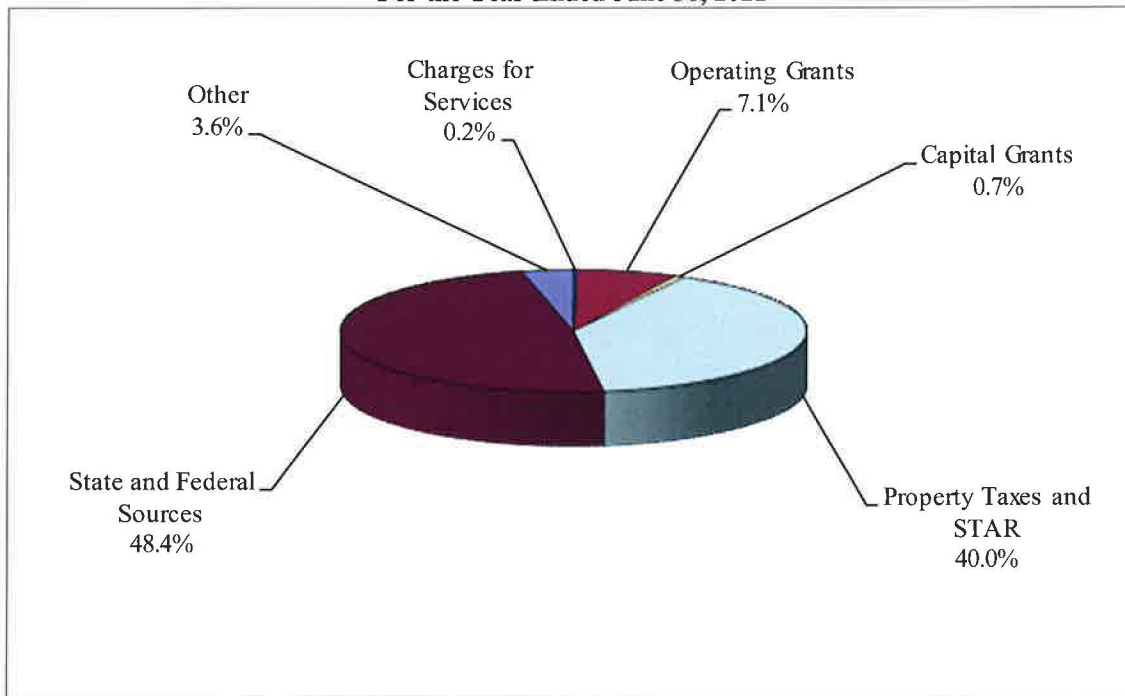
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A graphic display of the distribution of revenues for the two years follows:

For the Year Ended June 30, 2022



For the Year Ended June 30, 2021



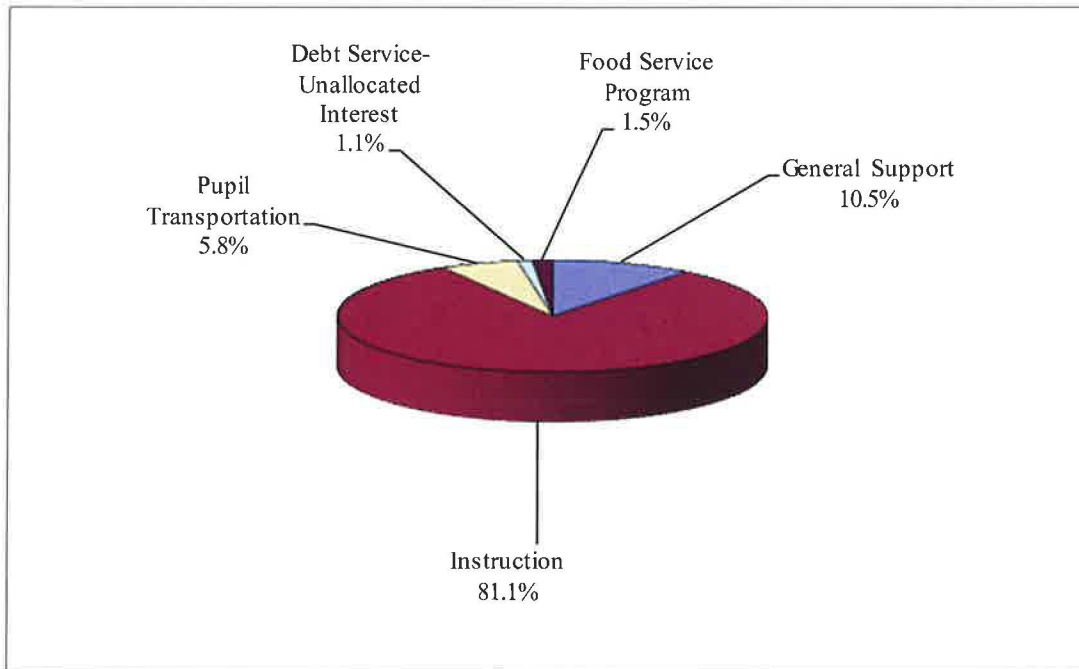
See Independent Auditor's Report

**POTSDAM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022**

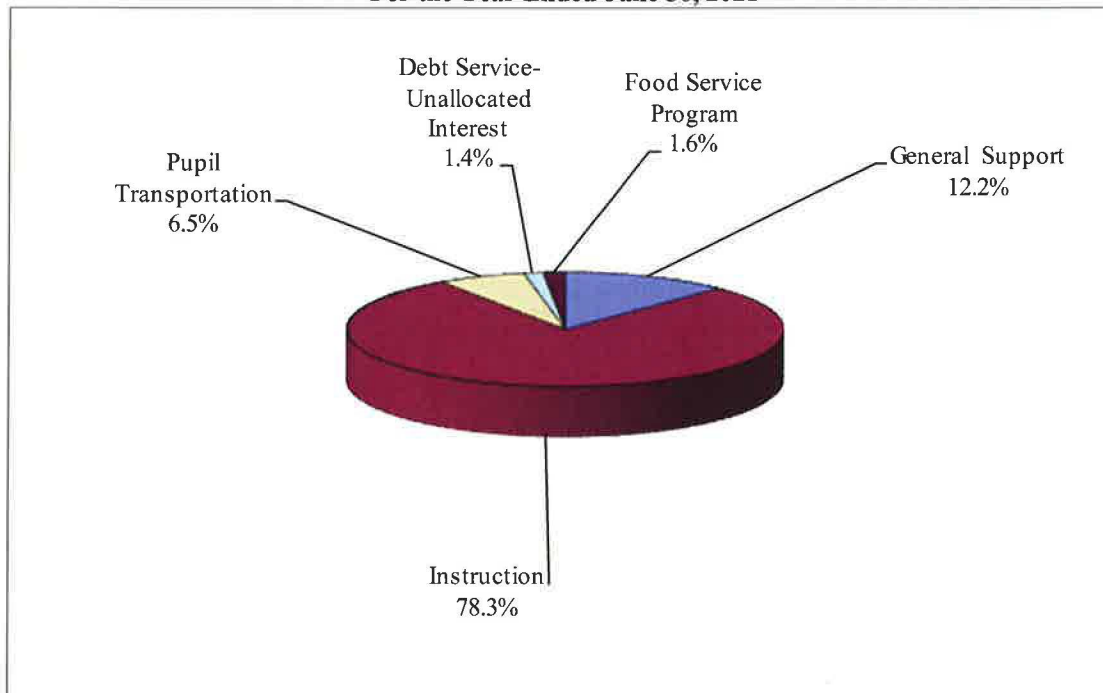
(Continued)

A graphic display of the distribution of expenses for the two years follows:

For the Year Ended June 30, 2022



For the Year Ended June 30, 2021



See Independent Auditor's Report

**POTSDAM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022**

(Continued)

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2022, the District's governmental funds reported a combined fund balance of \$12,295,437 which is a decrease of \$1,095,495 from the prior year. A summary of the change in fund balance by fund is as follows:

	2022	2021	Increase (Decrease)
General Fund			
Restricted for:			
Capital	\$ 250,396	\$ 250,000	\$ 396
Tax Certiorari	552,564	551,656	908
Unemployment Insurance	225,330	224,959	371
Retirement Contribution - ERS	1,294,033	1,291,906	2,127
Retirement Contribution - TRS	330,202	329,659	543
Employee Benefit Accrued Liability	610,188	667,614	(57,426)
Total Restricted	<u>3,262,713</u>	<u>3,315,794</u>	<u>(53,081)</u>
Assigned			
General Support	46,820	79,934	(33,114)
Instruction	2,330	259,740	(257,410)
Pupil Transportation		23,073	(23,073)
Employee Benefits		31	(31)
Appropriated for Subsequent Year's Budget	<u>2,933,541</u>	<u>2,365,034</u>	<u>568,507</u>
Total Assigned	<u>2,982,691</u>	<u>2,727,812</u>	<u>254,879</u>
Unassigned	<u>3,335,938</u>	<u>3,658,195</u>	<u>(322,257)</u>
Total General Fund	<u>9,581,342</u>	<u>9,701,801</u>	<u>(120,459)</u>
School Lunch Fund			
Nonspendable	26,081	33,180	(7,099)
Assigned	<u>496,961</u>	<u>252,240</u>	<u>244,721</u>
Total School Lunch Fund	<u>523,042</u>	<u>285,420</u>	<u>237,622</u>
Special Aid Fund			
Unassigned (Deficit)	<u> </u>	<u>(51,248)</u>	<u>51,248</u>
Miscellaneous Special Revenue Fund			
Restricted for Scholarships	<u>283,438</u>	<u>300,535</u>	<u>(17,097)</u>
Debt Service Fund			
Restricted for Debt Service	<u>1,605,358</u>	<u>1,602,793</u>	<u>2,565</u>
Capital Fund			
Restricted for Capital Projects	<u>302,257</u>	<u>1,551,631</u>	<u>(1,249,374)</u>
Total Fund Balance - All Funds	<u>\$ 12,295,437</u>	<u>\$ 13,390,932</u>	<u>\$ (1,095,495)</u>

5. GENERAL FUND BUDGETARY HIGHLIGHTS

(a) 2021-2022 Budget

The District's general fund adopted budget for the year ended June 30, 2022, was \$35,815,351. This is an increase of \$1,029,610 from the prior year's adopted budget.

**POTSDAM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022**

(Continued)

(b) Change in General Fund's Unassigned Fund Balance (Budget to Actual)

The general fund's unassigned fund balance is the component of total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves and designations to fund the subsequent year's budget. It is this balance that is commonly referred to as the "fund balance." The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening, Unassigned Fund Balance	\$ 3,658,195
Revenues Over/(Under) Budget	520,269
Expenditures and Encumbrances Under Budget	2,431,193
Reduction for Unspent Encumbrances	6,741
Net Decrease to Reserved Funds	53,081
Appropriated Reserves	(400,000)
Appropriated for June 30, 2023 Budget	<u>(2,933,541)</u>
Closing, Unassigned Fund Balance	<u>\$ 3,335,938</u>

Opening, Unassigned Fund Balance

The \$3,658,195 shown in the table is the portion of the District's June 30, 2021, fund balance that was retained as unassigned. This was 10.21% of the District's 2021-2022 approved operating budget.

Revenues Over Budget

The 2021-2022 budget for revenues was \$33,050,317. The actual revenues received for the year were \$33,570,586. The actual revenue under estimated or budgeted revenue less appropriated reserves was \$520,269.

Expenditures and Encumbrances Under Budget

The 2021-2022 budget for expenditures was \$36,171,388. The actual expenditures and encumbrances were \$33,740,195. The final budget was underexpended by \$2,431,193. This under expenditure contributes to the change to the unassigned portion of the general fund balance from June 30, 2021 to June 30, 2022.

Reduction for Unspent Encumbrances

This represents the change in the amount encumbered from prior year fund balance that was rolled into the 2021-2022 budget.

Net Decrease to Reserve Funds

In 2021-2022, reserve funds decreased by \$53,081, mostly due to the expense of funds in the Employee Benefit Accrued Liability Reserve.

Appropriated Reserves

During 2021-2022, the School District appropriated \$400,000 of reserves to use towards the funding the 2021-2022 budget.

Appropriated Fund Balance

The District has chosen to use \$2,933,541 of its available June 30, 2022, fund balance to partially fund its 2022-2023 approved operating budget.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the District will begin the 2022-2023 fiscal year with an unassigned fund balance of \$3,335,938. This is a decrease of \$322,257 from the prior year unassigned fund balance. This was 9.12% of the District's 2022-2023 approved operating budget.

**POTSDAM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022**

(Continued)

6. CAPITAL ASSET AND DEBT ADMINISTRATION

(a) Capital Assets

At June 30, 2022, the District had invested in a broad range of capital assets, including land, buildings and improvements and equipment. The net decrease in capital assets is due to depreciation recorded exceeding capital additions for the year ended June 30, 2022. A summary of the District's capital assets, net of accumulated depreciation at June 30, 2022 and 2021, is as follows:

	2022	2021	Increase/ (Decrease)
Land	\$ 72,000	\$ 72,000	\$
Construction in Process	1,926,981	575,312	1,351,669
Buildings and Improvements	50,593,733	52,176,625	(1,582,892)
Vehicles, Furniture, and Equipment	1,717,498	1,689,974	27,524
Capital Assets, Net	<u>\$ 54,310,212</u>	<u>\$ 54,513,911</u>	<u>\$ (203,699)</u>

(b) Debt Administration

At June 30, 2022, the District had total bonds payable of \$11,165,000. A summary of the outstanding debt at June 30, 2022 and 2021, is as follows:

Issue Date	Interest Rate	2022	2021	Increase (Decrease)
9/22/2017	1.00	\$	\$ 45,000	\$ (45,000)
7/26/2018	2.125-2.250	60,000	125,000	(65,000)
7/11/2019	0.30-1.84	175,000	260,000	(85,000)
8/27/2020	0.30-1.84	210,000	275,000	(65,000)
7/29/2021	1.20	300,000		300,000
12/8/2015	4.50	640,000	2,040,000	(1,400,000)
6/15/2016	2.0-5.0	9,270,000	10,160,000	(890,000)
11/13/2019	2.0-4.0	510,000	1,110,000	(600,000)
		<u>\$ 11,165,000</u>	<u>\$ 14,015,000</u>	<u>\$ (2,850,000)</u>

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Potsdam Central School District increased the appropriated fund balance by \$568,507 to \$2,933,541 applied to the 2022-23 operating budget.

The Potsdam Central School District will upgrade the District wide phone system for the 2022-23 capital outlay project of \$100,000.

The District continues to monitor the plans created for the use of federal funds awarded under the CRRSA (Coronavirus Response and Relief Supplemental Appropriation) Act and \$3,175,761 under the ARP (American Rescue Plan) Act for the 3-year period from March 13, 2020 through September 20, 2024. These funds are to be used to address the impact that COVID-19 has had on the elementary and secondary schools. Priorities to be addressed are lost instructional time and academic performance gaps, social and emotional support, and implementation of evidence based interactions.

The undesignated fund balance has decreased by \$328,998 from the prior year. This is due to the 2021-22 expenditures in excess of the revenues, as well as the increase in appropriated fund balance.

8. CONTACTING THE DISTRICT

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, at 29 Leroy Street, Potsdam, NY 13676.

POTSDAM CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2022

Assets

Cash and Cash Equivalents	\$ 6,737,032
Restricted Cash and Cash Equivalents	5,332,099
Investments - Restricted	111,930
Receivables	
State and Federal Aid	1,953,370
Other Receivables	208,746
Inventory	26,081
Net Pension Asset-Proportionate Share	9,904,096
Right to Use Leased Assets, Net of Amortization	9,387
Capital Assets (Net of Accumulated Depreciation)	<u>54,310,212</u>
Total Assets	<u>78,592,953</u>

Deferred Outflows of Resources

Other Postemployment Benefits	20,384,257
Pensions	<u>6,606,186</u>
Total Deferred Outflows of Resources	<u>26,990,443</u>

Total Assets and Deferred Outflow of Resources \$ 105,583,396

Liabilities

Accounts Payable	\$ 228,920
Accrued Liabilities	178,971
Accrued Interest	20,628
Due To	
Other Governments	514,242
Teachers' Retirement System	1,033,073
Employees' Retirement System	71,060
Overpayments and Collections in Advance	42,818
Other Liabilities	4,737
Noncurrent Liabilities	
Due Within One Year	
Bonds Payable	2,375,000
Due in More Than One Year	
Bonds Payable	8,790,000
Unamortized Bond Premiums	1,457,556
Other Postemployment Benefits	126,095,228
Compensated Absences	<u>656,868</u>
Total Liabilities	<u>141,469,101</u>

Deferred Inflows of Resources

Other Postemployment Benefits	998,163
Pensions	<u>12,788,177</u>
Total Deferred Inflows of Resources	<u>13,786,340</u>

Total Liabilities and Deferred Inflow of Resources 155,255,441

Net Position

Net Investment in Capital Assets	41,989,563
Restricted	5,453,766
Unrestricted (Deficit)	<u>(97,115,374)</u>
Total Net Position (Deficit)	<u>(49,672,045)</u>

Total Liabilities, Deferred Inflow of Resources, and Net Position \$ 105,583,396

The Accompanying Notes are an Integral Part of These Financial Statement.

POTSDAM CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
General Support	\$ 4,200,208	\$	\$	\$ (4,200,208)
Instruction	32,513,222	158,465	3,185,214	(29,169,543)
Pupil Transportation	2,336,204			(2,336,204)
Debt Service - Unallocated Interest	430,355			(430,355)
Food Service	613,575	69,630	876,019	332,074
Total Functions/Programs	<u>\$ 40,093,564</u>	<u>\$ 228,095</u>	<u>\$ 4,061,233</u>	<u>\$ (35,804,236)</u>
General Revenues				
Real Property Taxes				\$ 12,644,739
STAR and Other Real Property Tax Items				1,590,300
Use of Money and Property				549,639
Sales of Property and Compensation for Loss				37,380
State and Federal Sources				17,972,399
Miscellaneous				<u>522,327</u>
Total General Revenues				<u>33,316,784</u>
Change in Net Position				<u>(2,487,452)</u>
Net Position (Deficit), Beginning of Year				(47,189,318)
Cumulative Effect of Change in Accounting Principle				<u>4,725</u>
Net Position (Deficit), Beginning of Year (Restated)				<u>(47,184,593)</u>
Net Position (Deficit), End of Year				<u>\$ (49,672,045)</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**POTSDAM CENTRAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS**

June 30, 2022

	General	School Lunch	Special Aid	Miscellaneous Special Revenue	Debt Service	Capital	Total
Assets							
Cash and Cash Equivalents	\$ 6,365,310	\$ 328,451	\$ 43,271	\$	\$	\$	\$ 6,737,032
Restricted Cash and Cash Equivalents	3,262,713			171,508	1,605,358	292,520	5,332,099
Investments - Restricted				111,930			111,930
Receivables							
State and Federal Aid	1,237,204	167,650	548,516				1,953,370
Due from Other Funds	408,455	141	1,203			9,737	419,536
Other Receivables	114,151	1,417	93,178				208,746
Inventory		26,081					26,081
Total Assets	<u>\$ 11,387,833</u>	<u>\$ 523,740</u>	<u>\$ 686,168</u>	<u>\$ 283,438</u>	<u>\$ 1,605,358</u>	<u>\$ 302,257</u>	<u>\$ 14,788,794</u>
Liabilities							
Payables							
Accounts Payable	\$ 158,395	\$	\$ 70,525	\$	\$	\$	\$ 228,920
Accrued Liabilities	172,599	698	5,674				178,971
Due To							
Other Governments	317,465		196,777				514,242
Other Funds	11,081		408,455				419,536
Teachers' Retirement System	1,033,073						1,033,073
Employees' Retirement System	71,060						71,060
Overpayments and Collections in Advance	42,818						42,818
Other Liabilities			4,737				4,737
Total Liabilities	<u>1,806,491</u>	<u>698</u>	<u>686,168</u>				<u>2,493,357</u>
Fund Balances							
Nonspendable		26,081					26,081
Restricted	3,262,713			283,438	1,605,358	302,257	5,453,766
Assigned	2,982,691	496,961					3,479,652
Unassigned	3,335,938						3,335,938
Total Fund Balances	<u>9,581,342</u>	<u>523,042</u>		<u>283,438</u>	<u>1,605,358</u>	<u>302,257</u>	<u>12,295,437</u>
Total Liabilities and Fund Balances	<u>\$ 11,387,833</u>	<u>\$ 523,740</u>	<u>\$ 686,168</u>	<u>\$ 283,438</u>	<u>\$ 1,605,358</u>	<u>\$ 302,257</u>	<u>\$ 14,788,794</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

POTSDAM CENTRAL SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2022

Total Governmental Fund Balances	\$ <u>12,295,437</u>
----------------------------------	----------------------

The cost of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Position includes those capital assets among the assets of the School District as a whole, and their original costs are expensed annually over their useful lives.

Original Cost of Capital Assets	88,034,221
Accumulated Depreciation	(33,724,009)
Right to Use Leased Assets	303,407
Accumulated Amortization	<u>(294,020)</u>
	<u>54,319,599</u>

Proportionate share of long-term liability associated with participation in state retirement system are not current financial resources or obligations and are not reported in the funds.

Net Pension Asset - Proportionate Share	9,904,096
Deferred Outflows - Pensions	6,606,186
Deferred Inflows - Pensions	<u>(12,788,177)</u>
	<u>3,722,105</u>

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.
Long-term liabilities at year end consist of:

Bonds Payable	(11,165,000)
Accrued Interest on Bonds Payable	(20,628)
Other Post Employment Liabilities	(126,095,228)
Unamortized Premiums	(1,457,556)
Deferred Outflows - OPEB	20,384,257
Deferred Inflows - OPEB	(998,163)
Compensated Absences Payable	<u>(656,868)</u>
	<u>(120,009,186)</u>

Total Net (Deficit)	\$ <u>(49,672,045)</u>
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POTSDAM CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

	General	School Lunch	Special Aid	Miscellaneous Special Revenue	Debt Service	Capital	Total
Revenues							
Real Property Taxes	\$ 12,644,739	\$	\$	\$	\$	\$	\$ 12,644,739
STAR and Other Real Property Tax Items	1,590,300						1,590,300
Charges for Services	158,465						158,465
Use of Money and Property	546,567	16		23	2,565	468	549,639
Sale of Property and Compensation for Loss	37,380						37,380
Miscellaneous	479,407	33,786		9,134			522,327
State Aid	17,972,399	16,831	1,045,226				19,034,456
Federal Aid	141,329	859,188	1,998,659				2,999,176
School Lunch Sales		69,630					69,630
Total Revenues	<u>33,570,586</u>	<u>979,451</u>	<u>3,043,885</u>	<u>9,157</u>	<u>2,565</u>	<u>468</u>	<u>37,606,112</u>
Expenditures							
General Support	3,620,062	246,182		26,254		87,224	3,979,722
Instruction	15,704,707		2,537,335			1,264,445	19,506,487
Pupil Transportation	1,182,150		50,313			366,910	1,599,373
Food Service Program		423,271					423,271
Employee Benefits	9,172,347	72,481	478,165				9,722,993
Debt Service - Principal	3,223,000						3,223,000
Debt Service - Interest	619,761						619,761
Total Expenditures	<u>33,522,027</u>	<u>741,934</u>	<u>3,065,813</u>	<u>26,254</u>		<u>1,718,579</u>	<u>39,074,607</u>
Excess (Deficit) Revenues Over Expenditures	<u>48,559</u>	<u>237,517</u>	<u>(21,928)</u>	<u>(17,097)</u>	<u>2,565</u>	<u>(1,718,111)</u>	<u>(1,468,495)</u>
Other Financing Sources (Uses)							
Proceeds of Debt						373,000	373,000
Transfers from Other Funds		105	73,176			95,737	169,018
Transfers to Other Funds	(169,018)						(169,018)
Total Other Financing Sources (Uses)	<u>(169,018)</u>	<u>105</u>	<u>73,176</u>			<u>468,737</u>	<u>373,000</u>
Excess (Deficit) Revenues Over Expenditures and Other Financing Sources(Uses)	<u>(120,459)</u>	<u>237,622</u>	<u>51,248</u>	<u>(17,097)</u>	<u>2,565</u>	<u>(1,249,374)</u>	<u>(1,095,495)</u>
Fund Balances, Beginning of Year	<u>9,701,801</u>	<u>285,420</u>	<u>(51,248)</u>	<u>300,535</u>	<u>1,602,793</u>	<u>1,551,631</u>	<u>13,390,932</u>
Fund Balance, End of Year	<u>\$ 9,581,342</u>	<u>\$ 523,042</u>	<u>\$</u>	<u>\$ 283,438</u>	<u>\$ 1,605,358</u>	<u>\$ 302,257</u>	<u>\$ 12,295,437</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

POTSDAM CENTRAL SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES AND
EXPENDITURES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

Net Changes in Fund Balances - Total Governmental Funds	\$	(1,095,495)
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Capital Outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their useful lives as depreciation expense in the Statement of Activities. This is the amount by which depreciation exceeded capital outlay in the period.

Depreciation and Amortization Expense	(1,997,440)	
Capital Outlay	<u>1,798,403</u>	(199,037)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayments of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which payments exceeded proceeds.

Proceeds of Serial Bonds	(373,000)	
Repayment Bond Principal	<u>3,223,000</u>	2,850,000

Certain expenses in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Changes are as follows:

Accrued Interest on Serial Bonds	4,632	
Compensated Absences	61,819	
Amortization of DASNY Premium	265,306	
Amortization on Refunding Bond Charge	(80,532)	
Pension Expense	1,836,610	
Other Post-Employment Benefits	<u>(6,130,755)</u>	<u>(4,042,920)</u>

Change in Net Position Governmental Activities	\$	<u>(2,487,452)</u>
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The Accompanying Notes are an Integral Part of These Financial Statements.

**POTSDAM CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2022**

	Custodial Fund
Assets	
Cash and Cash Equivalents - Restricted	\$ <u>87,115</u>
Net Position	
Restricted for Extraclassroom Activities	\$ <u>87,115</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

POTSDAM CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2022

	<u>Custodial Fund</u>
Additions	
Club Fundraising Activities	\$ 182,633
Deductions	
Club Activities	<u>197,678</u>
Change in Net Position	(15,045)
Net Position, Beginning of Year	<u>102,160</u>
Net Position, End of Year	<u><u>\$ 87,115</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**POTSDAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Potsdam Central School District (the School District) have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as they apply to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Certain significant accounting principles and policies utilized by the School District are described below:

Reporting Entity

The School District is governed by the laws of New York State. The School District is an independent entity governed by an elected Board of Education consisting of nine members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the School District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal members.

The reporting entity of the School District is based upon criteria set forth by GASB. The financial reporting entity consists of the primary government, 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 financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the School District. The School District is not a component unit of another reporting entity. The decision to include a potential component unit in the School District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of certain entities included in the School District's reporting entity.

Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the School District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the School District's business office. The School District accounts for assets held as an agent for various student organizations in a custodial fund.

Joint Venture

The School District is a component district in the St. Lawrence-Lewis County Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs, which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

BOCES are organized under §1950 of the New York State Education Law. A BOCES' Board is considered a corporate body. Members of a BOCES' Board are nominated and elected by their component member boards in accordance with provisions of §1950 of the New York State Education Law. All BOCES' property is held by the BOCES' Board as a corporation [§1950(6)]. In addition, BOCES' Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n(a) of the New York State General Municipal Law.

A BOCES' budget is comprised of separate budgets for administrative, program, and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment, as defined in the New York State Education Law, §1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

During the year, the School District was billed \$6,176,954 for BOCES' administrative and program costs. Financial statements for the BOCES' are available from the St. Lawrence-Lewis County BOCES' administrative office.

Basis of Presentation

(a) District-wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the School District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions.

**POTSDAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary grants.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

(b) Fund Financial Statements

The fund statements provide information about the School District's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All funds of the School District are displayed as major funds. The School District reports the following major governmental funds:

General Fund: This is the School District's primary operating fund. This accounts for all financial resources not accounted for and reported in another fund.

Special Revenue Funds:

Special Aid Fund: This fund accounts for the proceeds of Federal and State grants that are legally restricted to expenditures for specified purposes.

Miscellaneous Special Revenue Fund: This Fund is used to account for arrangements in which principal and income benefits annual third-party awards and scholarships. Established criteria govern the use of the funds and members of the district or representatives of the donors may serve on committees to determine who benefits.

School Lunch Fund: This fund is used to account for transactions of the School District's lunch and breakfast programs.

Capital Projects Fund: This fund is used to account for and report financial resources that are restricted or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds: This fund accounts for and reports financial resources that are restricted to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated.

(c) Fiduciary Funds

This fund is used to account for fiduciary activities. Fiduciary activities are those in which the School District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the School District, and are not available to be used. There is one class of fiduciary funds:

Custodial Fund: These funds are strictly custodial in nature. Assets are held by the School District as agent for various student groups or extraclassroom activity funds.

Measurement Focus and Basis of Accounting

The District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the School District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if the revenues are collected within 90 days after the end of the fiscal year.

POTSDAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of OPEB liabilities, pension liabilities, encumbrances, compensated absences, potential contingent liabilities, and useful lives of long-lived assets.

Cash and Cash Equivalents

The School District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. The District's cash and investment policies are governed by State statutes and District policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Investments are stated at fair value. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and Districts.

Property Taxes

Real property taxes are levied annually by the Board of Education and become a lien no later than September 1. Taxes are collected during the period September 1 to October 31. Uncollected real property taxes are subsequently enforced by St. Lawrence County. An amount representing uncollected real property taxes transmitted to the county for enforcement is paid by the county to the School District no later than the forthcoming April 1.

Receivables

Receivables are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

Investments

Investments held by the School District are stated at fair value. Changes in the fair value of the investments and interest in dividends are reported as investment income.

Interfund Transactions and Transfers

The operations of the School District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The School District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services. Such transfers are made in accordance with state and local laws.

The amounts reported on the Statement of Net Position for due to and due from other funds represents amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the interfund transactions for governmental funds throughout the year is shown in Note 10 to the financial statements.

Inventories

The inventories of food and/or supplies in the School Lunch Fund are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at stated value, which approximates market. Purchases of inventory items in other funds are recorded as expenditures at the time of purchase, and year-end balances are not maintained.

Capital Assets

Capital assets are reported at actual cost. Donated assets are reported at estimated fair market value at the time received.

**POTSDAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

The School District uses capitalization thresholds of \$3,500, (the dollar value above which asset acquisitions are added to the capital asset accounts). The School District uses the straight-line method of depreciation over the following estimated useful lives of capital assets reported in the District-wide statements:

	<u>Useful Lives</u>	<u>Depreciation Method</u>
Land Improvements	20 Years	Straight Line
Machinery and Equipment	5-20 Years	Straight Line
Buildings and Improvements	50 Years	Straight Line

Right to Use Leased Assets

The District has recorded right to use lease assets as a result of implementing GASB 87 – Leases. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term. The right to use assets are amortized on a straight-line basis over the life of the related lease, which range from 3-5 years.

Deferred Outflow 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, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. The first is related to pensions reported in the District-wide Statement of Net Position. This represents the effect of the net change in the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The second item is related to other postemployment benefits (OPEB) reported on the District-wide Statement of Position and represents the effect of differences between expected and actual experience and changes in assumptions during the year. These amounts are deferred and will be recognized in OPEB expense over the next several years. The third relates to a deferred outflow of funds due to a deferred charge on the advance refunding of bonds. This charge is being amortized over the life of the remaining debt.

Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The first item is related to pensions reported in the District-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS and TRS System) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

Compensated Absences

Compensated absences consist of unpaid accumulated sick leave, vacation, and sabbatical time.

The School District's employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Sick leave eligibility and accumulation is specified in negotiated labor contracts and in individual employment contracts. Upon retirement, resignation, or death, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

Consistent with GASB, an accrual for accumulated sick leave is included in the compensated absences liability at year end. The compensated absences liability is calculated based on the pay rates in effect at year end.

In the funds statements, only the amount of matured liabilities is accrued within the General Fund based upon expendable and available financial resources. Those amounts are expensed on a pay-as-you-go basis.

Retirement Plans

The School District's employees participate in the New York State Employees' Retirement System and the New York State Teachers' Retirement System.

**POTSDAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

Short-Term Debt

The District may issue Bond Anticipation Notes (BAN) and Revenue Anticipation Notes (RAN) 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.

Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities, and long-term obligations are reported in the District-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the District's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Position.

Unearned Revenue

Unearned revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Unearned revenues also arise when resources are received by the School District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the School District has legal claim to the resources, the liability for unearned revenues is removed and revenues are recorded.

Equity Classifications

(a) District-wide Statement

In the District-wide statements there are three classes of Net Position:

Net Investment in Capital Assets - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvements of those assets.

Restricted Net Position – reports Net Position when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – reports all other Net Positions that do not meet the definition of the above two classifications and are deemed to be available for general use by the District.

(b) Fund Statements

The School District follows GASB's authoritative guidance under GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

The following classifications describe the relative strength of the spending constraints:

Non-Spendable

This category includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the School Lunch Fund.

Restricted Resources

This category includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. Generally, the District's policy is to use restricted resources only when appropriated by the Board of Education. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the School District's policy concerning which to apply first varies with the intended use, and with associated legal requirements.

**POTSDAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

The School District has established the following restricted fund balances:

- **Unemployment Insurance Reserve** – According to General Municipal Law §6-m, must be used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the School District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the General Fund.
- **Retirement Contribution** – According to General Municipal Law §6-r must be used for financing retirement contributions to the New York State and Local Employees' Retirement System. This reserve is established by Board resolution and is funded by budgetary appropriation and such other reserves and funds that may be legally appropriated. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the General Fund. Effective April 1, 2019, a Board may adopt a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, not to exceed a total of 10%. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal Law §6-r.
- **Reserve for Employee Benefits Accrued Liability** – According to General Municipal Law §6-p, must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.
- **Reserve for Tax Certiorari** – Tax Certiorari Reserve (Education Law §3651.1-a) is used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed that amount, which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year deposit of these monies. The reserve is accounted for in the General Fund.
- **Capital Reserve** – According to Education Law §3651, this reserve must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund required authorization by a majority of the voters establishing the purpose of the reserve, the ultimate amount, its probable term, and the source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set for in §3651 of the Education Law. This reserve is accounted for in the General Fund.
- **Miscellaneous Special Revenue Fund** – This fund is used to account for various endowment and scholarship awards.
- **Capital Fund** – This Fund is used to account for and report the financial resources that are restricted by a voter approved proposition for acquisition, construction, or major repair of capital facilities.
- **Debt Service Fund** – This fund is used to account for and report the financial resources that are restricted to pay debt service. The funds include unused debt proceeds and interest and earnings on the temporary investment of debt proceeds.

Unrestricted Resources

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the School District has provided otherwise in its commitment or assignment actions.

**POTSDAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

- **Committed** - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision making authority; i.e. the Board of Education. The School District has no committed fund balances as of June 30, 2022.
- **Assigned** - Includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances other than in the Capital Fund are classified as Assigned Fund Balance in the respective fund. The amount appropriated for the subsequent year's budget of the General fund is also classified as Assigned Fund Balance in the General Fund.
- **Unassigned** - Includes all other net assets that do not meet the definition of the above classifications and are deemed to be available for general use by the School District. In other Governmental Funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned, then it may be necessary to report negative unassigned Fund Balances in the respective fund.

Restricted for Extraclassroom Activity

This reserve is used to account for various student groups or extraclassroom activities. This reserve is accounted for in the Custodial Fund.

Order of Use of Fund Balance

In circumstances where an expenditure is incurred for the purpose for which amounts are available in multiple fund balance classifications, (e.g. expenditures related to reserves) the Board will assess the current financial condition of the School District and then determine the order of expenditures to which the fund balance classification will be charged.

New Accounting Standard

Effective July 1, 2021, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. GASB Statement No. 87 enhances the relevance and consistency of information of the District's leasing activities. It establishes requirements for lease account based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resource.

2. DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the District-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic resource management focus of the Statement of Activities, compared with the current financial resource management focus of the governmental funds.

Total Fund Balances of Governmental Funds Compared to Net Position of Governmental Activities

Total fund balances of the School District's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheet.

Statement of Revenues, Expenditures, and Changes in Fund Balances Compared To. Statement of Activities

Differences between the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balance and the Statement of Activities fall into one of six broad categories. The amounts shown below represent:

(a) Long-Term Revenue Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available," whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

(b) Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

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(c) Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

(d) Employee Benefit Allocation

Expenditures for employee benefits are not allocated a specific function on the Statement of Revenues, Expenditures, and Changes in Fund Balances based on the requirements of New York State. These costs have been allocated based on total salary for each function.

(e) Pension Differences

Pension differences occur as a result of changes in the District's proportion of the collective net pension asset/liability and differences between the District's contributions and its proportionate share of the total contributions to the pension systems.

(f) OPEB Differences

Pension differences occur as a result of change in the School District's total OPEB liability and differences between the School District's contributions and OPEB expense.

3. STEWARDSHIP AND COMPLIANCE

Fund Balance Limitations

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the School District's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

At June 30, 2022, the School District's unassigned fund balance was 9.12% of the 2022-2023 budget, which is not in compliance with laws and regulations.

Statutory Debt Limit

At June 30, 2022, the School District was in compliance with the statutory debt limit.

Budgetary Procedures and Budgetary Accounting

The School District administration prepares a proposed budget for approval by the Board of Education and the voters of the School District for the General Fund for which legal (appropriated) budgets are adopted:

The voters of the School District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. The budget and actual comparison for the Special Revenue Funds (if any) reflects budgeted and actual amounts only for funds with legally authorized (appropriated) budgets.

4. CASH AND CASH EQUIVALENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. While the School District does not have a specific policy for custodial credit risk, New York State statutes govern the School District's investment policies, as discussed previously in these notes. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

- A. Uncollateralized;

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- B. Collateralized by securities held by the pledging financial institution, or
- C. Collateralized by securities held by the pledging financial institution's trust department or agent but not in the District's name.

As of June 30, 2022, the School District's bank balances totaling \$6,954,076 were fully collateralized by securities held by an agent of the pledging financial institution in the School District's name, FDIC insurance and NCUA insurance and were not exposed to custodial credit risk.

Restricted Cash and Cash Equivalents

Restricted cash of \$3,262,713 in the General Fund represents the following:

Description	Amount
Reserve for Employee Benefit Accrued Liability	\$ 610,188
Reserve for Tax Certiorari	552,564
Reserve for Retirement Contributions	1,624,235
Unemployment Insurance	225,330
Capital Reserve	250,396
Total	<u>\$ 3,262,713</u>

Restricted cash and investments of \$283,438 in the Miscellaneous Special Revenue Fund represents funds gifted to the school district for scholarships and awards.

Restricted cash in the amount of \$292,520 in the Capital Fund represents funds restricted for capital projects approved by the voters.

Restricted cash \$1,605,358 in the Debt Service Fund represent funds reserved to offset future debt service payments.

5. INVESTMENTS

The District has few investments (primarily donated scholarship funds), and chooses to disclose its investments by specifically identifying each. The District's investment policy for these investments is also governed by New York State statutes. Investments are stated at fair value including the common stock held in the Miscellaneous Special Revenue Fund that were donated to the District.

Investments at June 30, 2022 are comprised of the following:

	Cost	Fair Value	Unrealized Gain
Cash	\$ 41	\$ 41	\$
Mutual Funds	111,889	111,889	
Total	<u>\$ 111,930</u>	<u>\$ 111,930</u>	<u>\$</u>

Investments are stated at fair value. The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets.
- Level 2 inputs are significant other observable inputs.
- Level 3 inputs are significant unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value:

Mutual Funds: Fair values of mutual funds traded on a national exchange are based on the last reported sales price on the last business day of the year.

All assets have been valued using a market approach, unless otherwise noted.

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The following tables sets forth by level, within the fair value hierarchy, the District's assets measured at fair value on a recurring basis as of June 30, 2022:

Fair Value Measurement at Reporting Date Using the Above Criteria				
Investments	Total	Level 1	Level 2	Level 3
Cash	\$ 41	\$ 41	\$	\$
Mutal Funds	111,889	111,889		
	<u>\$ 111,930</u>	<u>\$ 111,930</u>	<u>\$</u>	<u>\$</u>

6. CAPITAL ASSETS & RIGHT TO USE LEASED ASSETS

Capital asset activity for the year ended June 30, 2022, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 72,000	\$	\$	\$ 72,000
Construction in Progress	575,312	1,351,669		1,926,981
Total	647,312	1,351,669		1,998,981
Capital Assets Being Depreciated				
Buildings and Improvements	82,326,102			82,326,102
Furniture, Equipment and Vehicles	3,361,565	440,906	(325,337)	3,477,134
Land Improvements	232,004			232,004
Total	85,919,671	440,906	(325,337)	86,035,240
Accumulated Depreciation				
Buildings and Improvements	30,149,477	1,582,892		31,732,369
Furniture, Equipment and Vehicles	1,671,591	413,382	(325,337)	1,759,636
Land Improvements	232,004			232,004
Total	32,053,072	1,996,274	(325,337)	33,724,009
Net Capital Assets Being Depreciated	53,866,599	(1,555,368)		52,311,231
Net Capital Assets	<u>\$ 54,513,911</u>	<u>\$ (203,699)</u>	<u>\$</u>	<u>\$ 54,310,212</u>

Depreciation expense of \$1,996,274 is charged as follows:

<u>Function/Program</u>	
General Support	\$ 319,404
Instruction	1,477,243
Pupil Transportation	159,702
School Lunch	39,925
Total Depreciation	<u>\$ 1,996,274</u>

Right to use leased asset activity for the year ended June 30, 2022, is as follows:

	Restated Beginning Balance	Additions	Deletions	Ending Balance
Right to Use Leased Assets				
Leased Equipment	\$ 297,579	\$ 5,828	\$	\$ 303,407
Accumulated Amortization				
Leased Equipment	292,854	1,166		294,020
Net Right to Use Leased Assets	<u>\$ 4,725</u>	<u>\$ 4,662</u>	<u>\$</u>	<u>\$ 9,387</u>

Amortization expense of \$1,166 is charged solely to instruction.

POTSDAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

7. NONCURRENT LIABILITIES

Serial Bonds

The School District borrows money in order to acquire land or equipment, construct buildings, or 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 are full faith and credit debt of the local government. The provisions will be in the General Fund's future budgets for capital indebtedness.

Noncurrent liability balances and activity are as follows for the year ended June 30, 2022:

Description	Restated Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Bonds Payable					
Serial Bonds Payable	\$ 14,015,000	\$ 373,000	\$ 3,223,000	\$ 11,165,000	\$ 2,375,000
Bond Premium	1,722,862		265,306	1,457,556	
Other Liabilities					
Compensated Absences	718,687		61,819	656,868	
Other Postemployment Benefits	122,984,261	6,890,761	3,779,794	126,095,228	
Net Pension Liability-Proportionate Share	1,440,131		1,440,131		
Total Noncurrent Liabilities	<u>\$ 140,880,941</u>	<u>\$ 7,263,761</u>	<u>\$ 8,770,050</u>	<u>\$ 139,374,652</u>	<u>\$ 2,375,000</u>

The General Fund has typically been used to liquidate noncurrent liabilities through budget appropriations.

The following is a statement of the School District's serial bonds with corresponding maturity schedules:

Description	Date of Original Issue	Original Amount	Date of Final Maturity	Interest Rate (%)	Outstanding Amount
School Buses	7/26/2018	\$ 320,000	6/15/2023	2.125-2.250	\$ 60,000
School Buses	7/11/2019	416,000	6/15/2024	0.30-1.84	175,000
School Buses	8/27/2020	340,000	6/15/2025	0.30-1.84	210,000
School Buses	7/29/2021	373,000	6/15/2026	1.20	300,000
Capital Project					
2007 Refunding	12/8/2015	7,245,000	12/8/2023	4.50	640,000
Serial Bond	6/15/2016	13,325,000	6/15/1931	2.0-5.0	9,270,000
2019 Refunding	11/13/2019	2,265,000	6/15/2024	2.0-4.0	510,000
Total		<u>\$ 24,284,000</u>			<u>\$ 11,165,000</u>

Interest on long-term debt for the year was composed of:

Interest Paid	\$ 619,761
Less: Interest Accrued in the Prior Year	(25,260)
Amortization on Bond Premium	(265,306)
Plus: Interest Accrued in the Current Year	20,628
Amortization on Refunding Bonds	80,532
Total Interest Expense on Long-Term Debt	<u>\$ 430,355</u>

**POTSDAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

Principal and interest payments due on general obligation debt are as follows:

For the Year Ending June 30,	Serial Bonds		
	Principal	Interest	Total
2023	\$ 2,375,000	\$ 501,951	\$ 2,876,951
2024	1,215,000	412,263	1,627,263
2025	1,175,000	359,638	1,534,638
2026	635,000	305,950	940,950
2027	520,000	262,250	782,250
2028-2032	5,245,000	467,000	5,712,000
Total	<u>\$ 11,165,000</u>	<u>\$ 2,309,052</u>	<u>\$ 13,474,052</u>

On November 13, 2019, the School District issued \$2,265,000 in general obligation bonds with an average interest rate of 2.0% to 4.0% to advance refund \$2,290,000 of outstanding 2008 serial bonds with an average interest rate of 4.25% to 4.5%. The net proceeds of \$2,327,908 (after payment of \$57,812 in underwriting fees, insurance, and other issuance costs) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, a portion of the 2008 serial bonds are considered to be defeased, and the liability for those bonds has been removed from the School District's financial statements. At June 30, 2022, the balance of the advance refunded bonds was \$510,000. The economic gain (loss) on the transaction (the difference between the present values of the debt service payments on the old and new debt) is approximately \$453,115. The aggregate budgetary savings will be \$480,863.

In the event of a default in the payment of the principal of and/or interest on the Bonds, the State Comptroller is required to withhold, under certain conditions prescribed by Section 99-b of the State Finance Law, state aid and assistance to the District and to apply the amount thereof so withheld to the payment of such defaulted principal and/or interest, which requirement constitutes a covenant by the State with the holders from time to time of the Bonds.

8. PENSION PLANS

A. New York State and Local Employees' Retirement System (ERS)

(a) Plan Description

The School District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer public employee retirement system. The system provides retirement benefits as well as death and disability benefits.

The Net Position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four-year term. 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 System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The School District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System maintains records and accounts, and prepares financial statements using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable. Investments are recognized at fair value. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

POTSDAM CENTRAL SCHOOL DISTRICT
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(b) Contributions

The System is noncontributory for employees who joined prior to July 28, 1976. For employees who joined after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary for the first ten years of membership. Employees who joined on or after January 1, 2010 are required to contribute 3% of their annual salary for their entire working career. Employees who joined on or after April 1, 2012 must contribute at a specific percentage of earnings (between 3 and 6%) for their entire career. Under the authority of the RSSL, the Comptroller certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. All required contributions for the NYSERS fiscal year ended March 31, 2022, were paid.

The required contributions for the current year and two preceding years were:

	Amount
2020	\$ 361,322
2021	\$ 371,206
2022	\$ 378,227

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

At June 30, 2022, the District reported an asset of \$702,619, for its proportionate share of the net pension asset. The net pension asset was measured as of March 31, 2022, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The District's proportion of the net pension asset was based on a projection of the BOCES's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2022 and 2021, the District's allocation was .0085952 and .0089283 percent, respectively.

For the year ended June 30, 2022, the District recognized a pension expense of \$17,468.

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 53,210	\$ 69,017
Change of Assumptions	1,172,593	19,786
Net difference between projected and actual earnings on Pension plan investments		2,300,784
Changes in proportion and differences between contributions and proportionate share of contributions	7,660	45,265
Employer contributions subsequent to the measurement date	71,060	
Total	<u>\$ 1,304,523</u>	<u>\$ 2,434,852</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2023	\$ (189,088)
2024	(270,354)
2025	(608,250)
2026	(133,697)

The total pension liability as of March 31, 2022 was determined by using an actuarial valuation as of April 1, 2021, with update procedures used to roll forward the total pension liability to March 31, 2022. The actuarial valuation used the following actuarial assumptions.

POTSDAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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(d) Actuarial Assumptions

Significant actuarial assumptions used in the April 1, 2021 valuation were as follows:

Investment rate of return (net of investment expense, including inflation)	5.90%
Cost of Living Adjustments	1.40%
Salary scale	4.40%
Decrement tables	April 1, 2015 - March 31, 2020 System's Experience
Inflation rate	2.70%

Annuitant mortality rates are based on April 1, 2015 - March 31, 2020 System's experience with adjustments for mortality improvements based on MP-2020.

The actuarial assumptions used in the April 1, 2021 valuation are based on the results of an actuarial experience study for the period April 1, 2015 - March 31, 2020.

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2022 are summarized below.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	32.00%	3.30%
International equity	15.00%	5.85%
Private equity	10.00%	6.50%
Real estate	9.00%	5.00%
Opportunistic/ARS portfolio	3.00%	4.10%
Credit	4.00%	3.78%
Real assets	3.00%	5.80%
Fixed Income	23.00%	0.00%
Cash	1.00%	-1.00%
	<u>100.00%</u>	

** Real rates of return are net of the long-term inflation assumption of 2.50%*

(e) Discount Rate

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

**POTSDAM CENTRAL SCHOOL DISTRICT
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For the Year Ended June 30, 2022**

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

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

	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
Proportionate share of the net pension liability (assets)	\$ 1,808,534	\$ (702,619)	\$ (2,803,078)

(g) Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued ERS financial report.

(h) Payables to the Pension Plan

The District has recorded an amount due to ERS in amount of \$71,060 at June 30, 2022. This amount represents the three months of the District's fiscal year that will be covered in the ERS 2022-2023 billing cycle and has been accrued as an expenditure in the current year.

B. New York State Teachers' Retirement System (TRS)

(a) Plan Description

The District participates in the New York Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer public employee retirement system. The system provides retirement benefits as well as death and disability benefits.

The TRS was created and exists pursuant to Article 11 of the New York State Education Law. TRS is administered by the system and governed by a ten member board to provide these benefits to teachers employed by participating employers in the State of New York, excluding New York City. The System provides benefits to plan members and beneficiaries as authorized by the New York State Law and may be amended only by the Legislature with the Governor's approval. Benefit provisions vary depending on date of membership and membership class (6 tiers). The System's financial statements are prepared using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable. Investments are recognized at fair value. TRS issues a publicly available financial report that contains basic financial statements and required supplementary information for the System. For additional plan information please refer to the NYSTRS Comprehensive Annual Financial Report which can be found on the TRS website located at www.nystrs.org.

(b) Contributions

Pursuant to Article 11 of the New York State Education Law, employers are required to contribute at an actuarially determined rate adopted annually by the Retirement Board. Tier 3 and Tier 4 members who have less than 10 years of service or membership are required by law to contribute 3% of salary to the System. Tier 5 members are required by law to contribute 3.5% of salary throughout their active membership. Tier 6 members are required by law to contribute between 3% and 6% of salary throughout their active membership in accordance with a schedule based upon salary earned. Pursuant to Article 14 and Article 15 of the Retirement and Social Security Law, those member contributions are used to help fund the benefits provided by the System. However, if a member dies or leaves covered employment with less than 5 years of credited service for Tiers 3 and 4, or 10 years of credited service for Tiers 5 and 6, the member contributions with interest calculated at 5% per annum are refunded to the employee or designated beneficiary. Eligible Tier 1 and Tier 2 members may make member contributions under certain conditions pursuant to the provisions of Article 11 of the Education Law and Article 11 of the Retirement and Social Security Law. Upon termination of membership, such accumulated member contributions are refunded. At retirement, such accumulated member contributions can be withdrawn or are paid as a life annuity.

POTSDAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

The required employer contributions for the current year and two preceding years were:

	Amount
2020	\$ 789,172
2021	\$ 867,047
2022	\$ 952,405

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

At June 30, 2022, the District reported an asset of \$9,201,477 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2020. The District's proportion of the net pension asset was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2021, the District's proportion was .053099 percent, which was an increase of .001304 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the District recognized a pension credit of \$566,404.

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,268,326	\$ 47,806
Change of Assumptions	3,026,558	535,959
Net difference between projected and actual earnings on Pensions plan investments		9,630,298
Changes in proportion and differences between contributions and proportionate share of contributions	54,374	139,262
Contributions subsequent to the measurement date	952,405	
Total	<u>\$ 5,301,663</u>	<u>\$ 10,353,325</u>

Amounts reported as deferred outflows/inflows of resources are related to pensions resulting from District contributions subsequent to the measurement date, if any, will be recognized as a reduction of the net pension asset. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ (1,226,686)
2023	(1,437,945)
2024	(1,762,399)
2025	(2,316,556)
2026	437,672
Thereafter	301,847

(d) Actuarial Assumptions

The total pension liability at June 30, 2021 measurement date was determined by using an actuarial valuation as of June 30, 2020, with update procedures used to roll forward the total pension liability to June 30, 2021.

**POTSDAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

Significant actuarial assumptions used in the June 30, 2021 valuation were as follows:

Investment Rate of Return	6.95 % compounded annually, net of pension plan investment expense, including inflation.
Salary scale	Rates of increase differ based on age and gender. They have been calculated based upon recent NYSTRS member experience.

Service	Rate
5	5.18%
15	3.64%
25	2.50%
35	1.95%

Projected COLAs	1.3% compounded annually.
Inflation rate	2.4%

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on the Society of Actuaries Scale MP 2020, applied on a generational basis. Active member mortality rates are based on plan member experience.

The actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2020.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of the valuation date of June 30, 2021 is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic equity	33.0%	6.8%
International equity	16.0%	7.6%
Global equity	4.0%	7.1%
Real estate equity	11.0%	6.5%
Private equity	8.0%	10.0%
Domestic fixed income	16.0%	1.3%
Global bonds	2.0%	0.8%
Private debt	1.0%	5.9%
Real estate debt	7.0%	3.3%
High-yield bonds	1.0%	3.8%
Cash equivalents	1.0%	-0.2%
	<u>100.00%</u>	

**Real rates of return are net of the long-term inflation assumption of 2.4% for 2021.*

(e) Discount Rate

The discount rate used to measure the pension (asset) liability was 6.95%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from District's will be made at statutorily required rates, actuarially determined. Based on those 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.

**POTSDAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

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

The following presents District's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.95 percent, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.95 percent) or 1-percentage-point higher (7.95 percent) than the current rate:

	1% Decrease (5.95%)	Current Assumption (6.95%)	1% Increase (7.95%)
Proportionate share of the net pension liability (assets)	\$ (965,561)	\$ (9,201,477)	\$ (16,123,167)

(g) Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued TRS financial report.

(h) Payables to the Pension Plan

The District has recorded an amount due to TRS in amount of \$952,405 in the General Fund at June 30, 2022. This amount represents contributions for the 2021-2022 fiscal year that will be made in 2022-2023 and has been accrued as an expenditure in the current year.

9. POSTRETIREMENT HEALTH CARE BENEFITS

(a) Plan Description

The School District provides medical and prescription drug benefits for retirees, spouses, and covered dependents while contributing a portion of these expenses.

The Plan does not issue a stand-alone publicly available financial report since there are no assets accumulated in a trust that meets all of the criteria in GASB Statement No. 75, paragraph 4.

(b) Benefits Provided

The School District provides medical and prescription drug benefits to its eligible retirees. Dental, vision, and life insurance benefits are available with select classes of employees. The benefit levels, employee contributions and employer contributions are governed by the School District's contractual agreements. The Plans can be amended by action of the School District through agreements with the bargaining units.

(c) Total OPEB Liability

The OPEB plan is currently unfunded. No assets have been set aside to fund the liabilities for this plan.

(d) Employees Covered by Benefit Terms

	<u>2022</u>
Retirees and Survivors	205
Active Employees	203
Total	<u>408</u>

(e) Changes in the Total OPEB Liability

	<u>2022</u>
Beginning at June 30, 2021	\$ 122,984,261
Changes for the year:	
Service Cost	4,121,620
Interest Cost	2,769,141
Changes in assumptions and other inputs	(169,065)
Benefit Payments (including implicit subsidy)	<u>(3,610,729)</u>
Net Changes	<u>3,110,967</u>
Balance at June 30, 2022	<u>\$ 126,095,228</u>

POTSDAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

(f) Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.14%) or 1-percentage point higher (3.14%) than the current discount rate:

	1% Decrease 1.14%	Current Assumption 2.14%	1% Increase 3.14%
Total OPEB Liability	\$ 148,611,872	\$ 126,095,228	\$ 108,100,702

(g) Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

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

	1% Decrease	Current Assumption	1% Increase
Total OPEB Liability	\$ 105,242,679	\$ 126,095,228	\$ 153,211,926

(h) OPEB Expense

The OPEB Expense reflects the costs to the OPEB plan incurred during the year, including the service cost, interest cost, immediate recognition of the impact of all plan provision changes, and the amortization of gains and losses due to experience or changes in the assumptions.

Calculation of the OPEB Expense

Service cost	\$ 4,121,620
Interest on the total OPEB Liability	2,769,141
Current-period benefit changes	
Expensed portion of current-period difference between expected and actual experience in the total OPEB liability	
Expensed portion of current-period changes of assumptions	(31,542)
Recognition of beginning deferred outflows of resources as OPEB expense	5,420,422
Recognition of beginning deferred inflows of resources as OPEB expense	(2,397,772)
Total OPEB Expense	<u>\$ 9,881,869</u>

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$9,881,869. At June 30, 2022, the District 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	\$ 3,433,205	\$
Changes of assumptions	13,199,412	998,163
Contributions subsequent to the measurement date	3,751,640	
Total	<u>\$ 20,384,257</u>	<u>\$ 998,163</u>

**POTSDAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

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

Year Ended June 30,	
2023	\$ 4,756,528
2024	4,742,143
2025	4,517,530
2026	1,629,608
2027	(11,355)

(j) Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2020. The following actuarial assumptions applied to all periods in the measurement, unless otherwise specified:

Valuation Date	July 1, 2020
Measurement Date	July 1, 2021
Reporting Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal - Level Percent of Pay
Plan Type	Single Employer Defined Benefit Plan
Discount Rate	2.14%, as of the measurement date. Source: Bond Buyer Weekly 20-Bond GO Index
Salary Scale	3%
Rate of Inflation	2.4%
Mortality - Actives	The RPH-2014 Mortality Table for employees, sex distinct, with generational mortality adjusted to 2006 using scale MP-2014, and projected forward with scale MP-2020.
Mortality - Retirees	The RPH-2014 Mortality Table for Healthy Annuitants, sex distinct, with generational mortality adjusted to 2006 using scale MP-2014, and projected forward with scale MP-2020.
Turnover	Rates of decrement due to turnover based on the experience under the New York State & Local Retirement System as prepared by the Department of Civil Service's actuarial consultant in the report titled, <u>Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 75 Valuation (June 2019)</u> . Please refer to Exhibits 6-1 through 6-4 for the complete turnover tables.

**POTSDAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

10. INTERFUND TRANSACTIONS

Fund	Interfund		Interfund	
	Receivables	Payables	Revenues	Expenditures
General	\$ 408,455	\$ 11,081	\$	\$ 169,018
School Lunch	141		105	
Special Aid	1,203	408,455	73,176	
Capital Fund	9,737		95,737	
Total	<u>\$ 419,536</u>	<u>\$ 419,536</u>	<u>\$ 169,018</u>	<u>\$ 169,018</u>

- The School District typically transfers from the General Fund to the Special Aid Fund, as a required local match for Federal and State grants.
- The School District transferred \$95,737 from the General Fund to the Capital Fund for the use of capital projects.
- Interfund Receivables and Payables are considered temporary. The School District intends to repay the amounts within the next fiscal year.

11. FUND BALANCES

The following is the disaggregation of the fund balances that is reported in summary on the Governmental Fund's Balance Sheet:

	General	School Lunch	Special Aid	Miscellaneous Special Revenue	Debt Service	Capital	Total
Nonspendable	<u>\$</u>	<u>\$ 26,081</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 26,081</u>
Restricted							
Capital Reserve	250,396						250,396
Tax Certiorari Reserve	552,564						552,564
Unemployment Insurance Reserve	225,330						225,330
Retirement Contribution Reserve-ERS	1,294,033						1,294,033
Retirement Contribution Reserve-TRS	330,202						330,202
Employee Benefit Accrued Liability Reserve	610,188						610,188
Miscellaneous Special Revenue Fund				283,438			283,438
Debt Service Fund					1,605,358		1,605,358
Capital Project						302,257	302,257
Total Restricted	<u>3,262,713</u>			<u>283,438</u>	<u>1,605,358</u>	<u>302,257</u>	<u>5,453,766</u>
Assigned							
School Lunch		496,961					496,961
Encumbrances	49,150						49,150
Appropriated for Subsequent Year's Budget	2,933,541						2,933,541
Total Assigned	<u>2,982,691</u>	<u>496,961</u>					<u>3,479,652</u>
Unassigned	<u>3,335,938</u>						<u>3,335,938</u>
Total Fund Equity	<u>\$9,581,342</u>	<u>\$ 523,042</u>	<u>\$</u>	<u>\$ 283,438</u>	<u>\$1,605,358</u>	<u>\$ 302,257</u>	<u>\$12,295,437</u>

**POTSDAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

The following is a summary of the change in reserve funds during the year ended June 30, 2022:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Reserve	\$ 250,000	\$ 396		\$ 250,396
Tax Certiorari Reserve	551,656	908		552,564
Unemployment Insurance Reserve	224,959	371		225,330
Retirement Contribution Reserve-ERS	1,291,906	2,127		1,294,033
Retirement Contribution Reserve-TRS	329,659	543		330,202
Employee Benefit Accrued Liability Reserve	667,614	1,100	58,526	610,188
Total General Fund	3,315,794	5,445	58,526	3,262,713
Miscellaneous Special Revenue Fund	300,535	9,157	26,254	283,438
Debt Service Fund	1,602,793		1,300,536	302,257
Capital Fund	1,551,631	53,727		1,605,358
Total	\$ 6,770,753	\$ 68,329	\$ 1,385,316	\$ 5,453,766

12. RISK MANAGEMENT

The Potsdam Central School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For its employee health insurance coverage and workers' compensation insurance, the Potsdam Central School District participates in the St. Lawrence-Lewis Counties School Employees' Medical Plan and Workers' Compensation Plan. Entities joining the plan must remain members for a minimum of one year; a member may withdraw from the plan after that time by submitting a notice of withdrawal 30 days prior to the plan's year end. 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 uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the plan as direct insurer of the risks reinsured. 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 claim 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. The Plan is an intermunicipal agreement pursuant to Article 5-G of the General Municipal Law whereby each entity pays annual premiums based on the expected claims for the enrollees. Paid claims are also accounted for by individual entity.

The Potsdam Central School District continues to carry commercial insurance for all other risks of loss such as general liability.

13. CONTINGENCIES AND COMMITMENTS

Potential Grantor Liability

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal and State governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

14. NET POSITION DEFICIT – DISTRICT WIDE

The District-wide Net Position had an unrestricted net position deficit of \$97,115,374. The deficit is primarily the result of the implementation of GASB Statement 75, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," which required the recognition of an unfunded liability of \$126,095,228 at June 30, 2022. Since New York State Laws provide no mechanism for funding the liability, the subsequent accruals are expected to increase the deficit in subsequent years.

**POTSDAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

15. CUMULATIVE EFFECT OF IMPLEMENTING NEW ACCOUNTING STANDARD

The following adjustments were made to the prior year's net position and fund balance due to the implementation of GASB 87, Accounting for Leases:

Net Position Beginning of Year, As Previously Stated	\$ (47,189,318)
GASB Statement No. 87 Implementation:	
Net Book Value Leased Asset	<u>4,725</u>
Net Position Beginning of Year, As Restated	<u>\$ (47,184,593)</u>

POTSDAM CENTRAL SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual		Final Budget Variance With Actual
Revenues					
Local Sources					
Real Property Taxes	\$ 14,167,364	\$ 12,645,140	\$ 12,644,739		\$ (401)
Other Real Property Tax Items	50,000	1,572,224	1,590,300		18,076
Charges for Services	50,000	50,000	158,465		108,465
Use of Money and Property	550,000	550,000	546,567		(3,433)
Sale of Property and Compensation for Loss			37,380		37,380
Miscellaneous	180,000	180,000	479,407		299,407
State Aid	18,002,953	18,002,953	17,972,399		(30,554)
Federal Aid	50,000	50,000	141,329		91,329
Total Revenues	33,050,317	33,050,317	33,570,586		520,269
Other Financing Sources					
Appropriated Reserves	400,000	400,000			(400,000)
Appropriated Fund Balance	2,721,071	2,721,071			(2,721,071)
Total Revenues and Other Financing Sources	<u>\$ 36,171,388</u>	<u>\$ 36,171,388</u>	<u>33,570,586</u>		<u>\$ (2,600,802)</u>
	Original Budget	Final Budget	Actual	Year-End Encumbrances	Final Budget Variance With Actual And Encumbrances
Expenditures					
General Support					
Board of Education	\$ 30,249	\$ 30,249	\$ 22,073	\$	\$ 8,176
Central Administration	256,630	256,630	254,318		2,312
Finance	372,235	395,425	384,276		11,149
Staff	70,025	60,025	40,385		19,640
Central Services	2,089,977	2,069,787	1,762,058	46,820	260,909
Special Items	1,165,704	1,162,704	1,156,952		5,752
Total General Support	<u>3,984,820</u>	<u>3,974,820</u>	<u>3,620,062</u>	<u>46,820</u>	<u>307,938</u>
Instruction					
Instruction, Administration, and Improvement	549,049	549,792	530,029		19,763
Teaching - Regular School	7,719,881	7,675,562	7,397,493	1,227	276,842
Programs for Children With Special Needs	5,437,767	5,439,666	5,256,357		183,309
Teaching - Special School	3,000	3,000	3,106		(106)
Instructional Media	1,064,597	1,075,958	1,033,131	1,103	41,724
Pupil Services	1,502,310	1,588,657	1,484,591		104,066
Total Instruction	<u>16,276,604</u>	<u>16,332,635</u>	<u>15,704,707</u>	<u>2,330</u>	<u>625,598</u>
Pupil Transportation	1,319,082	1,319,082	1,182,150		136,932
Employee Benefits	10,551,982	10,505,951	9,172,347		1,333,604
Debt Service - Principal	3,215,000	3,223,000	3,223,000		
Debt Service - Interest	633,900	625,900	619,761		6,139
Total Expenditures	<u>35,981,388</u>	<u>35,981,388</u>	<u>33,522,027</u>	<u>49,150</u>	<u>2,410,211</u>
Other Financing Uses					
Transfers to Other Funds	190,000	190,000	169,018		20,982
Total Expenditures and Other Financing Uses	<u>\$ 36,171,388</u>	<u>\$ 36,171,388</u>	<u>33,691,045</u>	<u>\$ 49,150</u>	<u>\$ 2,431,193</u>
Net Change in Fund Balance			(120,459)		
Fund Balances - Beginning of Year			<u>9,701,801</u>		
Fund Balances - End of Year			<u>\$ 9,581,342</u>		

Notes to Required Supplementary Information

The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund, the only fund with a legally adopted budget.

The budget is adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

POTSDAM CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICTS
TOTAL OPEB LIABILITY AND RELATED RATIOS
For the Year Ended June 30, 2022

	<u>*2022</u>	<u>*2021</u>	<u>*2020</u>	<u>*2019</u>	<u>*2018</u>
Service Cost	\$ 4,121,620	\$ 2,482,455	\$ 2,601,090	\$ 2,515,289	\$ 3,244,664
Interest	2,769,141	3,388,562	3,661,654	3,220,691	2,805,184
Changes of Benefit Terms		(398,878)		(2,173,334)	
Differences Between Expected and Actual Experience*		3,930,142		3,739,621	
Changes in Assumptions or Other Inputs	(169,065)	20,802,493	(880,540)	613,455	(11,642,834)
Expected Benefit Payments**	<u>(3,610,729)</u>	<u>(3,108,199)</u>	<u>(3,019,669)</u>	<u>(2,677,865)</u>	<u>(2,605,134)</u>
Net Change in Total OPEB Liability	3,110,967	27,096,575	2,362,535	5,237,857	(8,198,120)
Total OPEB Liability - Beginning of Year	<u>122,984,261</u>	<u>95,887,686</u>	<u>93,525,151</u>	<u>88,287,294</u>	<u>96,485,414</u>
Total OPEB Liability - End of Year	<u>\$ 126,095,228</u>	<u>\$ 122,984,261</u>	<u>\$ 95,887,686</u>	<u>\$ 93,525,151</u>	<u>\$ 88,287,294</u>
Covered Employee Payroll	N/A	\$ 10,815,278	\$ 9,753,395	\$ 10,927,415	\$ 9,954,850
Total OPEB Liability as a Percentage of Covered Payroll		1137.13%	983.12%	855.88%	886.88%

Notes to Required Supplementary Information:

Changes of Assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The discount rate in effect at the current measurement date is 2.21%.

*Information is presented only for the years available.

POTSDAM CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
For the Year Ended June 30, 2022

ERS Pension Plan										
Last 10 Fiscal Years Available										
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	\$ 378,227	\$ 371,206	\$ 361,322	\$ 362,422	\$ 372,510	\$ 382,784	\$ 336,877	\$ 403,039	\$ 438,320	\$ 551,744
Contributions in Relation to the Contractually Required Contribution	<u>378,227</u>	<u>371,206</u>	<u>361,322</u>	<u>362,422</u>	<u>372,510</u>	<u>382,784</u>	<u>336,877</u>	<u>403,039</u>	<u>438,320</u>	<u>551,744</u>
Contribution Deficiency (Excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
School District's Covered-ERS Employee Payroll	\$ 2,578,485	\$ 2,781,146	\$ 2,615,470	\$ 2,521,486	\$ 2,505,694	\$ 2,497,140	\$ 2,152,779	\$ 2,186,770	\$ 2,325,750	\$ 2,655,951
Contributions as a Percentage of Covered-Employee Payroll	14.67%	13.35%	13.81%	14.37%	14.87%	15.33%	15.65%	18.43%	18.85%	20.77%
TRS Pension Plan										
Last 10 Fiscal Years Available										
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	\$ 952,405	\$ 867,047	\$ 789,172	\$ 951,547	\$ 859,494	\$ 998,376	\$ 1,038,284	\$ 1,322,032	\$ 1,143,594	\$ 833,973
Contributions in Relation to the Contractually Required Contribution	<u>952,405</u>	<u>867,047</u>	<u>789,172</u>	<u>951,547</u>	<u>859,494</u>	<u>998,376</u>	<u>1,038,284</u>	<u>1,322,032</u>	<u>1,143,594</u>	<u>833,973</u>
Contribution Deficiency (Excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
School District's Covered-TRS Employee Payroll	\$ 9,718,418	\$ 9,098,076	\$ 8,907,136	\$ 8,959,955	\$ 8,770,351	\$ 8,518,566	\$ 7,830,196	\$ 7,541,540	\$ 7,037,502	\$ 7,043,691
Contributions as a Percentage of Covered-Employee Payroll	9.80%	9.53%	8.86%	10.62%	9.80%	11.72%	13.26%	17.53%	16.25%	11.84%

See Independent Auditor's Report

POTSDAM CENTRAL SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY
For the Year Ended June 30, 2022

ERS Pension Plan							
	2022	2021	2020	2019	2018	2017	2016
District's proportion of the net pension asset/liability	0.0085952%	0.0089283%	0.0090072%	0.0092076%	0.0091677%	0.0094952%	0.0087400%
District's proportionate share of the net pension (asset) liability	\$ (702,619)	\$ 8,890	\$ 2,385,162	\$ 652,389	\$ 295,882	\$ 892,190	\$ 1,402,989
District's covered-employee payroll	\$ 2,578,485	\$ 2,781,146	\$ 2,615,470	\$ 2,521,486	\$ 2,505,694	\$ 2,497,140	\$ 2,152,779
District's proportionate share of the net pension (asset) liability as a percentage of its covered-employee payroll	-27.25%	0.32%	91.19%	25.87%	11.81%	35.73%	65.17%
Plan fiduciary net position as a percentage of total pension liability	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%
TRS Pension Plan							
	2021	2020	2019	2018	2017	2016	2015
District's Proportion of the net pension asset	0.053099%	0.051795%	0.052785%	0.052981%	0.052968%	0.048976%	0.049372%
District's proportionate share of the net pension (asset) liability	\$ (9,201,477)	\$ 1,431,241	\$ (1,371,359)	\$ (958,044)	\$ (402,607)	\$ 524,554	\$ (5,128,180)
District's covered-employee payroll	\$ 9,718,418	\$ 9,098,076	\$ 8,907,136	\$ 8,770,351	\$ 8,518,566	\$ 7,830,196	\$ 7,541,540
District's proportionate share of the net pension asset (liability) as a percentage of its covered-employee payroll	94.68%	-15.73%	15.40%	10.92%	-4.73%	6.70%	68.00%
Plan fiduciary net position as a percentage of total pension asset	113.20%	87.80%	102.20%	101.53%	100.66%	99.01%	110.46%

POTSDAM CENTRAL SCHOOL DISTRICT
SCHEDULES OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET
AND SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT
For the Year Ended June 30, 2022

Change from Adopted Budget to Revised Budget

Adopted Budget	\$ 35,815,351
Add: Prior Year's Encumbrances	<u>356,037</u>
Original Budget	<u>36,171,388</u>
Final Budget	<u><u>\$ 36,171,388</u></u>

Section 1318 of Real Property Tax Law Limit Calculation

2022-23 Voter Approved Expenditure Budget	\$ 36,589,182
Maximum Allowed (4% of 2022-23 Budget)	1,463,567

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:

Unrestricted Fund Balance:	
Assigned Fund Balance	\$ 2,982,691
Unassigned Fund Balance	<u>3,335,938</u>
Total Unrestricted Fund Balance	<u>6,318,629</u>

Less:

Appropriated Fund Balance	2,933,541
Encumbrances Included in Assigned Fund Balance	<u>49,150</u>
Total Adjustments	<u>2,982,691</u>

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 3,335,938</u></u>
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Actual Percentage	9.12%
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POTSDAM CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
For the Year Ended June 30, 2022

PROJECT TITLE	Original Authorization	Revised Authorization	Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2022
			Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total	
Smart Schools	\$ 645,571	\$ 645,571	\$ 645,571	\$ 22,790	\$ 668,361	\$ (22,790)	\$	\$ 645,571	\$ 15,676	\$ 661,247	\$ (7,114)
LA Doors- Phase II	100,000	100,000	98,816		98,816	1,184			100,000	100,000	1,184
District-wide Project	23,000,000	23,000,000	15,652	1,328,879	1,344,531	21,655,469			1,627,181	1,627,181	282,650
2018 Buses	219,500	219,500	219,382		219,382	118	219,500			219,500	118
2019 Buses	320,000	320,000	315,462		315,462		320,000			320,000	4,538
2020 Buses	416,000	416,000	403,843		403,843		416,000			416,000	12,157
2021 Buses	340,000	340,000	337,366		337,366		340,000			340,000	2,634
2022 Buses	373,000	373,000		366,910	366,910		373,000			373,000	6,090
Totals	\$ 25,414,071	\$ 25,414,071	\$ 2,036,092	\$ 1,718,579	\$ 3,754,671	\$ 21,633,981	\$ 1,668,500	\$ 645,571	\$ 1,742,857	\$ 4,056,928	\$ 302,257

POTSDAM CENTRAL SCHOOL DISTRICT
NET INVESTMENT IN CAPITAL ASSETS
For the Year Ended June 30, 2022

Net Capital Assets,	\$ 54,310,212
Add:	
Right to Use Leased Assets, Net of Amortization	<u>9,387</u>
Deduct:	
Premium on Bonds Payable	1,457,556
Serial Bonds Payable	11,165,000
Less: Capital Fund Unspent Bond Proceeds	<u>292,520</u>
	<u>12,330,036</u>
Net Investment in Capital Assets	<u>\$ 41,989,563</u>

See Independent Auditor's Report

Independent Auditor's 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

Board of Education
Potsdam Central School District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Potsdam Central School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Potsdam Central School District's basic financial statements, and have issued our report thereon dated September 26, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Potsdam Central School District'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 Potsdam Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Potsdam Central School District's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the school district'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 school district's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

D'Arcangelo & Co., LLP

September 26, 2022

Rome, New York

D'Arcangelo & Co., LLP
Certified Public Accountants & Consultants

200 E. Garden St., P.O. Box 4300, Rome, N.Y. 13442-4300
315-336-9220 Fax: 315-336-0836

**Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance
Required by the Uniform Guidance**

Board of Education
Potsdam Central School District, New York

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Potsdam Central School District's 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 Potsdam Central School District's major federal programs for the year ended June 30, 2022. Potsdam Central School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Potsdam Central School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

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

We are required to be independent of Potsdam Central School District 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 Potsdam Central School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's 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 Potsdam Central School District'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 generally accepted auditing standards, *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 Potsdam Central School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Potsdam Central School District'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 Potsdam Central School District'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 Potsdam Central School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

D'Arcangelo & Co., LLP

September 26, 2022

Rome, New York

POTSDAM CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing	Agency or Pass-through Number	Current Year Expenditures	Subrecipient
United States Department of Agriculture				
Passed Through New York State, Department of Education:				
Child Nutrition Cluster				
Non-Cash Assistance (food distribution)				
National School Lunch Program	10.555	N/A	\$ 60,686	\$
Cash Assistance				
National School Breakfast Program	10.553	N/A	190,947	
National School Lunch Program	10.555		551,376	
Summer Food Service Program	10.559	N/A	52,549	
Total Child Nutrition Cluster			855,558	
Total United States Department of Agriculture			855,558	
United States Department of Education				
Passed Through New York State, Department of Education:				
Title I Grants to LEAs	84.010	0021-22-2660	347,194	
Special Education Cluster				
Special Education Grants to States	84.027	0032-22-0801	322,703	
Special Education Grants to States	84.173	0033-22-0801	11,312	
Total Special Education Cluster			334,015	
Student Support and Academic Enrichment Program	84.424	0204-21-2660	23,497	
Improving Teacher Quality State Grants	84.367	0147-21-2660	40,634	
Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act				
COVID-19 American Rescue Plan-Elementary and Secondary School Emergency Relief(ARP ESSR)	84.425U	5880-21-2660	749,858	
COVID-19 American Rescue Plan-Elementary and Secondary School Emergency Relief(ARP ESSR)	84.425U	5882-21-2660	17,335	
COVID-19 American Rescue Plan-Elementary and Secondary School Emergency Relief(ARP ESSR)	84.425U	5883-21-2660	36,414	
COVID-19 American Rescue Plan-Elementary and Secondary School Emergency Relief(ARP ESSR)	84.425U	5884-21-2660	141,394	
COVID-19 Elementary and Secondary School Emergency Relief(ESSR 2)	84.425D	5891-21-2660	238,455	
COVID-19 Governor's Emergency Education Relief Fund(GEER 2)	84.425C	5896-21-2660	18,614	
Total Education Stabilization Fund			1,202,070	
Total Department of Education			1,947,410	
Total Federal Awards Expended			\$ 2,802,968	\$

**POTSDAM CENTRAL SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022**

1. SIGNIFICANT ACCOUNTING POLICIES

Organization

The accompanying Schedule of Expenditures of Federal Awards represents all Federal awards administered by the Potsdam Central School District. The School District's organization is defined in Note 1 to the School District's basic financial statements.

Basis of Accounting

The expenditures in the accompanying schedule are presented on an accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements

Food Donation

Non-monetary assistance is reported in the schedule at fair market value of the food commodities received. At June 30, 2022, the School District had food commodities totaling \$26,081 in inventory.

Cluster Programs

U.S. Department of Agriculture

Nutrition Cluster

AL #10.555	National School Lunch Program
AL #10.553	National School Breakfast Program
AL #10.559	Summer Food Service Program

U.S. Department of Education

AL #84.027	Special Education – Grants to States (IDEA, Part B)
AL #84.173	Special Education – Preschool Grants (IDEA Preschool)

Indirect Cost Rate

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

**POTSDAM CENTRAL SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
 FEDERAL COMPLIANCE REQUIREMENTS
 For the Year Ended June 30, 2022**

Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies reported for major Federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR Section 200.516 (a)?	No
(d)(1)(vii)	Major Programs (list):	<u>U.S. Department of Education</u> COVID-19 Education Stabilization Fund AL # 84.425C Governor's Emergency Education Relief Fund(GEER) AL # 84.425D Elementary and Secondary School Emergency Relief (ESSER) AL # 84.425U American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

(Continued)

**POTSDAM CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL COMPLIANCE REQUIREMENTS
For the Year Ended June 30, 2022**

(Continued)

Findings – Financial Statement Audit

None.

Findings and Questioned Costs – Major Federal Award Programs

None.

**POTSDAM CENTRAL SCHOOL DISTRICT
STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS –
FEDERAL COMPLIANCE REQUIREMENTS
For the Year Ended June 30, 2022**

Findings – Financial Statement Audit

None.

Findings and Questioned Costs – Major Federal Award Programs

None.

FORM OF BOND COUNSEL'S OPINION

LAW OFFICES

OF

*Timothy R. McGill*248 WILLOWBROOK OFFICE PARK
FAIRPORT, NEW YORK 14450Kristine M. Bryant
ParalegalTel: (585) 381-7470
Fax: (585) 381-7498

February 16, 2023

Board of Education of the
Potsdam Central School District
St. Lawrence County, New YorkRe: ***Potsdam Central School District, St. Lawrence County, New York***
\$2,500,000 Bond Anticipation Notes, 2023

Dear Board Members:

I have examined a record of proceedings relating to the issuance of \$2,500,000 aggregate principal amount of Bond Anticipation Notes, 2023 of the Potsdam Central School District, a school district of the State of New York. The Notes are [registered to _____/ in book-entry-only form registered to "Cede & Co.,"] are dated February 16, 2023, are numbered 2023A-____, bear interest at the rate of _____ per centum (____%) per annum payable at maturity, mature July 21, 2023, and are issued pursuant to the Local Finance Law of the State of New York and a bond resolution adopted March 9, 2021. The proposition approving the matters set forth in the bond resolution was approved by the voters of the School District on February 10, 2021. The Notes are not subject to redemption prior to maturity. The Notes are temporary obligations issued in anticipation of the issuance of bonds.

In my opinion, except insofar as the enforcement thereof may be limited by any applicable bankruptcy, moratorium or similar laws relating to the enforcement of creditors' rights, the Notes are valid and legally binding obligations of the Waterloo Central School District, payable in the first instance from the proceeds of the sale of the bonds in anticipation of which the Notes are issued, but, if not so paid, payable ultimately from *ad valorem* taxes that may be levied upon all the taxable real property within the School District without limitation as to rate or amount.

In rendering the opinions expressed herein, I have assumed the accuracy and truthfulness of all public records, documents and proceedings examined by me which have been executed or certified by public officials acting within the scope of their official capacities, and have not verified the accuracy or truthfulness thereof, and I also have assumed the genuineness of the signatures appearing upon such public records, documents and proceedings, and such certifications. The scope of my engagement in relation to the issuance of the Note has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein. Such opinions are not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the School District, together with other legally available sources of revenue, if any, will be sufficient to enable the School District to pay the principal of and interest on the Note as the same respectively become due and payable. Reference should be made to the Official Statement prepared by the School District in relation to the Notes for factual information which, in the judgment of the School District, could materially affect the ability of the School District to pay such principal and interest. While I have participated in the preparation of such Official Statement, I have not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, I express no opinion as to whether the School District, in connection with the sale of the Note, has made any untrue statement of a material fact or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading. In particular, no opinion is expressed, or may be inferred, with respect to the direct or indirect effect of the COVID-19 pandemic and the federal, state and local government and private industry responses thereto (i) on the financial condition of the School District, or (ii) on the market price and fair market value of the Bonds at initial issuance or at any time thereafter.

LAW OFFICES
OF

Timothy R. McGill

Board of Education of the
Potsdam Central School District
February 16, 2023

Page 2

The School District has covenanted to comply with any requirements of the Internal Revenue Code of 1986, as amended (the “Code”), that must be met subsequent to the issuance of the Note in order that interest thereon be and remain excludable from gross income under the Code. In my opinion, under the existing statute, regulations and court decisions, interest on the Notes is excludable from gross income for Federal income tax purposes pursuant to Section 103 of the Code and will continue to be so excluded if the School District continuously complies with such covenant; and under the Code, interest on the Notes is not a specific preference item for purposes of the Federal alternative minimum tax, however, for tax years beginning after December 31, 2022, interest on the Notes is included in the “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. I express no opinion regarding other Federal income tax consequences caused by the receipt or accrual of interest on the Notes. Further, in my opinion, interest on the Note is exempt from New York State and New York City personal income taxes under existing statutes.

Very truly yours,

Timothy R. McGill, Esq.

TRM: