

PRELIMINARY OFFICIAL STATEMENT

NEW & RENEWAL ISSUE

BOND ANTICIPATION NOTES

In the opinion of Timothy R. McGill Law Offices, Bond Counsel to the Village, assuming continuing compliance by the Village 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 alternative minimum tax; however, 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. 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 Notes will be designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

\$1,250,000
VILLAGE OF SHERMAN
CHAUTAUQUA COUNTY, NEW YORK
GENERAL OBLIGATIONS
\$1,250,000 Bond Anticipation Notes, 2025
(referred to hereinafter as the "Notes")

Dated: May 22, 2025

Due: May 21, 2026

The Notes are general obligations of the Village of Sherman, Chautauqua County, New York (the "Village"), all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, subject to applicable statutory limitations. See "THE NOTES – Nature of the Obligation" and "TAX LEVY LIMITATION LAW" herein.

The Notes will be subject to redemption prior to maturity on or after April 1, 2026 at par upon 20 days' written notice.

At the option of the purchaser, the Notes will be issued as registered book-entry-only 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.

Alternatively, if the Notes are issued as book-entry-only 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 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. 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 Village, 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 and subject to the receipt of an approving legal opinion as to the validity of the Notes of Timothy R. McGill Law Offices, Fairport, New York, Bond Counsel to the Village. It is anticipated that the Notes will be available for delivery through the facilities of DTC located in Jersey City, New Jersey, or as agreed upon with the purchaser, on or about May 22, 2025.

ELECTRONIC BIDS for the Notes must be submitted via Fiscal Advisors Auction website ("Fiscal Advisors Auction") accessible via www.fiscaladvisorsauction.com on May 13, 2025 until 10:45 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 Village, each bid will constitute an irrevocable offer to purchase the Notes pursuant to the terms provided in the Notice of Sale.

May 6, 2025

THE VILLAGE DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"), EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH SAID RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE OBLIGATIONS HEREIN DESCRIBED. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER, AS MORE FULLY DESCRIBED IN THE NOTICE OF SALE WITH RESPECT TO THE OBLIGATIONS HEREIN DESCRIBED. THE VILLAGE WILL COVENANT IN AN UNDERTAKING TO PROVIDE NOTICE OF CERTAIN MATERIAL EVENTS AS DEFINED IN THE RULE. SEE "APPENDIX – C, MATERIAL EVENT NOTICES" HEREIN.

VILLAGE OF SHERMAN

CHAUTAUQUA COUNTY, NEW YORK

VILLAGE OFFICIALS

COLLEEN MEEDER

Mayor

RYAN SANDERS

Deputy Mayor

TRUSTEES

DENNIS WATSON

GARY EMORY

DANIEL CRANE

* * * * *

JEANETTE RAMM

Village Clerk/Treasurer

OFFICES OF PETER D. CLARK

Village Attorney



FISCAL ADVISORS & MARKETING, INC.

Municipal Advisor

TIMOTHY R. MCGILL, ESQ.

Bond Counsel

No person has been authorized by the Village 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 Village.

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
DESCRIPTION OF THE NOTES	4	SPECIAL PROVISIONS AFFECTING	
Optional Redemption	4	REMEDIES UPON DEFAULT	22
Purpose of Issue	4	MARKET AND RISK FACTORS	25
Nature of the Obligation.....	5	TAX MATTERS	26
BOOK-ENTRY-ONLY SYSTEM	6	LEGAL MATTERS	26
Certificated Notes.....	8	LITIGATION	27
THE VILLAGE	8	CONTINUING DISCLOSURE	27
General Information	8	RATING	27
Population Trends	8	MUNICIPAL ADVISOR	27
Larger Employers.....	8	CUSIP IDENTIFICATION NUMBERS	28
Unemployment Rate Statistics	9	MISCELLANEOUS	28
Selected Wealth and Income Indicators	9	APPENDIX – A	
Form of Village Government	9	GENERAL FUND - Balance Sheets	
Financial Organization	9	APPENDIX – A1	
Budgetary Procedures and Recent Budget Votes	10	GENERAL FUND – Revenues, Expenditures and	
Investment Policy	10	Changes in Fund Balance	
State Aid.....	10	APPENDIX – A2	
Employees.....	11	GENERAL FUND – Revenues, Expenditures and	
Status and Financing of Employee Pension Benefits	11	Changes in Fund Balance - Budget	
Other Post-Employment Benefits.....	12	APPENDIX – A3	
Other Information.....	13	Changes in Fund Equity	
Financial Statements	13	APPENDIX – B	
New York State Comptroller’s Report of Examination.....	14	BONDED DEBT SERVICE	
State Comptroller’s Fiscal Stress Monitoring System	14	APPENDIX – B1	
TAX INFORMATION	15	CURRENT BONDS OUTSTANDING	
Taxable Assessed Valuations	15	APPENDIX – C	
Tax Rate Per \$1,000 (Assessed)	15	MATERIAL EVENT NOTICES	
Tax Levy and Tax Collection Period.....	15	APPENDIX – D	
Tax Collection Procedure	15	AUDITED FINANCIAL STATEMENTS –	
Ten Largest Taxpayers – 2024 Assessment Roll for		FISCAL YEAR ENDING MAY 31, 2024	
2024-25 Village Tax Roll	16	APPENDIX – E	
Constitutional Tax Margin	16	FORM OF BOND COUNSEL’S OPINION	
Additional Tax Information.....	16		
TAX LEVY LIMITATION LAW	16		
STATUS OF INDEBTEDNESS	17		
Constitutional Requirements	17		
Statutory Procedure	18		
Debt Outstanding End of Fiscal Year.....	19		
Details of Outstanding Indebtedness	19		
Debt Statement Summary.....	20		
Bonded Debt Service.....	20		
Cash Flow Borrowings.....	20		
Capital Project Plans	20		
Estimated Overlapping Indebtedness	21		
Debt Ratios.....	21		

PREPARED WITH THE ASSISTANCE OF



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OFFICIAL STATEMENT
OF THE
VILLAGE OF SHERMAN
CHAUTAUQUA COUNTY, NEW YORK
RELATING TO
\$1,250,000 Bond Anticipation Notes, 2025

This Official Statement, which includes the cover page, has been prepared by the Village of Sherman, Chautauqua County, New York (the "Village," "County," and "State," respectively), in connection with the sale by the Village of \$1,250,000 Bond Anticipation Notes, 2025 (hereinafter referred to as the "Notes").

The factors affecting the Village'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 Village's 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 Village 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 Village relating thereto are qualified in their entirety by reference to the definitive forms of the Notes and such proceedings.

THE NOTES

Description of the Notes

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

The Notes will be dated May 22, 2025 and will mature on May 21, 2026. The Notes will be issued as registered notes (i) in the name of the purchaser, in denominations of \$5,000 each or multiples thereof, as may be determined by the successful bidder or (ii) at the option of the purchaser, 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.

Optional Redemption

The Notes will be subject to redemption prior to maturity on or after April 1, 2026, at par upon 20 days' written notice.

Purpose of Issue

The Notes are being issued pursuant to the Constitution and statutes of the State including, among others, the Village Law, the Local Finance Law and a bond resolution adopted by the Board of Trustees of the Village on July 20, 2020 authorizing the issuance of \$3,500,000 bonds of the Village, and an amending bond resolution adopted August 10, 2022 increasing the authorization to \$5,000,000 bonds of the Village, for the cost of improvements to the Village's stormwater projects and to purchase parcels of land for stormwater projects of the Village.

The proceeds of the Notes, along with \$5,000 available funds of the Village, will redeem and partially renew \$950,000 bond anticipation notes currently outstanding and maturing on May 23, 2025 and will provide \$305,000 in new money for the aforementioned purpose.

Nature of the Obligation

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

Holders of any series of notes or bonds of the Village 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 Village and will contain a pledge of the faith and credit of the Village 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 Village has power and statutory authorization to levy ad valorem taxes on all real property within the Village subject to such taxation by the Village, 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 Village 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 Village’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, ensuring the availability of the levy of property tax revenues to pay debt service. As the *Flushing National Bank* (1976) Court noted, the term “faith and credit” in its context is “not qualified in any way”. Indeed, in *Flushing National Bank v. Municipal Assistance Corp.*, 40 N.Y.2d 1088 (1977) the Court of Appeals described the pledge as a direct constitutional mandate. In *Quirk v. Municipal Assistance Corp.*, 41 N.Y.2d 644 (1977), the Court of Appeals stated that, while holders of general obligation debt did not have a right to particular revenues such as sales tax, “with respect to traditional real estate tax levies, the bondholders are constitutionally protected against an attempt by the State to deprive the city of those revenues to meet its obligations.” According to the Court in *Quirk*, the State Constitution “requires the city to raise real estate taxes, and without specification other revenues, if such a levy be necessary to repay indebtedness.”

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

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

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

BOOK-ENTRY-ONLY SYSTEM

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 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. 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 Village 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 Village, 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 Village, 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 Village. Under such circumstances, in the event that a successor depository is not obtained, note certificates are required to be printed and delivered.

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

Source: The Depository Trust Company.

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

THE VILLAGE 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 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 VILLAGE 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 of the Notes, DTC may discontinue providing its services with respect to the Notes at any time by giving notice to the Village and discharging its responsibilities with respect thereto under applicable law, or the Village 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 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 Village. The Notes will remain subject to redemption prior to their stated final maturity date.

THE VILLAGE

General Information

The Village is located in southwestern New York in Chautauqua County, approximately 77 miles from the City of Buffalo. It is situated within the Town of Sherman (the “Town”) and the Sherman Central School District. The area in and around the Village is primarily rural.

Recent Economic Developments

A four-unit townhouse-style apartment complex (16 units total) is in progress. Construction on the first of the buildings is anticipated to commence in Spring 2025.

Source: Village officials.

Population Trends

<u>Year</u>	<u>Village</u>	<u>County</u>	<u>New York State</u>
2010	730	134,905	19,378,102
2020	649	127,657	20,201,249
2024 (Estimates)	N/A	124,105	19,867,248

Note: Population information is not available for 2024 for the Village. The 2023 population of the Village was estimated to be 639. (Source: U.S. Census Bureau 2019-2023 American Community Survey 5-Year Estimates.)

Source: U.S. Census Bureau.

Larger Employers

Larger employers located within the Village are as follows:

<u>Name</u>	<u>Business</u>	<u>Approximate Number of Employees</u>
Sherman Central School District	K-12 School District	97
Triple E Manufacturing	Manufacturing	18
Westfield Family Physicians	Doctors’ Office	10
Mama’s Pizza	Pizzeria	10
The Cornerstone Restaurant	Diner / Bakery	8

Source: Village officials.

Unemployment Rate Statistics

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

	<u>Annual Averages</u>							
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Chautauqua County	5.8%	4.8%	4.4%	8.4%	5.4%	3.8%	4.0%	4.1%
New York State	4.6%	4.1%	3.9%	9.8%	7.1%	4.3%	4.1%	4.3%

	<u>2025 Monthly Figures</u>				
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>
Chautauqua County	5.2%	5.4%	5.7%	N/A	N/A
New York State	4.6%	4.3%	4.1%	N/A	N/A

Note: Unemployment rates for April and May of 2025 are not available as of the date of this Official Statement.

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

Selected Wealth and Income Indicators

Per capita income statistics are available for the Village, County and State. Listed below are select figures from U.S. Census Bureau 2006-2010, 2016-2020, and 2019-2023 available American Community Survey 5-Year Estimates data.

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>2006-2010</u>	<u>2016-2020</u>	<u>2019-2023</u>	<u>2006-2010</u>	<u>2016-2020</u>	<u>2019-2023</u>
Village of:						
Sherman	\$16,108	\$25,992	\$30,792	\$39,583	\$64,250	\$65,250
County of:						
Chautauqua	21,033	27,061	31,951	51,031	62,366	76,149
State of:						
New York	30,948	40,898	49,520	67,405	87,270	105,060

Source: U.S. Census Bureau, 2006-2010, 2016-2020, and 2019-2023 American Community Survey 5-year estimates.

Note: 2020-2024 American Community Survey 5-Year estimates are not available as of the date of this Official Statement.

Form of Village Government

The Village Mayor is the chief administrative and executive officer of the Village and is the chief administrator of all Village departments. The Mayor is elected for a term of four years and is eligible to succeed himself or herself. The Mayor is also a member of the Board of Trustees. The Mayor, with the approval of the Board of Trustees, appoints the Village Clerk and Treasurer to serve two-year terms.

The legislative and administrative body of the Village is the Board of Trustees, composed of the Mayor and four Trustees. Trustees are elected for a term of four years. Each term is staggered so that every four years two Trustees run for election.

Financial Organization

The Village Treasurer is the Chief Fiscal Officer of the Village. It is the Village Treasurer's duty to receive, disburse and account for all financial transactions. The Village Treasurer serves at the pleasure of the Village Board of Trustees. The Village Treasurer serves as the tax collector.

Budgetary Procedures

The Mayor, with the assistance of the Village Clerk, prepares the proposed budget each year, pursuant to the Laws of the State, and a public hearing is held thereon. Subsequent to the public hearing, revisions, if any, are made and the budget is then adopted by the Village Board of Trustees as its final budget for the coming fiscal year. The budget is not subject to referendum.

The Village's 2023-2024 budget included a 2% increase in the property tax levy, which was equal to the Village's tax levy cap for the 2023-2024 fiscal year.

The Village's 2024-2025 budget included an over 13% increase in the property tax levy, which was above the Village's tax levy cap for the 2024-2025 fiscal year. The Village voted to override its tax cap for the fiscal year ending May 31, 2025. The Village experienced new property value due to improvements and the updates of assessments, with the tax levy increase having no significant effect on the average tax bill of the Village. See "TAX INFORMATION" herein.

The Village's 2025-2026 budget included a 2% increase in the property tax levy, which was equal to the Village's tax levy cap for the 2025-2026 fiscal year.

Investment Policy

Pursuant to the statutes of the State, the Village is permitted to invest only in the following investments: (1) special time deposits or certificates of deposits in a bank or trust company located and authorized to do business in the State of New York; (2) obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America; (4) obligations of the State of New York; (5) with the approval of the State Comptroller, tax anticipation notes and revenue anticipation notes issued by any New York municipality or district corporation, other than the Village; (6) obligations of a New York public corporation which are made lawful investments by the Village pursuant to another provision of law; (7) certain certificates of participation issued on behalf of political subdivisions of the State of New York; and, (8) in the case of Village moneys held in certain reserve funds established pursuant to law, obligations issued by the Village. 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 Village's current policy to invest in: (1) certificates of deposit or time deposit accounts that are fully secured as required by statute, (2) obligations of the United States of America or (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America. In the case of obligations of the United States government, the Village may purchase such obligations pursuant to a written repurchase agreement that requires the purchased securities to be delivered to a third-party custodian.

State Aid

The Village receives financial assistance from the State. In its budget for the fiscal year ending May 31, 2025, approximately 9.71% of the revenues of the Village are estimated to be received in the form of State aid. If the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the Village, in any year, the Village may be affected by a delay in the receipt of State aid until sufficient State taxes have been received by the State to make State aid payments. Additionally, if the State should not adopt its budget in a timely manner, as has been the case in some prior years, municipalities and school districts in the State, including the Village, may be affected by a delay in the payment of State aid. The amount of State aid the Village receives, as compared to total revenues, is not substantial and therefore, the Village does not expect any potential delays or withholdings to have any material impact on the financial condition of the Village.

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

Employees

The Village currently employs approximately 6 full-time and 5 part-time employees. Village employees are not members of collective bargaining units.

Source: Village officials.

Status and Financing of Employee Pension Benefits

Substantially all employees of the Village are members of the New York State and Local Employees' Retirement System ("ERS") (the "Retirement System"). The ERS is generally also known as the "Common Retirement Fund". The Retirement System is a cost-sharing multiple public employer retirement system. The obligation of employers and employees to contribute and the benefit to employees are governed by the New York State Retirement System and Social Security Law (the "Retirement System Law"). The Retirement System offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. 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 System. The Retirement System is non-contributory with respect to members hired prior to July 27, 1976. The Retirement System is non-contributory with respect to members working ten or more years. Except as described below, all members working less than ten years must contribute 3% of gross annual salary towards the cost of retirement programs.

On December 10, 2009, the then Governor signed into law pension reform legislation that is projected to provide (according to a Division of the Budget analysis) more than \$35 billion in long-term savings to State taxpayers over a period of thirty years. The legislation created a new Tier V pension level. Key components of Tier V included:

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

On March 16, 2012, the Governor signed into law the Tier VI pension program, effective for new ERS employees hired after April 1, 2012. The Tier VI legislation provides for increased employee contribution rates of between 3% and 6%, 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 final average salary calculation from 3 years to 5 years. The State's 2024-25 Enacted Budget included a provision that improved the pension benefits of Tier VI members by modifying the final average salary calculation from 5 years back to 3 years. This measure was effective as of April 20, 2024 for ERS Tier VI members.

The Village has made retirement contributions to the Retirement System as follows:

<u>Fiscal Year</u>	<u>ERS</u>
2020-2021	\$ 35,353
2021-2022	42,791
2022-2023	35,982
2023-2024	41,811
2024-2025	47,439
2025-2026 (Budgeted)	45,500

Source: Village officials.

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 rates (2021-22 to 2025-26) is shown below:

<u>State Fiscal Year</u>	<u>ERS</u>
2021-22	16.2%
2022-23	11.6
2023-24	13.1
2024-25	15.2
2025-26	16.5

Chapter 49 of the Laws of 2003 amended the Retirement and Social Security Law and Local Finance Law. The amendments empowered the State Comptroller to implement a comprehensive structural reform program that establishes a minimum contribution for any employer equal to 4.5% of pensionable salaries for required contributions due December 15, 2003 and for all years thereafter where the actual rate would otherwise be 4.5% or less. In addition, it instituted a billing system that will advise employers over one year in advance concerning actual pension contribution rates. The law further allowed a five-year amortization at 8% interest of a portion of the required contributions for the 2004 fiscal year that exceeds 7% of payroll-assuming the required contribution is in excess of 7%.

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

Stable Rate Pension Contribution Option. The Enacted 2013-14 State Budget includes a provision that provides local governments, including the Village, with the option to “lock-in” long-term, stable rate pension contributions for a period of years determined by the State Comptroller and ERS and PFRS. For 2014 and 2015 the rate is 12.0% for ERS and 20% for PFRS; the rates applicable to 2016 and thereafter are subject to adjustment. 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 Village is not amortizing or smoothing any pension payments, nor does it intend to do so in the foreseeable future.

The investment of monies and assumptions underlying same, of the Retirement Systems covering the Village’s employees is not subject to the direction of the Village. 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 Village which could affect other budgetary matters. Concerned investors should contact the Retirement Systems administrative staff for further information on the latest actuarial valuations of the Retirement Systems.

Other Post-Employment Benefits

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

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

GASB 75. GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the year ending May 31, 2019. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

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.

The Village has not contracted with an actuarial firm to prepare its post-retirement benefits valuation, and does not reasonably expect to do so in the foreseeable future.

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

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

Other Information

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

The Village has complied with the procedure for the publication of the estoppel notice with respect to the Notes, as provided in Title 6 of Article 2 of the Local Finance Law.

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

The fiscal year of the Village is June 1 to May 31.

Other than as described in the section titled "Estimated Overlapping Indebtedness," this Official Statement does not include the financial data of any political subdivision having power to levy taxes within the Village.

Financial Statements

The Village has prepared single audit Audited Financial Statements for the fiscal year ended May 31, 2024. Said Audited Financial Statements are attached hereto as "APPENDIX – D". Certain financial information of the Village may be found in the Appendices to this Official Statement.

In addition, the State Comptroller's office, i.e., the Department of Audit and Control, periodically performs a compliance review to ascertain whether the Village has complied with the requirements of various State and Federal statutes. These audits can be searched on the Office of the State Comptroller website. There have not been any recent State Comptroller audits of the Village nor are any in progress.

The Village complies with the Uniform System of Accounts as prescribed for villages in New York 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).

Anticipated Unaudited Results of Operations for Fiscal Year Ending May 31, 2025

Based on preliminary estimates, the Village ended the fiscal year ending May 31, 2025 with an unappropriated unreserved fund balance of \$210,657.

Summary unaudited information for the General Fund for the period ending May 31, 2025 is as follows:

Revenues:	\$	593,100
Expenditures:		<u>605,600</u>
Excess (Deficit) Revenues Over Expenditures:	\$	(12,500)
Beginning Fund Balance at May 31, 2024:	\$	<u>223,157</u>
Total Projected Fund Balance at May 31, 2025:	\$	<u>210,657</u>

Note: These projections are based upon certain current assumptions and estimates, and the audited results may vary therefrom.

New York State Comptroller Reports of Examination

The State Comptroller's office, i.e., the Department of Audit and Control, periodically performs a compliance review to ascertain whether the Village has complied with the requirements of various State and Federal statutes. These audits can be searched on the official website of the Office of the New York State Comptroller.

The State Comptroller's office released its most recent audit report of the Village on April 22, 2022. The purpose of the audit was to determine whether the Village Treasurer recorded and deposited all collections received in an accurate manner during the period June 1, 2012 through November 27, 2018. Key findings and recommendations of the audit report are summarized below.

Key Findings

The former Treasurer did not record and deposit collections in an accurate manner.

- The former Treasurer did not deposit more than \$20,000 in recorded real property taxes, water, sewer and general fund receipts collected during the period July 1, 2012 through August 3, 2016.
- The Village Board and Village officials did not establish adequate written policies and procedures over the cash receipt collection process.
- The Village Board did not provide adequate oversight of the Treasurer and did not annually audit the former Treasurer's records and reports

Key Recommendations

- Take appropriate action to recover the missing funds.
- Develop written policies and establish procedures over the cash receipt collection process.
- Provide adequate oversight and annually audit the Treasurer's reports and records.

A copy of the complete report can be found by visiting the Audits of Local Governments section of the Office of the State Comptroller website.

There have been no other Office of the State Comptroller reports of examination of the Village that have been published within the last five years, nor are there any that are currently in progress or pending release.

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.

State Comptroller Fiscal Stress Monitoring System

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

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

The reports of the State Comptroller for the past three fiscal years of the Village are as follows:

<u>Fiscal Year Ending In</u>	<u>Stress Designation</u>	<u>Fiscal Score</u>
2023	No Designation	3.3
2022	No Designation	6.3
2021	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.

TAX INFORMATION

Taxable Assessed Valuations

<u>Assessment Calendar Year</u> <u>For the Fiscal Year End</u>	<u>2020</u> <u>2022</u>	<u>2021</u> <u>2023</u>	<u>2022</u> <u>2024</u>	<u>2023</u> <u>2025</u> ⁽¹⁾	<u>2024</u> <u>2026</u>
Assessed Valuation	\$ 20,682,916	\$ 21,816,050	\$ 21,078,728	\$ 28,588,396	\$ 29,042,751
New York State Equalization Rate	100.00%	99.00%	94.90%	100.00%	100.00%
Total Taxable Full Valuation	\$ 20,682,916	\$ 22,036,414	\$ 22,211,515	\$ 28,588,396	\$ 29,042,751

⁽¹⁾ Significant change from prior year due to revaluation.

Source: Village officials.

Tax Rate Per \$1,000 (Assessed)

<u>Fiscal Year of Tax Roll:</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u> ⁽¹⁾	<u>2026</u>
	\$ 10.32	\$ 10.14	\$ 10.74	\$ 8.97	\$ 9.04

⁽¹⁾ Significant change from prior year due to revaluation.

Source: Village officials.

Tax Levy and Tax Collection Record

<u>Fiscal Year of Tax Roll:</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Total Tax Levy	\$ 213,507	\$ 221,197	\$ 226,365	\$ 256,365	\$ 262,489
Uncollected End of Year ⁽¹⁾	20,743	23,573	19,526	25,761	N/A
% Uncollected End of Year	9.72	10.66	8.63	10.05	N/A

⁽¹⁾ Uncollected taxes are paid to the Village by the County. See "Tax Collection Procedure" herein.

Notes: Uncollected tax information for the fiscal year ended May 31, 2026 is not available as of the date of this Official Statement.

Due to the impact of COVID-19, the Village was unable to re-levy water accounts for 2021-2022. In 2023-2024, the Low Income Household Water Assistance Program (LIHWAP) paid some water and sewer accounts. (The program is no longer present.)

Source: Village officials.

Tax Collection Procedure

Tax payments are due on June 1 to and including July 1 in each year without penalty. Penalties for tax delinquencies are imposed at the rate of 5% for the first month delinquent and an additional 1% for each month or fraction thereof thereafter. The Village allows tax payments to be paid in four installments in any amount provided the first installment is paid on time and penalties are added to the overdue balance. The County remits to the Village the amount of uncollected taxes, and then administers the delinquent collections, thus assuring that the Village receives its entire levy in the same fiscal year.

Ten Largest Taxpayers – 2024 Assessment Roll for 2025-26 Village Tax Roll

<u>Name</u>	<u>Type</u>	<u>Taxable Assessed Valuation</u>
National Grid	Utility - Electric	\$ 2,471,539
Levitt Trust	Retail Store – DG	1,162,000
Chaut & Erie Telephone	Utility - Telephone	752,990
Sherman Apts Partnership	Apartments	626,000
Neil Miller	Single Family Residence	427,200
Heather White (Triple E)	Manufacturing	441,300
Steve Bullington	Single Family Residence	255,000
TRS Transit, Inc	Feed Mill	212,400
Gerow Bernhardt	Single Family Residence	207,000
Garrett Spitzer	Single Family Residence	191,000

The Village currently does not have any pending or outstanding tax certioraris that are known or believed could have a material impact on the finances of the Village.

The taxpayers listed above have a total taxable assessed valuation of \$6,746,429, which represents 23.23% of the Village tax base for the 2025-2026 fiscal year.

Source: Village tax rolls.

Constitutional Tax Margin

Computation of Constitutional Tax Margin for fiscal years ending May 31:

<u>Fiscal Year Ending May 31:</u>	<u>2026</u>	<u>2025</u>	<u>2024</u>
Five Year Average Full Valuation.....	\$ 24,512,398	\$ 22,568,040	\$ 20,721,481
Tax Limit - (2% thereof).....	490,248	451,361	414,430
Total Additions.....	-	-	-
Total Taxing Power.....	\$ 490,248	\$ 451,361	\$ 414,430
Tax Levy.....	\$ 262,489	\$ 256,365	\$ 226,365
Less: Total Exclusions.....	-	22,866	-
Tax Levy Subject to Tax Limit.....	\$ 262,489	\$ 233,499	\$ 226,365
Percentage of Tax Limit Exhausted.....	53.54%	51.73%	54.62%
Constitutional Tax Margin.....	\$ 227,759	\$ 217,862	\$ 188,065

Source: Village officials.

Additional Tax Information

Real property in the Village is assessed by the Town.

The property tax bill of a typical residence in the Village is currently estimated to be \$776.

TAX LEVY LIMITATION LAW

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the “Tax Levy Limitation Law”). The Tax Levy Limitation Law applies to virtually all local governments, including school districts (with the exception of New York City, Yonkers, Syracuse, Rochester and Buffalo, the latter four of which are indirectly affected by applicability to their respective city). It also applies to independent special districts and to town and county improvement districts as part of their parent municipalities tax levies.

The Tax Levy Limitation Law restricts, among other things, the amount of real property taxes (including assessments of certain special improvement districts) that may be levied by or on behalf of a municipality in a particular year, beginning with fiscal years commencing on or after January 1, 2012. It was set to expire June 15, 2020 unless extended; legislation has since made it permanent. Pursuant to the Tax Levy Limitation Law, the tax levy of a municipality cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the consumer price index (“CPI”), over the amount of the

prior year's tax levy. Certain adjustments are required 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 town may exceed the tax levy limitation for the coming fiscal year only if the governing body of such town first enacts, by at least a sixty percent vote of the total voting strength of the board, a local law, to override such limitation for such coming fiscal year only. There are exceptions to the tax levy limitation provided in the Tax Levy Limitation Law, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees' Retirement System, the Police and Fire Retirement System, and the Teachers' Retirement System. Municipalities are also permitted to carry forward a certain portion of their unused levy limitation from a prior year. Each municipality, prior to adoption of each fiscal year budget must submit for review to the State Comptroller any information that is necessary in the calculation of its tax levy for each fiscal year.

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

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

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

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

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

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

STATUS OF INDEBTEDNESS

Constitutional Requirements

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

Purpose and Pledge. Subject to certain enumerated exceptions, the Village 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 Village may contract indebtedness only for a Village 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 as determined by statute, or in the alternative, the weighted average maturity of the several objects or purposes for which it has contracted; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the Village Legislature authorizes the issuance of bonds with substantially level or declining

annual debt service. The Village is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and such required annual installments on its notes.

Debt Limit. The Village has the power to contract indebtedness for any Village purpose so long as the principal amount thereof, subject to certain limited exceptions, shall not exceed seven per centum of the average full valuation of taxable real estate of the Village and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional method for determining full valuation is by taking the assessed valuation of taxable real estate as shown upon the latest completed assessment roll and dividing the same by the equalization rate as determined by the State Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined. Average full valuation is determined by taking the sum of the full valuation of the last completed assessment roll and the four preceding assessment rolls and dividing such sum by five.

Statutory Procedure

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

Pursuant to the Local Finance Law, the Village authorizes the issuance of bonds by the adoption of a bond resolution approved by at least two-thirds of the members of the Board of Trustees, the finance board of the Village. Customarily, the Board of Trustees has delegated to the Village Treasurer, as chief fiscal officer of the Village, the power to authorize and sell bonds.

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

- (1) Such obligations are authorized for a purpose for which the Village 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 obligation 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 Village complies with this estoppel procedure. It is a procedure that is recommended by Bond Counsel, but it is not an absolute legal requirement.

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

The Village Board of Trustees, as the finance board of the Village, has the power to enact bond resolutions. In addition, such finance board has the power to authorize the sale and issuance of obligations. However, such finance board may, and generally does, delegate the power to sell the obligations to the Village Treasurer, the chief fiscal officer of the Village, pursuant to the Local Finance Law.

Each bond resolution also authorizes the issuance of bond anticipation notes prior to the issuance of serial bonds. Statutory law in New York, permits notes to be renewed each year provided that principal is amortized and provided that such renewals do not (with certain exceptions) extend five years beyond the original date of borrowing. However, notes issued in anticipation of the sale of serial bonds for assessable improvements are not subject to such five-year limit and may be renewed subject to annual reductions of principal for the entire period of probable usefulness of the purpose for which such notes were originally issued.

In general, the Local Finance Law contains provisions providing the Village with power to issue certain other short-term general obligation indebtedness including revenue and bond anticipation notes, deficiency notes and budget notes. (See "Details of Outstanding Indebtedness" herein.)

Debt Outstanding End of Fiscal Year

<u>Fiscal Years Ending May 31:</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Bonds	\$ 57,300	\$ 166,000	\$ 394,000	\$ 338,000	\$ 3,823,834
Bond Anticipation Notes	<u>300,000</u>	<u>1,101,273</u> ⁽¹⁾	<u>1,252,500</u> ⁽²⁾	<u>4,469,454</u> ⁽³⁾	<u>1,150,000</u>
Totals	<u>\$ 357,300</u>	<u>\$ 1,267,273</u>	<u>\$ 1,646,500</u>	<u>\$ 4,807,454</u>	<u>\$ 4,973,834</u>

- (1) Figure includes \$337,472 short-term indebtedness through the United States Department of Agriculture-Rural Development (“USDA-RD”) for the Village’s sewer improvements project and \$263,801 short-term indebtedness through the New York State Environmental Facilities Corporation (“EFC”) for the Village’s water improvement project.
- (2) Figure includes \$230,499 short-term indebtedness through USDA-RD for the Village’s sewer improvements project and \$307,001 short-term indebtedness through EFC for the Village’s water improvement project.
- (3) Figure includes \$2,901,250 short-term indebtedness through USDA-RD for the Village’s sewer improvements project and \$858,204 short-term indebtedness through EFC for the Village’s water improvement project.

Note: The figures above do not include any capital lease indebtedness to the extent that any such indebtedness may be applicable to the Village.

Source: Annual Financial Report Update Documents (unaudited) for the fiscal years ended May 31, 2020 and May 31, 2021, single audit Audited Financial Statements for the fiscal years ended May 31, 2022 through May 31, 2024, and Village officials.

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the Village as of May 6, 2025.

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Amount</u>
<u>Bonds</u>	2025-2059	\$ 3,768,368 ⁽¹⁾
<u>Bond Anticipation Notes</u>		
Stormwater Projects	May 23, 2025	<u>950,000</u> ⁽²⁾
Total Debt Outstanding:		<u>\$ 4,718,368</u>

- (1) Includes Long-Term Indebtedness issued through the USDA-RD and EFC.
- (2) To be redeemed and partially renewed at maturity with a portion of the proceeds of the Notes and available Village funds.

Note: The figures above do not include any capital lease indebtedness to the extent that any such indebtedness may be applicable to the Village.

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Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin prepared and shown as of May 6, 2025:

Average Full Valuation of Taxable Real Property	<u>\$24,512,398</u>
Debt Limit – 7% thereof	<u>\$1,715,868</u>

Inclusions:

Bonds ⁽¹⁾	\$ 3,768,368	
Bond Anticipation Notes	<u>950,000</u>	
Total Inclusions.....		<u>\$ 4,718,368</u>

Exclusions:

Appropriations ⁽²⁾	\$ 0	
Sewer Debt ⁽³⁾	<u>2,526,000</u>	
Water Debt ⁽⁴⁾	<u>834,568</u>	
Total Exclusions.....		<u>\$ 3,360,568</u>

Total Net Indebtedness Subject to Debt Limit.....	<u>\$ 1,357,800</u>
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Net Debt-Contracting Margin.....	<u>\$ 358,068</u>
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The percent of debt contracting power exhausted is.....	79.13%
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(1) Includes Long-Term Indebtedness issued through the USDA-RD and EFC.

(2) Appropriations are excluded pursuant to Section 136.00 of the Local Finance Law.

(3) Sewer Debt is excluded pursuant to section 124.10 of the Local Finance Law. The Village was granted sewer exclusion by the New York State Office of the State Comptroller.

(4) Water Debt is excluded pursuant to Article VIII, Section 5B of the New York State Constitution.

Note: The figures above do not include any capital lease or installment purchase indebtedness, to the extent that any such indebtedness may be applicable to the Village.

Bonded Debt Service

A schedule of Bonded Debt Service may be found in “APPENDIX – B” to this Official Statement.

Cash Flow Borrowings

The Village has not issued tax anticipation notes or revenue anticipation notes in the past five years, nor budget or deficiency notes, and does not reasonably expect to do so in the foreseeable future.

Capital Project Plans

On July 20, 2020, the Village authorized the issuance of \$3,500,000 bonds of the Village, and an amending bond resolution adopted August 10, 2022 increased the authorization to \$5,000,000 bonds of the Village, for the cost of improvements to the Village’s stormwater projects and to purchase parcels of land for stormwater projects of the Village. The proceeds of the Notes, along with \$5,000 available funds of the Village, will redeem and partially renew \$950,000 bond anticipation notes currently outstanding and maturing on May 23, 2025 for this purpose and will provide \$305,000 in new money. The Village anticipates that the project will ultimately be financed through the United States Department of Agriculture-Rural Development (“USDA-RD”).

There are no other projects of the Village which are authorized and unissued at this time.

Estimated Overlapping Indebtedness

In addition to the Village, the following political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the Village. The estimated outstanding indebtedness of such political subdivisions is as follows.

<u>Municipality</u>	<u>Status of Debt as of</u>	<u>Gross Indebtedness</u> ⁽¹⁾	<u>Estimated Exclusions</u>	<u>Net Indebtedness</u>	<u>Village Share</u>	<u>Net Overlapping Indebtedness</u>
County of:						
Chautauqua	11/21/2024 ⁽²⁾	\$ 65,325,757	\$ 4,638,561 ⁽⁴⁾	\$ 60,687,196	0.25%	\$ 151,718
Town:						
Sherman	12/31/2023 ⁽³⁾	-	- ⁽⁶⁾	-	26.10%	-
School District:						
Sherman CSD	12/9/2024 ⁽²⁾	5,095,000	4,483,600 ⁽⁵⁾	611,400	26.83%	164,039
					Total:	<u>\$ 315,757</u>

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

Debt Ratios

The following table sets forth certain ratios relating to the Village's indebtedness as of May 6, 2025:

	<u>Amount</u>	<u>Per Capita</u> ^(a)	<u>Percentage of Full Value</u> ^(b)
Net Indebtedness ^(c)	\$ 1,357,800	\$ 2,124.88	4.68%
Net Plus Net Overlapping Indebtedness ^(d)	1,673,557	2,619.03	5.76%

- (a) The 2023 estimated population of the Village is 639. (See "THE VILLAGE – Population Trends" herein.)
- (b) The Village's full value of taxable real estate for the 2025-2026 fiscal year is \$29,042,751. (See "Taxable Assessed Valuations" herein.)
- (c) See "Debt Statement Summary" herein for the calculation of Net Indebtedness.
- (d) The Village's applicable share of Net Overlapping Indebtedness is estimated to be \$315,757. (See "Estimated Overlapping Indebtedness" herein.)

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SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

General Municipal Law Contract Creditors' Provision. Each Bond when duly issued and paid for will constitute a contract between the Village and the holder thereof. Under current law, provision is made for contract creditors of the Village to enforce payments upon such contracts, if necessary, through court action. Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the Village upon any judgment or accrued claim against it on an amount adjudged due to a creditor shall not exceed nine per centum per annum from the date due to the date of payment. This provision might be construed to have application to the holders of the Notes in the event of a default in the payment of the principal of and interest on the Notes.

Execution/Attachment of Municipal Property. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment, although judicial mandates have been issued to officials to appropriate and pay judgments out of certain funds or the proceeds of a tax levy. In accordance with the general rule with respect to municipalities, judgments against the Village may not be enforced by levy and execution against property owned by the Village.

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

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

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

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

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

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

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

As a result of the Court of Appeals decision in *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law, described below, enacted at the 1975 Extraordinary Session of the State legislature authorizing any county, city, 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 Village.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

No Past Due Debt. No principal of or interest on Village indebtedness is past due. The Village has never defaulted in the payment of the principal of and interest on any indebtedness.

MARKET AND RISK FACTORS

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

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

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

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

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

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

Cybersecurity

The Village, 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 Village 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.

Federal Policy Risk. Federal policies on trade, immigration, and other topics can shift dramatically from one administration to another. From time to time, such shifts can result in reductions to the State's level of federal funding for a variety of social services, health care, public safety, transportation, public health, and other federally funded programs. There can be no prediction of future changes in federal policy or the potential impact on any related federal funding that the State may or may not receive in the future.

TAX MATTERS

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

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. The Village has covenanted to comply with certain restrictions designed to ensure that interest on the Notes will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Notes being included in gross income for federal income tax purposes possibly from the date of original issuance of the Notes. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Notes may adversely affect the value of, or the tax status of interest on, the Notes. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Notes.

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

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

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

PROSPECTIVE PURCHASERS OF THE NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING ANY PENDING OR PROPOSED FEDERAL OR STATE TAX LEGISLATION, REGULATIONS OR LITIGATION, AS TO WHICH BOND COUNSEL EXPRESSES NO OPINION.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Notes are subject to the approving legal opinion of Timothy R. McGill, Esq., Fairport, New York, Bond Counsel. Bond Counsel expects to deliver such opinion at the time of issuance of the Notes substantially in the form set forth in "APPENDIX – E" hereto.

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 Village, together with other legally available sources of revenue, if any, will be sufficient to enable the Village 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 Village, would materially affect the ability of the Village 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 Village, 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.

LITIGATION

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

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

CONTINUING DISCLOSURE

In order to assist the purchaser in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), the Village will enter into a Material Event Notices Certificate with respect to the Notes, the form of which is attached hereto as "APPENDIX – C."

Historical Compliance

The Village is in compliance, in all material respects, within the last five years with all previous undertakings made pursuant to the Rule 15c2-12.

RATING

The Notes are not rated. The purchaser of the Notes may choose to request that a rating be assigned after the sale pending approval of the Village and applicable rating agency, and at the expense of the purchaser, including any rating agency and other fees to be incurred by the Village, as such rating action may result in a material event notification to be posted to EMMA and/or the provision of a Supplement to the final Official Statement. (See "APPENDIX – C" herein).

The Village does not currently have an underlying rating on its general obligation indebtedness.

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 financial advisor to the Village on matters relating to debt management. The Municipal Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Notes. The advice on the plan of financing and the structuring of the Notes was based on materials provided by the Village and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the Village or the information set forth in this Official Statement or any other information available to the Village 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 Village to Fiscal Advisors 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 Village; provided, however, the Village assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers.

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 the Official Statement, and the documents included by specific reference, that are not historical facts are “forward-looking statements”, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the Private Securities Litigation Reform Act of 1995, which involve a number of risks and uncertainties, and which are based on the Village management’s beliefs as well as assumptions made by, and information currently available to, the Village’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 Village’s files with the repositories. When used in Village documents or oral presentation, the words “anticipate”, “believe”, “intend”, “plan”, “foresee”, “likely”, “estimate”, “expect”, “objective”, “projection”, “forecast”, “goal”, “will”, or “should”, or similar words or phrases 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, Esq., Fairport, New York, Bond Counsel to the Village, expresses no opinion as to the accuracy or completeness of information in any documents prepared by or on behalf of the Village 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 Village 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 limitation as to information in the Official Statement obtained from sources other than the Village, as to which no representation can be made.

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

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 Village nor Fiscal Advisors & Marketing, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Fiscal Advisors & Marketing, Inc. and the Village disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses or hacking in the electronic files on the website. Fiscal Advisors & Marketing, Inc. and the Village also assumes no liability or responsibility for any errors or omissions or for any updates to dated website information.

The Village's contact information is as follows: Colleen Meeder, Mayor, 111 Mill Street, P.O. Box 629, Sherman, New York 14781, Phone: (716) 761-6781, Email: village.sherman@gmail.com.

This Official Statement has been duly executed and delivered by the Treasurer of the Village.

VILLAGE OF SHERMAN

Dated: May 6, 2025

JEANETTE RAMM
VILLAGE CLERK-TREASURER

GENERAL FUND

Balance Sheets

Fiscal Years Ending May 31:	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
<u>ASSETS</u>					
Cash	\$ 189,671	\$ 120,112	\$ 79,907	\$ 128,703	\$ 92,096
Taxes Receivable (Net)	(3,000)	(2,250)	-	-	-
Accounts Receivable	2,844	3,505	675	5,906	50,890
State and Federal Aid Receivables	-	-	-	-	-
Due from Other Funds	35,000	94,057	171,297	93,771	129,195
Due from Other Governments	-	19,500	23,500	22,000	22,000
Restricted Cash & Investments	-	-	-	-	-
Prepaid Expenses	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u><u>\$ 224,514</u></u>	<u><u>\$ 234,925</u></u>	<u><u>\$ 275,379</u></u>	<u><u>\$ 250,380</u></u>	<u><u>\$ 294,181</u></u>
 <u>LIABILITIES AND FUND EQUITY</u>					
Accounts Payable	\$ 15,221	\$ 29,138	\$ 14,429	\$ 29,727	\$ 25,020
Accrued Liabilities	19,440	14,274	23,349	18,002	17,645
Due to Employees' Retirement System	1,319	6,690	-	-	-
Due to Other Funds	-	-	-	-	-
Due to Other Governments	-	-	-	-	-
Deferred Revenues	26,906	26,723	28,027	28,690	28,359
Other Liabilities	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	<u><u>62,886</u></u>	<u><u>76,825</u></u>	<u><u>65,805</u></u>	<u><u>76,419</u></u>	<u><u>71,024</u></u>
 <u>FUND EQUITY</u>					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Unassigned	161,627	158,099	209,574	173,961	223,157
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL FUND EQUITY	<u><u>161,627</u></u>	<u><u>158,099</u></u>	<u><u>209,574</u></u>	<u><u>173,961</u></u>	<u><u>223,157</u></u>
 TOTAL LIABILITIES & FUND EQUITY	<u><u>\$ 224,514</u></u>	<u><u>\$ 234,925</u></u>	<u><u>\$ 275,379</u></u>	<u><u>\$ 250,380</u></u>	<u><u>\$ 294,181</u></u>

Source: Annual Financial Report Update Documents (unaudited) and single audit Audited Financial Statements of the Village.
This Appendix is not audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending May 31:

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)
<u>REVENUES</u>					
Real Property Taxes	\$ 199,894	\$ 205,735	\$ 207,792	\$ 213,507	\$ 220,409
Sales Tax	-	-	-	101,930	100,143
Real Property Tax Items	3,530	3,936	5,209	4,050	5,439
Non-Property Tax Items	80,236	70,994	109,120	8,619	7,579
Departmental Income	6,361	6,407	6,453	5,859	7,455
Intergovernmental Charges	77,294	79,312	79,624	79,441	81,168
Use of Money & Property	644	4,579	10,454	12,300	14,937
Licenses and Permits	435	4,172	5,773	4,035	3,684
Fines and Forfeitures	-	-	-	-	-
Sale of Property and					
Compensation for Loss	-	-	75,270	3,019	400
Interfund Revenues	-	-	-	-	-
Miscellaneous	1,255	8,496	27,435	21,156	32,768
Revenues from State Sources	40,512	37,396	13,190	18,971	18,527
Revenues from Federal Sources	-	-	-	34,718	34,718
Total Revenues	<u>\$ 410,159</u>	<u>\$ 421,027</u>	<u>\$ 540,320</u>	<u>\$ 507,605</u>	<u>\$ 527,227</u>
<u>EXPENDITURES</u>					
General Government Support	\$ 59,873	\$ 71,769	\$ 79,423	\$ 76,678	\$ 103,525
Public Safety	104,428	125,837	128,597	135,316	144,297
Health	-	7,540	-	-	-
Transportation	112,495	223,510	199,352	152,856	163,850
Economic Assistance & Opportunity	927	1,535	5,560	2,497	4,251
Culture and Recreation	10,095	10,800	11,508	15,087	29,676
Home and Community Services	18,300	26,219	42,767	37,663	106,133
Employee Benefits	33,611	29,417	42,555	39,558	32,585
Debt Service	25,306	8,713	59,087	15,528	14,273
Total Expenditures	<u>\$ 365,033</u>	<u>\$ 505,339</u>	<u>\$ 568,848</u>	<u>\$ 475,183</u>	<u>\$ 598,590</u>
Excess of Revenues Over (Under)					
Expenditures	<u>\$ 45,126</u>	<u>\$ (84,312)</u>	<u>\$ (28,528)</u>	<u>\$ 32,422</u>	<u>\$ (71,363)</u>
Other Financing Sources (Uses):					
Operating Transfers In	-	18,500	37,000	38,520	42,000
Operating Transfers Out	<u>-</u>	<u>24,520</u>	<u>12,000</u>	<u>19,467</u>	<u>6,250</u>
Total Other Financing	<u>-</u>	<u>(6,020)</u>	<u>25,000</u>	<u>19,053</u>	<u>35,750</u>
Excess of Revenues and Other					
Sources Over (Under) Expenditures	<u>45,126</u>	<u>(90,332)</u>	<u>(3,528)</u>	<u>51,475</u>	<u>(35,613)</u>
and Other Uses					
<u>FUND BALANCE</u>					
Fund Balance - Beginning of Year	206,833	251,959	161,627	158,099	209,574
Prior Period Adjustments (net)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 251,959</u>	<u>\$ 161,627</u>	<u>\$ 158,099</u>	<u>\$ 209,574</u>	<u>\$ 173,961</u>

Source: Annual Financial Report Update Documents (unaudited) and single audit Audited Financial Statements of the Village.
This Appendix is not audited.

GENERAL FUND

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

Fiscal Years Ending May 31:

	2024			2025	2026
	Original Budget	Revised Budget	Audited Actual	Adopted Budget	Adopted Budget
REVENUES					
Real Property Taxes	\$ 226,365	\$ 226,365	\$ 226,365	\$ 271,365	\$ 262,489
Sales Tax	102,700	102,700	106,422	-	-
Real Property Tax Items	5,395	5,395	4,545	6,725	21,300
Non-Property Tax Items	7,675	7,675	7,018	117,679	117,875
Departmental Income	7,150	7,150	11,343	-	16,475
Intergovernmental Charges/Shared Services	82,651	82,651	82,853	84,304	85,990
Use of Money & Property	16,000	16,000	17,503	41,650	22,300
Licenses and Permits	3,200	3,200	16,398	3,200	3,500
Fines and Forfeitures	-	-	-	-	-
Sale of Property and					
Compensation for Loss	-	-	68,693	-	16,826
Miscellaneous	37,000	37,000	124,890	21,800	2,150
Interfund Revenues	-	-	-	-	-
Revenues from State Sources	47,777	47,777	46,704	58,777	50,646
Revenues from Federal Sources	100,000	100,000	-	-	-
Total Revenues	<u>\$ 635,913</u>	<u>\$ 635,913</u>	<u>\$ 712,734</u>	<u>\$ 605,500</u>	<u>\$ 599,551</u>
EXPENDITURES					
General Government Support	\$ 77,153	\$ 77,153	\$ 92,130	\$ 85,540	\$ 96,800
Public Safety	173,961	173,961	161,712	181,750	181,565
Health	-	-	-	-	-
Transportation	494,450	494,450	180,357	201,750	187,550
Economic Assistance & Opportunity	2,250	2,250	10,064	11,900	13,500
Culture and Recreation	30,050	30,050	60,300	37,150	25,300
Home and Community Services	32,400	32,400	102,476	17,900	45,050
Employee Benefits	31,610	31,610	35,236	32,990	46,033
Debt Service	14,039	14,039	15,044	33,020	40,753
Total Expenditures	<u>\$ 855,913</u>	<u>\$ 855,913</u>	<u>\$ 657,319</u>	<u>\$ 602,000</u>	<u>\$ 636,551</u>
Excess of Revenues Over (Under)					
Expenditures	<u>\$ (220,000)</u>	<u>\$ (220,000)</u>	<u>\$ 55,415</u>	<u>\$ 3,500</u>	<u>\$ (37,000)</u>
Other Financing Sources (Uses):					
Other Budgetary Purposes	-	-	-	-	-
Proceeds on Long-term Obligations	200,000	200,000	-	-	-
Operating Transfers In	20,000	20,000	32,000	38,500	40,500
Operating Transfers Out	-	-	38,219	42,000	3,500
Total Other Financing	<u>220,000</u>	<u>220,000</u>	<u>(6,219)</u>	<u>(3,500)</u>	<u>37,000</u>
Excess of Revenues and Other					
Sources Over (Under) Expenditures					
and Other Uses	<u>-</u>	<u>-</u>	<u>49,196</u>	<u>-</u>	<u>-</u>
FUND BALANCE					
Fund Balance - Beginning of Year	-	-	173,961	-	-
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 223,157</u>	<u>\$ -</u>	<u>\$ -</u>

Source: Single audit Audited Financial Statements for the fiscal year ended May 31, 2024 and budgets (unaudited) of the Village.

This Appendix is not audited.

APPENDIX - B
Village of Sherman

BONDED DEBT SERVICE

Fiscal Year Ending May 31st	Principal	Interest	Total
2025	\$145,466	\$ 64,373.51	\$ 209,839.51
2026	141,960	61,714.37	203,674.37
2027	148,454	58,999.25	207,453.25
2028	99,948	56,596.85	156,544.85
2029	102,326	54,534.10	156,860.10
2030	95,937	52,439.46	148,376.46
2031	97,431	50,756.94	148,187.94
2032	98,925	49,049.67	147,974.67
2033	100,419	47,317.66	147,736.66
2034	101,913	45,560.90	147,473.90
2035	100,608	43,768.76	144,376.76
2036	102,102	42,151.38	144,253.38
2037	92,596	40,509.25	133,105.25
2038	95,090	39,065.50	134,155.50
2039	96,585	37,586.38	134,171.38
2040	94,779	36,082.51	130,861.51
2041	97,173	34,658.76	131,831.76
2042	98,567	33,203.13	131,770.13
2043	100,961	31,715.63	132,676.63
2044	102,356	30,196.26	132,552.26
2045	104,750	28,645.01	133,395.01
2046	106,144	27,061.88	133,205.88
2047	108,538	25,446.88	133,984.88
2048	109,933	23,800.01	133,733.01
2049	112,327	22,121.26	134,448.26
2050	114,721	20,400.01	135,121.01
2051	116,115	18,646.88	134,761.88
2052	118,509	16,861.88	135,370.88
2053	120,904	15,034.38	135,938.38
2054	123,297	13,164.38	136,461.38
2055	91,000	11,251.88	102,251.88
2056	93,000	9,296.88	102,296.88
2057	95,000	7,299.38	102,299.38
2058	97,000	5,259.38	102,259.38
2059	98,000	3,187.51	101,187.51
2060	101,000	1,073.13	102,073.13
TOTALS	\$3,823,834	\$ 1,158,831.00	\$ 4,982,665.00

The table above does not include any capital lease indebtedness, to the extent any such indebtedness may be applicable to the Village.

APPENDIX - B1
Village of Sherman

CURRENT BONDS OUTSTANDING

Fiscal Year Ending May 31st	2020 Loader & Truck			2021 Land Acquisition		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$11,000	\$ 2,805.00	\$ 13,805.00	\$ 50,000	\$ 1,768.75	\$ 51,768.75
2026	11,000	2,571.25	13,571.25	45,000	1,087.50	46,087.50
2027	11,000	2,337.50	13,337.50	50,000	375.00	50,375.00
2028	11,000	2,103.75	13,103.75	-	-	-
2029	11,000	1,870.00	12,870.00	-	-	-
2030	11,000	1,636.25	12,636.25	-	-	-
2031	11,000	1,402.50	12,402.50	-	-	-
2032	11,000	1,168.75	12,168.75	-	-	-
2033	11,000	935.00	11,935.00	-	-	-
2034	11,000	701.25	11,701.25	-	-	-
2035	11,000	467.50	11,467.50	-	-	-
2036	11,000	233.75	11,233.75	-	-	-
TOTALS	\$ 132,000	\$ 18,232.50	\$ 150,232.50	\$ 145,000	\$ 3,231.25	\$ 148,231.25

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APPENDIX - B1
Village of Sherman

CURRENT BONDS OUTSTANDING

Fiscal Year Ending May 31st	2023			2024		
	USDA-RD - Sewer			EFC - Water		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$48,000	\$ 54,187.50	\$ 102,187.50	\$ 22,866	\$ -	\$ 22,866.00
2026	49,000	53,156.88	102,156.88	23,260	-	23,260.00
2027	50,000	52,105.01	102,105.01	23,654	-	23,654.00
2028	51,000	51,031.88	102,031.88	24,048	-	24,048.00
2029	53,000	49,926.88	102,926.88	24,426	-	24,426.00
2030	54,000	48,790.01	102,790.01	24,837	-	24,837.00
2031	55,000	47,631.88	102,631.88	25,231	-	25,231.00
2032	56,000	46,452.50	102,452.50	25,625	-	25,625.00
2033	57,000	45,251.88	102,251.88	26,019	-	26,019.00
2034	58,000	44,030.01	102,030.01	26,413	-	26,413.00
2035	60,000	42,776.26	102,776.26	26,808	-	26,808.00
2036	61,000	41,490.63	102,490.63	27,202	-	27,202.00
2037	62,000	40,183.75	102,183.75	27,596	-	27,596.00
2038	64,000	38,845.00	102,845.00	27,990	-	27,990.00
2039	65,000	37,474.38	102,474.38	28,385	-	28,385.00
2040	66,000	36,082.51	102,082.51	28,779	-	28,779.00
2041	68,000	34,658.76	102,658.76	29,173	-	29,173.00
2042	69,000	33,203.13	102,203.13	29,567	-	29,567.00
2043	71,000	31,715.63	102,715.63	29,961	-	29,961.00
2044	72,000	30,196.26	102,196.26	30,356	-	30,356.00
2045	74,000	28,645.01	102,645.01	30,750	-	30,750.00
2046	75,000	27,061.88	102,061.88	31,144	-	31,144.00
2047	77,000	25,446.88	102,446.88	31,538	-	31,538.00
2048	78,000	23,800.01	101,800.01	31,933	-	31,933.00
2049	80,000	22,121.26	102,121.26	32,327	-	32,327.00
2050	82,000	20,400.01	102,400.01	32,721	-	32,721.00
2051	83,000	18,646.88	101,646.88	33,115	-	33,115.00
2052	85,000	16,861.88	101,861.88	33,509	-	33,509.00
2053	87,000	15,034.38	102,034.38	33,904	-	33,904.00
2054	89,000	13,164.38	102,164.38	34,297	-	34,297.00
2055	91,000	11,251.88	102,251.88	-	-	-
2056	93,000	9,296.88	102,296.88	-	-	-
2057	95,000	7,299.38	102,299.38	-	-	-
2058	97,000	5,259.38	102,259.38	-	-	-
2059	98,000	3,187.51	101,187.51	-	-	-
2060	101,000	1,073.13	102,073.13	-	-	-
TOTALS	\$2,574,000	\$1,107,741.47	\$3,681,741.47	\$ 857,434	\$ -	\$ 857,434.00

APPENDIX - B1
Village of Sherman

CURRENT BONDS OUTSTANDING

Fiscal Year Ending May 31st	2024			2024		
	Statutory Installment Bond - Equipment			Statutory Installment Bond - Equipment		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$3,800	\$ 2,101.40	\$ 5,901.40	\$ 7,900	\$ 2,184.36	\$ 10,084.36
2026	3,800	1,891.26	5,691.26	7,900	1,747.48	9,647.48
2027	3,800	1,681.12	5,481.12	7,900	1,310.62	9,210.62
2028	3,800	1,470.98	5,270.98	7,900	873.74	8,773.74
2029	3,800	1,260.84	5,060.84	7,900	436.88	8,336.88
2030	3,800	1,050.70	4,850.70	-	-	-
2031	3,800	840.56	4,640.56	-	-	-
2032	3,800	630.42	4,430.42	-	-	-
2033	3,800	420.28	4,220.28	-	-	-
2034	3,800	210.14	4,010.14	-	-	-
TOTALS	\$38,000	\$ 11,557.70	\$ 49,557.70	\$ 39,500	\$ 6,553.08	\$ 46,053.08

Fiscal Year Ending May 31st	2024		
	USDA-RD - Equipment		
	Principal	Interest	Total
2025	\$1,900	\$ 1,326.50	\$ 3,226.50
2026	2,000	1,260.00	3,260.00
2027	2,100	1,190.00	3,290.00
2028	2,200	1,116.50	3,316.50
2029	2,200	1,039.50	3,239.50
2030	2,300	962.50	3,262.50
2031	2,400	882.00	3,282.00
2032	2,500	798.00	3,298.00
2033	2,600	710.50	3,310.50
2034	2,700	619.50	3,319.50
2035	2,800	525.00	3,325.00
2036	2,900	427.00	3,327.00
2037	3,000	325.50	3,325.50
2038	3,100	220.50	3,320.50
2039	3,200	112.00	3,312.00
TOTALS	\$37,900	\$ 11,515.00	\$ 49,415.00

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 Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934, the Village 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 Note is outstanding, to the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, 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 Notes, 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 Notes
- (k) rating changes
- (l) bankruptcy, insolvency, receivership or similar event of the Village
- (m) the consummation of a merger, consolidation, or acquisition involving the Village or the sale of all or substantially all of the assets of the Village, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material
- (o) incurrence of a "financial obligation" of the Village, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Village, 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 Village, 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 Village does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Notes.

With respect to event (l) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Village in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Village, 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 Village.

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

The Village reserves the right to terminate its obligation to provide the aforescribed notices of material events, as set forth above, if and when the Village no longer remains an obligated person with respect to the Notes within the meaning of the Rule. The Village 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 Village’s obligations under its material event notices undertaking and any failure by the Village 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 Village 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 Village; provided that the Village 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 at closing.

**VILLAGE OF SHERMAN
CHAUTAUQUA COUNTY, NEW YORK**

AUDITED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED

May 31, 2024

The Audited Financial Statements, including opinion, were prepared as of date thereof and has not been reviewed and/or updated in connection with the preparation and dissemination of this Official Statement.

VILLAGE OF SHERMAN, NEW YORK

BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED MAY 31, 2024

VILLAGE BOARD OF TRUSTEES

YEAR ENDED MAY 31, 2024

MAYOR

COLLEEN MEEDER

MEMBERS OF THE BOARD OF TRUSTEES

RYAN SANDERS

DENNIS WATSON

GARY EMORY

DANIEL CRANE



**JOHNSON, MACKOWIAK
& ASSOCIATES, LLP**

Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

Honorable Mayor
Members of the Board of Trustees
Village of Sherman
Sherman, New York 14781

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Sherman, New York, as of and for the year ended May 31, 2024, and the related notes to the financial statements, which collectively comprise the Village of Sherman, New York'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 Village of Sherman, New York, as of May 31, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 Village of Sherman, New York'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 Village of Sherman, New York'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 budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of

preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Sherman, New York's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards are 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 reports dated February 15, 2025, on our consideration of the Village of Sherman, New York'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 those reports 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 Village of Sherman, New York's internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Village of Sherman, New York's internal control over financial reporting and compliance.

Johnson, Mackowiak & Associates, LLP

JOHNSON, MACKOWIAK & ASSOCIATES, LLP

Fredonia, New York
February 15, 2025

**VILLAGE OF SHERMAN, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2024**

This discussion and analysis of the Village of Sherman, New York's financial performance provides an overview of the Village's financial activities for the year ended May 31, 2024. This document should be read in conjunction with the Village's financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

- The **General Fund** reported an operating and budget surplus of \$49,196 for the current year. The major factors contributing were:
 - Revenues exceeded expenditures for the fiscal year by \$55,415.
 - Revenues ended up \$76,821 higher than expected in the year ended the May 31, 2024 operating budget.
 - Unexpected miscellaneous income received helped result in the budget surplus
 - On the expense side, actual expenses came in lower than expected by \$198,594.
 - Various unanticipated decreases related to general government support and transportation line items assisted with the budget surplus.

The **Water Fund** registered an operating deficit of \$31,723. The key factors contributing were:

- Revenues exceeded expenditures for the fiscal year by \$82,362.
 - Revenue finished higher than budgeted expectations by \$2,566. Metered water sales were the major reason accounting for this excess.
 - Numerous expense items were managed under budget which include the following:
 - Home and community services ended \$7,826 lower than expected.
 - Employee benefits finished \$584 under budget.
- The **Wastewater Fund** had an operating deficit for the fiscal period of \$3,935. The main factors contributing were:
 - Revenues exceeded expenditures for the fiscal year by \$29,057.
 - Revenues were more than budgeted expectations by \$14,354. The largest contributor to the favorable revenue was higher than expected sewer rents and related charges.
 - On the expense side numerous line items contributed to the overall shortfall of \$5,440 including contractual and debt service expenses.

USING THIS REPORT

The annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information regarding the Village as a whole and present a longer-term view of the Village's finances. Financial statements for each fund start on page 14. For governmental activities, these statements show how services were financed in the overall operation of the Village in greater detail than the Village-wide financial statements.

REPORTING THE VILLAGE AS A WHOLE

The Statement of Net Position and Statement of Activities

The statement of net position and statement of activities show information about the Village as a whole. These statements include all assets and liabilities of the Village using the accrual basis of accounting which is used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Village's net position and the changes to it. The Village's net position – the difference between assets and liabilities – is a way to measure the Village's financial health, or financial position. Over time, increases or decreases in the Village's net position is one indicator of whether its financial health is improving or deteriorating. Other non-financial factors need to be considered, such as changes in the Village's property tax base and the condition of the Village's roads and infrastructure, to assess the overall health of the Village.

In the statement of net position and the statement of activities, the Village reports all its basic services as governmental activities. These services include public safety, public works, economic assistance, health, water treatment, wastewater treatment, economic development and general administration. Property taxes, sales taxes, departmental income and state and federal aid finance most of these activities.

REPORTING THE VILLAGE'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Our discussion and analysis of the Village's major funds begins on page 14 and provides detail of the Village's most significant funds on an individual basis rather than the Village taken as a whole. Some funds are required to be established by state or local law or by the nature of the federal and state funding for their operation. The Village has also segregated funds to account for their special purpose. Currently the Village only utilizes governmental funds.

Governmental Funds

All funds of the Village are considered governmental funds. This section focuses on how revenue flows into and out of these funds and the balance of the funds at year-end which is available for future spending. These funds are reported using the modified accrual basis of accounting which measures cash and financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Village's general operations and the basic services it provides. This information helps determine the financial resources that can be spent to finance Village programs. The relationship between the governmental activities (accrual basis) and the governmental funds (modified accrual basis) is provided in reconciliations on pages 15 and 17.

THE VILLAGE AS TRUSTEE

The Village is the trustee for assets held – due to an agency arrangement – which can be used only for the agency beneficiaries. These amounts are excluded from the Village-wide financial statements because the Village cannot use these assets to finance its day to day operations. The Village is responsible for ensuring that the assets reported are used for their intended purpose.

THE VILLAGE AS A WHOLE

The Village's combined net position increased by \$9.14 million from (\$2.59) million to \$6.55 million for the year ended May 31, 2024 due to current year surplus of \$1.29 million and a prior period adjustment of \$7.85 million. Our discussion and analysis focuses on the net position (Table 1) and the changes in net position (Table 2) of the Village's governmental activities.

Table 1
Net Position
(In Thousands)

	Governmental Activities	Business - Type Activities	Total Primary Government
<u>Assets</u>			
Current assets	\$ 1,405	\$ -	\$ 1,405
Capital assets	11,206	-	11,206
Pension asset	-	-	-
Total assets	<u>\$ 12,611</u>	<u>\$ -</u>	<u>\$ 12,611</u>
<u>Deferred Outflows of Resources</u>			
Pension	<u>\$ 143</u>	<u>\$ -</u>	<u>\$ 143</u>
<u>Liabilities</u>			
Current liabilities	\$ 1,454	\$ -	\$ 1,454
Long-term portion of obligations	3,856	-	3,856
Pension liability	163	-	163
Total liabilities	<u>\$ 5,473</u>	<u>\$ -</u>	<u>\$ 5,473</u>
<u>Deferred Inflows of Resources</u>			
Pension & Leases	<u>\$ 726</u>	<u>\$ -</u>	<u>\$ 726</u>
<u>Net Position</u>			
Investment in capital assets, net of related debt	\$ 6,232	\$ -	\$ 6,232
Restricted	68	-	68
Unrestricted, undesignated	255	-	255
Total net position	<u>\$ 6,555</u>	<u>\$ -</u>	<u>\$ 6,555</u>

Table 2
Changes in Net Position
(In Thousands)

	Governmental Activities	Business - Type Activities	Total Primary Government
<u>Revenues</u>			
Program revenues			
Charges for services	\$ 640	\$ -	\$ 640
Operating grants and contributions	386	-	386
Capital grants and contributions	1,542	-	1,542
General revenues			
Property taxes	226	-	226
Sales tax	106	-	106
Other taxes	12	-	12
Grants and contributions not restricted to program	114	-	114
Investment earnings	4	-	4
Sale of property and compensation	9	-	9
Loss on sale of capital assets	(23)	-	(23)
Miscellaneous	395	-	395
Total revenues	<u>3,411</u>	<u>-</u>	<u>3,411</u>
 Program expenses			
Trustees	7	-	7
Judicial	-	-	-
Mayor	10	-	10
Financial	2	-	2
Staff	73	-	73
Shared services	71	-	71
Special items	38	-	38
Police department	4	-	4
Fire department	108	-	108
Other public safety	63	-	63
Health	-	-	-
Transportation	226	-	226
Economic assistance and opportunity	125	-	125
Culture and recreation	77	-	77
Water treatment	226	-	226
Wastewater treatment	490	-	490
Home and community service	533	-	533
Interest on long-term debt	71	-	71
Total expenses	<u>2,124</u>	<u>-</u>	<u>2,124</u>
 Change in net position	 <u>\$ 1,287</u>	 <u>\$ -</u>	 <u>\$ 1,287</u>

Table 3 presents the cost of the Village's five largest governmental programs: staff, fire department, transportation, water treatment and wastewater treatment as well as the net cost (total cost less revenues generated by the activities). The net cost shows the final cost paid by the Village's taxpayers and other general revenue sources of each of these functions.

Table 3 Governmental Activities (In Thousands)		
	Total Cost of Services	Net Cost of Services
	2024	2024
Fire department	\$ 108	\$ 26
Transportation	225	(1,355)
Water treatment	226	9
Wastewater treatment	490	186
Home and community	533	533
Totals	\$ 1,582	\$ (601)

THE VILLAGE'S FUNDS

General Governmental Functions

As the Village completed the year, its governmental funds (as presented on page 14 & 16) reported a combined fund deficit of \$0.61 million, which reflects an increase of approximately \$3.49 million from last year's total deficit of \$4.10 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no significant variances between the originally adopted budget for 2023/2024 and the final budget.

Original budget	\$ 855,913
2024 Additional appropriations	-
Encumbrance carryover	-
Final Budget	<u>\$ 855,913</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At May 31, 2024, the Village had \$12.343 million in a broad range of capital assets including land, buildings, water mains, sewer lines, roads, sidewalks, machinery and equipment.

Table 4
Capital Assets at Year-End (Net of Depreciation)
(In Thousands)

	Governmental Activities	Business - Type Activities	Total Primary Government
Land and improvements	\$ 891	\$ -	\$ 891
Construction in progress	29	-	29
Infrastructure	10,028	-	10,028
Buildings and improvements	424	-	424
Machinery and equipment	844	-	844
Other capital assets	127	-	127
Accumulated depreciation	(1,137)	-	(1,137)
Total	<u>\$ 11,206</u>	<u>\$ -</u>	<u>\$ 11,206</u>

Debt

At year end, the Village had \$3.824 million in bonds and notes outstanding. See Note 7 on pages 31 through 33 for additional details.

Table 5
Outstanding Debt at Year-end
(In Thousands)

	Governmental Activities	Business - Type Activities	Total Primary Government
Serial Bonds	\$ 3,824	\$ -	\$ 3,824
Total Debt	<u>\$ 3,824</u>	<u>\$ -</u>	<u>\$ 3,824</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Village's elected and appointed officials considered many factors when setting the fiscal year 2024-2025 budget, tax rates and fees that will be charged for activities. One of these factors is the economy.

The Village, along with many other municipalities, is faced with many mandatory increases beyond the Village's control. There are mandatory increases, some ranging in double digits, in the pension fund contributions, medical and liability insurance as well as Workman's Compensation, fuel and salt.

The Village is not anticipating any cash flow issues in the 2024-2025 fiscal year. The Village expects another challenging budget year in 2024, as New York State mandates continue to increase with no increase in state aid to offset these mandates, investment income remains at record lows, and health and other employee benefit costs continue to increase in some cases at a double-digit pace. The pension plans rate increases, as determined by the State are expected to remain relatively steady during the 2024-2025 Fiscal period.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have any questions or need additional information, contact Colleen Meeder, Village Mayor, Village Hall, 111 Mill Street., Sherman, New York 14781.

**VILLAGE OF SHERMAN
STATEMENT OF NET POSITION
MAY 31, 2024**

	PRIMARY GOVERNMENT		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 589,540	\$ -	\$ 589,540
Investments, at fair value	-	-	-
Receivables (net, where applicable of allowances for estimated uncollectibles)			
Taxes	-	-	-
Accounts receivable	202,103	-	202,103
Lease receivable	591,161	-	591,161
Due from other governments	22,000	-	22,000
Prepaid expenses	-	-	-
Capital assets:			
Land and improvements	891,029	-	891,029
Construction in progress	28,774	-	28,774
Infrastructure	10,028,202	-	10,028,202
Buildings and improvements	423,918	-	423,918
Machinery and equipment	844,317	-	844,317
Other capital assets	126,869	-	126,869
Accumulated depreciation	(1,136,950)	-	(1,136,950)
Assets limited as to use	-	-	-
Net pension asset	-	-	-
 TOTAL ASSETS	 12,610,963	 -	 12,610,963
 DEFERRED OUTFLOWS OF RESOURCES:			
Pensions	\$ 142,863	\$ -	\$ 142,863

PRIMARY GOVERNMENT			
	Governmental Activities	Business-type Activities	Total
LIABILITIES:			
Payables			
Accounts payable	\$ 163,812	\$ -	\$ 163,812
Accrued liabilities	63,648	-	63,648
Accrued interest payable	35,361	-	35,361
Due to other governments	13,472	-	13,472
Deferred revenue	28,359	-	28,359
Bond anticipation notes	1,150,000	-	1,150,000
Noncurrent liabilities			
Due and payable within one year			
Serial bonds	145,466	-	145,466
Compensated absences	7,941	-	7,941
Other post employment benefits	-	-	-
Due and payable in more than a year			
Serial bonds	3,678,368	-	3,678,368
Compensated absences	23,825	-	23,825
Other post employment benefits	-	-	-
Net pension liability	162,922	-	162,922
TOTAL LIABILITIES	5,473,174	-	5,473,174
DEFERRED INFLOWS OF RESOURCES:			
Pensions	98,304	-	98,304
Leases	627,488	-	627,488
TOTAL DEFERRED INFLOW OF RESOURCES	725,792	-	725,792
NET POSITION			
Net investment in capital assets	6,232,325	-	6,232,325
Restricted	67,661	-	67,661
Unrestricted, undesignated	254,874	-	254,874
TOTAL NET POSITION	\$ 6,554,860	\$ -	\$ 6,554,860

See accompanying Independent Auditors' Report and notes to financial statements.

VILLAGE OF SHERMAN
STATEMENT OF ACTIVITIES
YEAR ENDED MAY 31, 2024

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
Trustees	\$ 7,164	\$ -	\$ -	\$ -	\$ (7,164)	\$ -	\$ (7,164)
Judicial	-	-	-	-	-	-	-
Executive	9,887	-	-	-	(9,887)	-	(9,887)
Finance	1,546	-	-	-	(1,546)	-	(1,546)
Staff	72,524	11,345	-	-	(61,179)	-	(61,179)
Shared services	70,830	203	-	-	(70,627)	-	(70,627)
Special items	37,858	-	-	-	(37,858)	-	(37,858)
Police department	4,455	-	-	-	(4,455)	-	(4,455)
Fire department	108,329	82,649	-	-	(25,680)	-	(25,680)
Other public safety	63,026	-	-	-	(63,026)	-	(63,026)
Health	-	-	-	-	-	-	-
Transportation	225,941	-	39,149	1,542,006	1,355,214	-	1,355,214
Economic opportunity and development	125,035	-	-	-	(125,035)	-	(125,035)
Culture and recreation	77,022	-	-	-	(77,022)	-	(77,022)
Water treatment	226,162	216,696	-	-	(9,466)	-	(9,466)
Wastewater treatment	490,008	329,453	346,852	-	186,297	-	186,297
Home and community service	532,964	-	-	-	(532,964)	-	(532,964)
Interest on long-term debt	71,337	-	-	-	(71,337)	-	(71,337)
Total governmental activities	2,124,088	640,346	386,001	1,542,006	444,265	-	444,265
Total business-type activities	-	-	-	-	-	-	-
Total primary government	\$ 2,124,088	\$ 640,346	\$ 386,001	\$ 1,542,006	444,265	-	444,265
General revenues:							
Taxes:							
Property taxes					226,365	-	226,365
Sales taxes					106,422	-	106,422
Other taxes					11,563	-	11,563
Grants and contributions not restricted to specific programs					113,721	-	113,721
Investment earnings					4,011	-	4,011
Sale of property and compensation for loss					8,693	-	8,693
Gain (Loss) on sale of capital assets					(23,125)	-	(23,125)
Miscellaneous					395,272	-	395,272
Total general revenues					842,922	-	842,922
Change in net position					1,287,187	-	1,287,187
NET POSITION - beginning					(2,591,829)	-	(2,591,829)
Prior period restatement					7,859,502	-	7,859,502
NET POSITION - ending					\$ 6,554,860	\$ -	\$ 6,554,860

VILLAGE OF SHERMAN
BALANCE SHEET
GOVERNMENTAL FUNDS
MAY 31, 2024

	General Fund	Water Fund	Wastewater Treatment Fund	Special Grant Fund	Capital Projects Fund	Total Governmental Funds
<u>ASSETS</u>						
Cash and cash equivalents	\$ 92,096	\$ 614	\$ 73,070	\$ -	\$ 423,760	\$ 589,540
Receivables, net						
Taxes	-	-	-	-	-	-
Accounts receivable	50,890	61,059	88,654	1,500	-	202,103
Due from other governments	22,000	-	-	-	-	22,000
Due from other funds	129,195	45,000	45,401	-	-	219,596
TOTAL ASSETS	<u>\$ 294,181</u>	<u>\$ 106,673</u>	<u>\$ 207,125</u>	<u>\$ 1,500</u>	<u>\$ 423,760</u>	<u>\$ 1,033,239</u>
<u>LIABILITIES AND FUND BALANCES</u>						
LIABILITIES:						
Accounts payable	\$ 25,020	\$ 2,698	\$ 5,675	\$ 1,440	\$ 128,979	\$ 163,812
Accrued liabilities	17,645	18,863	27,140	-	-	63,648
Due to other governments	-	5,197	8,275	-	-	13,472
Due to other funds	-	8,660	12,985	23,779	174,172	219,596
Bond anticipation notes payable	-	-	-	-	1,150,000	1,150,000
Deferred revenue	28,359	-	-	-	-	28,359
TOTAL LIABILITIES	<u>71,024</u>	<u>35,418</u>	<u>54,075</u>	<u>25,219</u>	<u>1,453,151</u>	<u>1,638,887</u>
FUND BALANCES:						
Nonspendable	-	-	-	-	-	-
Assigned for:						
Other fund activities	-	71,255	153,050	(23,719)	-	200,586
Appropriated for next year's appropriations	-	-	-	-	-	-
Unassigned:						
Unassigned	223,157	-	-	-	(1,029,391)	(806,234)
TOTAL FUND BALANCES (DEFICIT)	<u>223,157</u>	<u>71,255</u>	<u>153,050</u>	<u>(23,719)</u>	<u>(1,029,391)</u>	<u>(605,648)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 294,181</u>	<u>\$ 106,673</u>	<u>\$ 207,125</u>	<u>\$ 1,500</u>	<u>\$ 423,760</u>	<u>\$ 1,033,239</u>

VILLAGE OF SHERMAN
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
MAY 31, 2024

Fund balances - total governmental funds	\$	(605,648)
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Total net position reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:

Land	\$	891,029	
Construction in progress		28,774	
Infrastructure, net of \$436,124 accumulated depreciation		9,592,078	
Buildings and improvements, net of \$76,796 accumulated depreciation		347,122	
Equipment, net of \$592,314 accumulated depreciation		252,003	
Other capital assets, net of \$31,716 accumulated depreciation		95,153	11,206,159

Some assets and liabilities, including lease receivables related to GASB Statement No. 87 and net pension obligations, are not due and payable in the current period and, therefore are not reported in governmental funds.

Lease receivable		591,161	
Net pension asset (liability)		(162,922)	428,239

Deferred outflows and inflows of resources related to leases and pensions are applicable to future periods and, therefore, are not reported in governmental funds

Deferred outflows of resources - pension		142,863	
Deferred inflows of resources - leases		(627,488)	
Deferred inflows of resources - pension		(98,304)	(582,929)

Long-term liabilities applicable to the Village's governmental funds are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized when due. All liabilities - both current and long-term - are reported in the statement of net position. Long-term liabilities and accrued interest at year end consist of:

Bonds payable		(3,823,834)	
Interest payable		(35,361)	
Compensated absences		(31,766)	
Other post employment benefits		-	(3,890,961)

Net position of governmental activities	\$	6,554,860
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VILLAGE OF SHERMAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED MAY 31, 2024

	General Fund	Water Fund	Wastewater Treatment Fund	Special Grant Fund	Capital Projects Fund	Total Governmental Funds
REVENUES:						
Real property taxes	\$ 226,365	\$ -	\$ -	\$ -	\$ -	\$ 226,365
Sales tax	106,422	-	-	-	-	106,422
Property tax items	4,545	-	-	-	-	4,545
Non-property tax items	7,018	-	-	-	-	7,018
Departmental income	11,343	216,696	321,184	-	-	549,223
Shared services	82,853	-	8,650	-	-	91,503
Use of money and property	17,503	-	-	-	43,493	60,996
Licenses and permits	16,398	-	-	-	-	16,398
Fines and forfeitures	-	-	-	-	-	-
Sale of property and compensation for loss	68,693	-	-	-	-	68,693
Miscellaneous	124,890	-	-	10,584	(3,614)	131,860
State aid	46,704	-	-	83,950	346,852	477,506
Federal aid	-	-	-	206,022	1,542,006	1,748,028
Total revenues	712,734	216,696	329,834	300,556	1,928,737	3,488,557
EXPENDITURES:						
Current:						
Trustees	5,476	-	-	-	-	5,476
Judicial	-	-	-	-	-	-
Mayor	7,939	-	-	-	-	7,939
Financial	1,546	-	-	-	-	1,546
Staff	53,799	-	-	-	-	53,799
Shared services	3,940	-	-	-	-	3,940
Special items	19,430	5,400	12,846	182	-	37,858
Police department	3,363	-	-	-	-	3,363
Fire department	108,329	-	-	-	-	108,329
Other public safety	50,020	-	-	-	-	50,020
Health	-	-	-	-	-	-
Transportation	180,357	-	-	-	-	180,357
Economic assistance and opportunity	10,064	-	-	-	-	10,064
Culture and recreation	60,300	-	-	-	-	60,300
Home and community service	102,476	104,838	253,195	357,905	-	818,414
Employee benefits	35,236	24,096	34,736	-	-	94,068
Debt service:						
Principal	11,000	-	-	-	50,000	61,000
Interest	4,044	-	-	-	39,473	43,517
Capital outlay	-	-	-	-	2,002,440	2,002,440
Total expenditures	657,319	134,334	300,777	358,087	2,091,913	3,542,430
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	55,415	82,362	29,057	(57,531)	(163,176)	(53,873)
OTHER FINANCING SOURCES (USES):						
Proceeds of long term obligations	-	-	-	-	3,546,834	3,546,834
BANS redeemed from appropriations	-	-	-	-	-	-
Transfers in	32,000	-	-	2,256	151,040	185,296
Transfers out	(38,219)	(114,085)	(32,992)	-	-	(185,296)
Total other financing sources (uses)	(6,219)	(114,085)	(32,992)	2,256	3,697,874	3,546,834
NET CHANGE IN FUND BALANCES	49,196	(31,723)	(3,935)	(55,275)	3,534,698	3,492,961
FUND BALANCES (DEFICIT) - beginning	173,961	102,978	156,985	31,556	(4,564,089)	(4,098,609)
FUND BALANCES (DEFICIT) - ending	\$ 223,157	\$ 71,255	\$ 153,050	\$ (23,719)	\$ (1,029,391)	\$ (605,648)

**VILLAGE OF SHERMAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
YEAR ENDED MAY 31, 2024**

Net change in fund balances - total governmental funds	\$ 3,492,961
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlays (\$1,648,550) and construction in progress (\$28,774) exceeded depreciation (\$274,832) in the current period.	1,402,492
The proceeds from the sale of assets are reported as revenue in the governmental funds. However, the cost of the assets (\$95,000) net of the accumulated depreciation (\$11,875) is removed from the capital assets account in the statement of activities and offset against the sale proceeds resulting in a "loss on sale of capital assets" in the statement of activities. Thus, more revenue is reported in the governmental funds than gain in the statement of activities.	(83,125)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces liabilities in the statement of net position.	61,000
Issuance of debt is considered a source of revenue in the governmental funds, but increases liabilities in the statement of net position.	(3,546,834)
Some 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. These include the decrease in compensated absences of \$8,606 and an increase in accrued interest of \$27,820.	(19,214)
Changes in proportionate share of net pension asset/liability reported in the statement of activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.	
Employees' retirement system	96,130
Changes in proportionate share of net deferred inflows and outflows reported in the statement of activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.	
Employees' retirement system	(122,066)
Leases	5,843
Change in net position of governmental activities	<u>\$ 1,287,187</u>

**VILLAGE OF SHERMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2024**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Village of Sherman, New York (Village) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Village's most significant accounting policies are described below.

A. Reporting Entity

The Village of Sherman, New York, which was incorporated in 1890, is governed by the Village law, other general laws of the State of New York and various local laws and ordinances. The Village Board of Trustees (Village Board), which is the legislative body responsible for the overall operation of the Village, consists of the Mayor and four Village trustees. The Mayor serves as chief executive officer and the Village Clerk / Treasurer serves as chief fiscal officer of the Village.

The Village provides the following basic services: public safety through its volunteer fire departments, sewer and water service and maintenance of Village streets. The Village also provides for other culture and recreation, planning and zoning as well as general administrative services.

The financial reporting entity consists of (a) the primary government which is the Village of Sherman, (b) organizations for which the primary government is financially accountable, and (c) 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 as set forth in GASB Statement 14, as amended by GASB Statements No. 39 and 61.

The decision to include a potential component unit in the Village's reporting entity is based on several criteria set forth in GASB Statement 14, as amended by GASB Statements No. 39 and 61 including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, no entities qualify to be included in the Village of Sherman's reporting entity.

1. EXCLUDED FROM THE REPORTING ENTITY

Although the following organizations, functions or activities are related to the Village, they are not included in the Village's reporting entity based on the professional judgment of responsible local officials because of the reasons noted:

The Sherman Central School District was created by state legislation which designated the School Board as the governing authority. School Board members are elected by the qualified voters of the district. The School Board designates management and exercises complete responsibility for all fiscal matters. The Village Board exercises no oversight over school operations.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (statement of net position and statement of activities) report information on all the nonfiduciary activities of the Village. Interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are differentiated from business-type activities, which rely, to a significant extent, on fees and charges for support. Currently, the Village does not operate any business-like activities. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Indirect expenses have been included as a part of the program expenses reported for the various functional activities. Program revenues include 1) charges to those who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) operating grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds even though the fiduciary funds are excluded from the government-wide financial statements.

VILLAGE OF SHERMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2024
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-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 when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Reimbursements are reported as reductions to expenses. Fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when the underlying exchange transaction has occurred and the resources are available. For this purpose, the Village considers revenues to be available if the Village has collected the revenues in the current period or expects to collect them soon enough after the end of the period to use them to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, except for general obligation bond principal and interest and compensated absences which are reported in the year due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Revenues accrued at May 31, 2024 are listed in Note 5. There were no significant revenues considered as not subject to accrual.

Revenues from Federal, State or other grants designated for payment of specific Village expenditures are recognized when the related expenditures are incurred. At fiscal year-end, excess receipts over expenditures are recorded as deferred revenue. Any excess expenditures over receipts are recorded as accounts receivable.

The Village reports the following governmental funds, which are all considered major:

General Fund - This fund is the principal operating fund of the Village and is used to account for all financial resources except those required to be accounted for in other funds.

Water Fund - This fund is used to account for the revenues (primarily user charges) and expenditures related to the operation and maintenance of the water filtration plant and water lines for residential and commercial users.

Wastewater Treatment Fund - This fund is used to account for the revenues (primarily user charges) and expenditures of the wastewater treatment plant for residential and commercial users.

Special Grant Fund - This fund is used to account for grants received from various federal, state and local sources.

Capital Projects Fund - This fund is used to account for and report financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment.

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

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges performed, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

**VILLAGE OF SHERMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2024
(Continued)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgets and Budgetary Accounting

The Village's annual procedures in establishing the budgetary data reflected in the financial statements are as follows:

- a.) On or before the 20th day of March each year, the budget officer shall submit to the Village Board a tentative budget for the fiscal year commencing the following June 1. The tentative budget includes proposed expenditures and proposed means of financing for the general and special revenue funds.
- b.) After public hearings are conducted to obtain taxpayer comments, but no later than May 1, the Village Board adopts the budget.
- c.) All modifications to the budget must be approved by the Village Board.
- d.) Budgetary controls are established for the capital project fund through resolutions authorizing individual projects which remain in effect for the life of the projects.
- e.) If a budget has not been adopted on or before the 1st day of May, the tentative Village budget, with amendments, if any, shall become the budget for the ensuing year.
- f.) The amount of all taxes levied upon any parcel of real property shall, except as otherwise expressly provided by law, be and become a lien thereon as of the first day of June of the fiscal year for which levied and shall remain a lien until paid.
- g.) Formal annual budgetary accounts are adopted and employed for control of all governmental funds except the special grant fund and the capital projects fund. These budgets are adopted on a basis consistent with accounting principles generally accepted in the United States. Appropriations lapse at the end of the fiscal year. Budgetary comparisons presented in this report are on the budgetary basis and represent the budget as modified.
- h.) Total expenditures for each activity may not legally exceed the total appropriations for that activity.
- i.) Budgetary controls are established for the capital project fund through resolutions authorizing individual projects which remain in effect for the life of the projects.
- j.) Budgetary controls for the Special Grant Fund are established in accordance with the applicable grant agreement which covers a period other than the Village's fiscal year.

E. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of budgetary control in the governmental funds. The Village of Sherman does not utilize encumbrances.

F. Cash and Cash Equivalents

The Village pools cash in excess of current operating requirements of various funds to facilitate cash management. Cash applicable to a particular fund is readily identifiable. This cash is invested in various interest bearing accounts and disclosed as part of the Village investments.

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Village.

VILLAGE OF SHERMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2024
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Capital Assets

The Village's capital assets and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. In compliance with Governmental Accounting Standards Board (GASB) Statement No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, effective June 1, 2004, the Village began recording infrastructure assets on a prospective basis. Donated assets are stated at fair value on the date donated. The Village generally capitalizes assets with a cost of \$2,500 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Major outlays for capital assets and improvements are capitalized as projects are incurred.

Capital assets of the Village are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	15
Land improvements	20
Infrastructure:	
Sanitary sewers	40
Water mains	40
Water pumps	10
Storm drains	40
Traffic control systems	20
Roads	20
Sidewalks	20
Machinery and equipment:	
Water meters	10
Heavy equipment	8
Vehicles	4 - 8
Other	8 - 10

VILLAGE OF SHERMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2024
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Deferred Outflow / Inflow

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. At May 31, 2024, the Village has two items that qualify for reporting in this category. The first item is related to pensions reported in the government-wide Statement of Net Position. This represents the effect of the net change in the Village's proportion of the collective net position asset or liability and difference during the measurement period between the Village's contributions and its proportionate share of the total contributions to the pension systems not included in the pension expense. The second item is the Village's contributions to the pension systems (ERS System) subsequent to the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At May 31, 2024, the Village has two items that qualify for reporting in this category. This is related to pensions reported in the government-wide Statement of Net Position. This represents the effect of the net change in the Village's proportion of the collective net pension liability and difference during the measurement periods between the Village's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is the deferred inflows of resources related to lease receivable, which are reported in the Village-Wide Statement of Net Position.

I. Property Tax Revenue Recognition

The Village-wide property tax is levied by the Village Board no later than May 15 of the year prior to the year the taxes are recognizable as revenue. Taxes become a lien on the related property on June 1st of the year for which they are levied. In the government-wide statements, property tax receivables and related revenue include all amounts due the Village regardless of when cash is received. Taxes are payable without penalty from June 1 to July 1. Delinquent water and sewer rents are transferred to Village real property tax rolls annually for collection. The Village turns over uncollected taxes to the County of Chautauqua for enforcement. The uncollected taxes are turned over during October and the County pays the Village for all uncollected taxes by April of the following year.

J. Compensated Absences

Pursuant to resolutions of the Village Board and contractual agreements, Village employees are entitled to accrue sick leave, PTO and Comp time. Upon retirement or other departure from service, employees are paid for all unused vacation time. The expenditure for fringe benefits is recorded at the time the benefit is paid. The estimated value of accumulated sick leave, accrued PTO time and comp time at May 31, 2024 amount to \$24,175; \$5,258 and \$2,333 respectively, which is based on current salary rates.

Compensated absences are reported as accrued in the government-wide financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees and are included in wages and benefits.

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

K. Due to Retirement System and Pensions

Amounts owed to the State Retirement Systems for wages of employees of the Village, but not yet billed, are reported as liabilities in the financial statements.

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

VILLAGE OF SHERMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2024
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Estimates

The preparation of the 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 amounts of revenues, expenditures, assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and during the reported period. Actual results could differ from those estimates and those differences could be significant.

M. New Accounting Standards Implemented

GASB Statement No. 94 - "Public-Private and Public-Public Partnerships and Availability Payment Arrangements". The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

GASB Statement No. 96 - "Subscription-Based Information Technology Arrangements". This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

GASB Statement No. 99 - "Omnibus 2022". The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

N. Future Impacts of Accounting Pronouncements

The Village has not completed the process of evaluating the impact that will result from adopting Governmental Accounting Standards Board (GASB) Statement No. 100 - *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62* effective for the year ending May 31, 2025; GASB Statement No 101 - *Compensated Absences* effective for the year ending May 31, 2025; GASB Statement No 102 - *Certain Risk Disclosures* effective for the year ending May 31, 2026; GASB Statement No 103 - *Financial Reporting Model Improvements* effective for the year ending May 31, 2027 and GASB Statement No 104 - *Disclosure of Certain Capital Assets* effective for the year ending May 31, 2027.

The Village is therefore unable to disclose the impact that adopting these GASB Statements will have on its financial position and results of operation when such statements are adopted.

O. Deficit Net Fund Balance

At May 31, 2024, the Village reported a net fund balance deficit of \$1,029,391 in the Capital Projects Fund. The deficit was caused by long-term obligations that are greater than currently available resources.

P. Prior Period Adjustment

During the year ended May 31, 2024, the Village identified that construction in progress was not properly being reported for all of the infrastructure improvements that were recently undertaken. This resulted in a \$7,859,502 increase to Net Position as of the beginning of the year.

**VILLAGE OF SHERMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2024
(Continued)**

NOTE 2 - CASH AND INVESTMENTS

The Village's investment policies are governed by state statutes and various resolutions of the Village Board. Village moneys must be deposited in FDIC-insured commercial banks or trust companies located within the state. The Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, and obligations of New York State or its localities. Collateral is required for demand deposits and certificates of deposit at 102% of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of New York State and its municipalities and school districts.

The detail of cash and cash equivalents at May 31, 2024 is as follows:

	Carrying Amount
Petty cash	\$ 150
Deposits (checking and savings accounts)	589,390
Total	<u>\$ 589,540</u>

Cash and cash equivalents maintained by the Village at May 31, 2024 consist of:

	Amount
Government activities	\$ 589,540
Fiduciary activities	-
Total	<u>\$ 589,540</u>

Deposits - All deposits are carried at cost plus accrued interest.

	Bank Balance
Insured (FDIC)	\$ 250,000
Uninsured	-
Collateral held by bank's agent in Village's name	357,166
Total deposits	<u>\$ 607,166</u>

NOTE 3 - PROPERTY TAX

The Village-wide property tax is levied each June 1, which is also the lien date. Property taxes are collected during the period June 1 through July 1 of each year. The County assumes enforcement responsibility for all taxes levied by the Village.

Tax rates are calculated using assessments prepared by Village Assessors as adjusted by the New York State Board of Equalization and Assessment for the purpose of comparability. The total taxable assessed value of real property included in the tax levy of 2024 is approximately \$18.8 million. The effective tax rate on this value is approximately \$10.74 per thousand. The statutory maximum tax rate is 2.0% of the 5-year average of the equalized assessment. The 2024 levy represents approximately 62.70% of the maximum statutory levy.

The Village constitutional tax limit for the fiscal year ended May 31, 2024 is computed as follows:

Five year Average Full Valuation of Taxable Real Estate (2019-20 through 2023-24)	<u>\$ 18,050,873</u>
Tax limit @ 2.0%	\$ 361,017
Statutory Additions	-
Total Taxing Power	361,017
Total Levy	<u>226,365</u>
Tax Margin	<u>\$ 134,652</u>

VILLAGE OF SHERMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2024
(Continued)

NOTE 4 - INTERFUND TRANSFERS AND INTERFUND BALANCES

The Village made the following operating transfers during 2024:

Transfer Out	Transfer In				Total
	General Fund	Water Fund	Special Grants Fund	Capital Project Fund	
General Fund	\$ -	\$ -	\$ 2,256	\$ 35,963	\$ 38,219
Water Fund	32,000	-	-	82,085	114,085
Wastewater Treatment	-	-	-	32,992	32,992
Special Grants	-	-	-	-	-
Total	\$ 32,000	\$ -	\$ 2,256	\$ 151,040	\$ 185,296

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund balances at May 31, 2024 consisted of the following:

	Due From	Due To
Funds:		
General Fund	\$ 129,195	\$ -
Water Fund	45,000	8,660
Wastewater Treatment	45,401	12,985
Special Grants Fund	-	23,779
Capital Project Fund	-	174,172
Total	\$ 219,596	\$ 219,596

All interfund balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

NOTE 5 - RECEIVABLES

A. Other Receivables

Other receivables represents amounts due from various sources.

Funds:	
General Fund	\$ 50,890
Water Fund	61,059
Wastewater Fund	88,654
Special Grant Fund	1,500
Total	\$ 202,103

VILLAGE OF SHERMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2024
(Continued)

NOTE 5 - RECEIVABLES, continued

B. Due from Other Governments

State and federal receivables primarily represent claims for reimbursement of expenditures incurred related to various state aided programs. They are net of related advances from New York State. State and federal receivables also include reimbursable amounts for construction expenditures made through the Capital Project Fund. Other government receivables are amounts primarily due from other local municipalities and other miscellaneous items. Amounts accrued at May 31, 2024 are comprised of:

State and Federal Receivables	
General Fund	\$ -
Capital Project Fund	-
Total state and federal receivables	<u>-</u>
Other Government Receivables	
General Fund	22,000
Water Fund	-
Capital Project Fund	<u>-</u>
Total due from other governments	<u>\$ 22,000</u>

C. Leases Receivable

In accordance with the provisions of GASB Statement No. 87, Leases, the Village has recognized a lease receivable and deferred inflow of resources - leases, for the following agreements whereby the Village leases vacant land to other entities as follows:

Lessee Name	Interest Rate	Maturity Date
SL Sherman, LLC	6.00%	9/12/2048
SL Sherman II, LLC	6.00%	9/12/2048
Reed Farms	6.00%	12/31/2028

The lease receivable and associated deferred inflow of resources will be reduced as the lease revenue is earned in future periods.

Principal and interest income received for the Village's lease receivable amounted to \$6,793 and \$17,650, respectively, for the fiscal year ended May 31, 2024.

The following is a summary of the principal and interest requirements to maturity for the Village's lease receivable:

	Principal	Interest
Fiscal year ending May 31,		
2025	\$ 12,056	\$ 35,228
2026	12,794	34,490
2027	13,578	33,707
2028	14,409	32,875
2029	15,291	31,993
2030-2034	82,683	145,740
2035-2039	111,362	117,061
2040-2044	149,988	78,435
2045-2049	<u>179,000</u>	<u>26,583</u>
TOTAL	<u>\$ 591,161</u>	<u>\$ 536,112</u>

Village management has deemed the amounts to be fully collectible.

VILLAGE OF SHERMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2024
(Continued)

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended May 31, 2024 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 884,529	\$ 6,500	\$ -	\$ 891,029
Construction in progress	-	28,774	-	28,774
Total capital assets not being depreciated	884,529	35,274	-	919,803
Capital assets being depreciated:				
Infrastructures	661,373	9,366,829	-	10,028,202
Buildings and improvements	518,918	-	95,000	423,918
Machinery and equipment	709,594	134,723	-	844,317
Other capital assets	126,869	-	-	126,869
Total capital assets being depreciated	2,016,754	9,501,552	95,000	11,423,306
Less accumulated depreciation for:				
Infrastructures	257,109	179,015	-	436,124
Buildings and improvements	75,369	13,302	11,875	76,796
Machinery and equipment	516,142	76,172	-	592,314
Other capital assets	25,373	6,343	-	31,716
Total accumulated depreciation	873,993	274,832	11,875	1,136,950
Total capital assets being depreciated, net	1,142,761	9,226,720	83,125	10,286,356
Governmental activities capital assets, net	\$ 2,027,290	\$ 9,261,994	\$ 83,125	\$ 11,206,159

Depreciation expense was charged to the governmental functions as follows:

Shared services	\$ 5,477
Transportation	80,789
Culture and recreation	14,169
Home and community	14,407
Water department	56,261
Wastewater department	103,729
Total depreciation expense	\$ 274,832

NOTE 7 - LIABILITIES

A. Pension Plans

a.) Plan Description

The Village of Sherman participates in the New York State and Local Employees' Retirement System (ERS). These are cost-sharing multiple-employer public retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of its funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

VILLAGE OF SHERMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2024
(Continued)

NOTE 7 - LIABILITIES (CONTINUED)

A. Pension Plans (Continued)

b.) Funding Policy

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary for the first ten years of membership, on or after January 1, 2010 (ERS) who generally contribute 3% of their salary for the entire length of service, and on or after April 1, 2012 (ERS) who generally contribute between 3% and 6% (based on annual wage) for the entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressed used in computing the employers' contributions during the System's fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100% of the contributions required, and were as follows:

	ERS
2024	\$ 41,811
2023	35,725
2022	43,144

Since 1989, the System's billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ended March 31, 1988 and 1989 (which otherwise were to have been paid on June 30, 1989 and 1990, respectively) over a 17-year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability. The total unpaid liability at the end of the current fiscal year was zero.

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

At May 31, 2024, the Village reported the following liabilities for its proportionate share of the net pension liabilities for ERS. The net pension liabilities were measured as of March 31, 2024. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of April 1, 2023, with update procedures used to roll forward the total net pension liabilities to the measurement date. The Village's proportion of the net pension liabilities was based on projections of the Village's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the System in reports provided by the Village.

	ERS
Measurement date	March 31, 2024
Net pension liability (asset)	\$ 162,922
Village's portion of the Plan's total net pension liability	0.0012080%

For the year ended May 31, 2024, the Village recognized pension expenses of \$69,155 for ERS. At May 31, 2024, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

VILLAGE OF SHERMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2024
(Continued)

NOTE 7 - LIABILITIES (CONTINUED)

A. Pension Plans (Continued)

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

	Deferred Outflows of Resources ERS	Deferred Inflows of Resources ERS
Difference between expected and actual experiences	\$ 52,477	\$ 4,442
Changes in assumptions	61,597	-
Net difference between projected and actual earnings on pension plan investments	-	79,587
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	8,957	14,275
Contributions subsequent to the measurement date	19,832	-
	<u>\$ 142,863</u>	<u>\$ 98,304</u>

The Village's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended May 31, 2024. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	ERS
2025	\$ (32,116)
2026	30,651
2027	45,999
2028	(19,808)
2029	-
Thereafter	-

d.) Actuarial Assumptions

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

	ERS
Measurement date	March 31, 2024
Actuarial valuation date	April 1, 2023
Interest rate	5.90%
Salary scale	4.40%
Decrement tables	April 1, 2015- March 31, 2020
Inflation rate	2.90%

Annuitant mortality rates are based on April 1, 2015 - March 31, 2020 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP - 2021.

The actuarial assumptions used in the April 1, 2023 valuation are based on the results of an actuarial experience study for the period April 1, 2015 - March 31, 2020.

VILLAGE OF SHERMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2024
(Continued)

NOTE 7 - LIABILITIES (CONTINUED)

A. Pension Plans (Continued)

d.) Actuarial Assumptions (Continued)

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

	ERS	
	Target Allocation	Long-Term Expected Real Rate of Return
		March 31, 2024
Measurement date		
Asset class:		
Domestic equities	32.0 %	4.00 %
International equities	15.0	6.65
Private equity	10.0	7.25
Real estate	9.0	4.60
Opportunistic / Absolute return strategies	3.0	5.25
Credit	4.0	5.40
Real assets	3.0	5.79
Fixed income	23.0	1.50
Cash	1.0	0.25

e.) Discount Rate

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

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

The chart below presents the Village's proportionate share of the net pension liabilities calculated using the discount rate of 5.9%, as well as what the Village's proportionate share of the net pension liabilities would be if they were calculated using a discount rate that is one percentage-point lower (4.9%) or one percentage-point higher (6.9%) than the current assumption.

	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
Employer's proportionate share of the net pension liability (asset) - ERS	512,244	162,922	(128,834)

**VILLAGE OF SHERMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2024
(Continued)**

NOTE 7- LIABILITIES (CONTINUED)

A. Pension Plans (Continued)

g.) Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2024, were as follows:

	ERS	TOTAL
	(Dollars in Thousands)	
Employer's total pension liability	\$ 240,696,851	\$ 240,696,851
Plan fiduciary net position	<u>225,972,801</u>	<u>225,972,801</u>
Employer's net pension liability	<u>\$ 14,724,050</u>	<u>\$ 14,724,050</u>
System fiduciary net position as a percentage of total pension liability	93.88%	93.88%

h.) Payable to the Pension Plan

Employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of May 31, 2024 represent the projected employer contribution for the period of April 1, 2022 through May 31, 2024 based on paid System wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of May 31, 2024 amounted to \$19,832.

B. Short Term Debt

Liabilities for bond anticipation notes (BANs) are generally accounted for in the capital projects fund. The notes or renewals thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within each twelve month period thereafter.

State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable sewer improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

The following is an analysis of BAN's outstanding at May 31, 2024:

Fund	Description	Amount	Maturity Date	Interest Rate
Capital projects	Stormwater Project	\$ 950,000	5/23/2025	4.38%
Capital projects	EV Charging Stations Project	<u>200,000</u>	3/7/2025	4.31%
	Total BAN's	<u>\$ 1,150,000</u>		

Revenue anticipation notes (RANs) may be issued in anticipation of collection of revenues other than real estate taxes for meeting expenditures payable from the type of revenue for which the borrowing was made. RANs must mature within one year and may be renewed from time to time, but each renewal shall be for a period not exceeding one year. During the year ended May 31, 2024 the Village did not issue, renew or repay any RANs.

Tax Anticipation Notes (TANs) may, up to the maximum authorized by statute, be issued against the anticipated collection of taxes or assessments levied or to be levied against real property. These notes may be renewed for a period not to exceed one year and must be retired within five years of the original issue. During the year ended May 31, 2024, the Village did not issue, renew or repay any TANs.

VILLAGE OF SHERMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2024
(Continued)

NOTE 7 - LIABILITIES (CONTINUED)

C. Long Term Debt

a.) Constitutional Debt Limit

The Village constitutional debt limit at May 31, 2024 is computed as follows:

Five-Year Average Full Valuation of Taxable Real Estate (2018/19 through 2022/23)	\$ 18,078,714
Debt Limit @ 7%	\$ 1,265,510
Net Indebtedness (after statutory exclusions)	392,400
Net Debt Contracting Margin	\$ 873,110
Percentage of Debt Contracting Power Exhausted	31.01%

b.) Serial Bonds

The Village borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the local government, are recorded in the governmental funds in the government-wide financial statements.

c.) Compensated Absences

As explained in Note 1, compensated absences are recorded in the government-wide financial statements. Governmental funds report only the actual payment of compensated absences upon the retirement of eligible employees.

d.) Summary of Changes in General Long Term Debt

The following is a summary of changes in general long-term liabilities:

	Balance 05/31/2023	Increases	Decreases	Balance 05/31/2024
Serial Bonds	\$ 338,000	\$ 3,546,834	\$ 61,000	\$ 3,823,834
Compensated Absences	40,372	-	8,606	31,766
	<u>\$ 378,372</u>	<u>\$ 3,546,834</u>	<u>\$ 69,606</u>	<u>\$ 3,855,600</u>

Additions and deletions to compensated absences are shown net since it is impractical to determine these amounts separately.

**VILLAGE OF SHERMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2024
(Continued)**

NOTE 7 - LIABILITIES (CONTINUED)

e.) Long Term Debt Maturity Schedule

The following is a statement of outstanding serial bonds and notes at May 31, 2024:

Payable From/ Purpose	Date Issued	Maturity Date	Interest Rate	Original	Outstanding Balance 05/31/2024
<u>Serial Bonds</u>					
General Obligation					
Loader	12/10/2020	12/10/2035	2.125%	\$ 166,000	\$ 132,000
SL Sherman I & II	12/10/2021	11/15/2026	1.375%	240,000	145,000
Wastewater Project	11/16/2023	11/16/2059	2.125%	2,574,000	2,574,000
Water Project	2/22/2024	11/10/2053	0.000%	857,434	857,434
Lawnmower	2/15/2024	2/15/2029	5.530%	39,500	39,500
Kubota	2/15/2024	2/15/2034	5.530%	38,000	38,000
Truck & Plow	4/11/2024	4/11/2039	3.500%	37,900	37,900
Total Serial Bonds and Notes Payable					<u>\$ 3,823,834</u>

f.) Future Debt Service Requirements

The following table summarizes the Village's future debt service requirements as of May 31, 2024:

YEAR ENDING MAY 31,	Principal	Interest
2025	\$ 145,466	\$ 64,374
2026	141,960	61,714
2027	148,454	58,999
2028	99,948	56,597
2029	102,326	54,534
2030-2034	494,625	243,184
2035-2039	486,981	203,081
2040-2044	493,836	165,856
2045-2049	541,692	127,075
2050-2054	593,546	84,108
2055-2059	474,000	36,295
2060	101,000	1,073
TOTAL	<u>\$ 3,823,834</u>	<u>\$ 1,156,890</u>

NOTE 8 - EQUITY CLASSIFICATIONS

A. Government-wide Statements

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

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

Restricted - Restricted net position reports constraints placed on assets that are either legally imposed by creditors (such as through covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted - Designations are not legally required restrictions, but are segregated for a specific purpose.

VILLAGE OF SHERMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2024
(Continued)

NOTE 8 - EQUITY CLASSIFICATIONS, (CONTINUED)

B. Fund Statements

In the fund basis statements there are five classifications of fund balance:

Nonspendable - includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes a reserve for inventory and prepaid expenses and restricts that portion of the fund balance which is unavailable for appropriation.

Restricted - 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. At May 31, 2024, the Village did not have any restricted fund balances.

Committed - includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the Village's highest level of decision making authority, i.e., the Common Council. At May 31, 2024 the Village did not have any committed fund balances.

Assigned - includes amounts that are constrained by the Village's intent to be used for specific purposes, but are neither restricted nor committed. The Village has assigned the following balances at May 31, 2024:

Capital Improvements - represents resources set aside by the Village Board to be used for current and future capital projects of the General, Water and Wastewater Treatment Funds.

Other Fund Activities - represents resources accumulated by special revenue funds dedicated to be used for the purpose for which the fund was created.

Appropriated for next year's appropriation represents the portion of fund balance to be used to fund the ensuing years budget.

Unassigned - includes all other spendable amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the Village.

Order of Use of Fund Balance - The Village's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the General Fund are classified as assigned fund balance. In the General Fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

NOTE 9 - CONTINGENCIES

A. Lease Commitments and Leased Assets

The Village does not have any operating or capital leases during the year. Total rental expenditures on leases for the year ended May 31, 2024 were \$-0-.

**VILLAGE OF SHERMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2024
(Continued)**

NOTE 9 - CONTINGENCIES (CONTINUED)

B. Grant and Aid Programs

The Village has previously participated in a number of federal and state assistance programs. The receipt of such funds generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed expenditures resulting from such audits could become a liability of the Village. The amount of disallowance, if any, cannot be determined at this time, although, based on prior experience, the Village expects such amounts to be immaterial.

C. Litigation

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

D. Environmental Remediation

The Village's policy is not to take possession or ownership of properties with potential or known pollution remediation issues. The Village currently does not have any properties with pollution remediation obligations where the Village retains ownership rights that have either been remediated or have grant funding in place to be remediated. Any potential future environmental remediation is considered to be de minimus to the Village. Therefore, the Village has not made any adjustments related to GASB No. 49 to book any potential environmental remediations.

NOTE 10 - CORONAVIRUS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restriction on travel, quarantines in certain areas, and forced closures for certain types of businesses.

The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economy. It is unknown how long these conditions will last and what the complete financial effect will be on the Village.

NOTE 11 - EVALUATION OF SUBSEQUENT EVENTS

The Village has evaluated subsequent events through February 15, 2025, the date which the financial statements were available to be issued. No significant events have been identified that would require adjustment of or disclosure in the accompanying financial statements.

VILLAGE OF SHERMAN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED MAY 31, 2024

	Original Budget	Revisions	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
REVENUES:						
Real property taxes	\$ 226,365	\$ -	\$ 226,365	\$ 226,365	\$ -	\$ -
Sales tax	102,700	-	102,700	106,422	-	3,722
Property tax items	5,395	-	5,395	4,545	-	(850)
Non-property tax items	7,675	-	7,675	7,018	-	(657)
Departmental income	7,150	-	7,150	11,343	-	4,193
Shared services	82,651	-	82,651	82,853	-	202
Use of money and property	16,000	-	16,000	17,503	-	1,503
Licenses and permits	3,200	-	3,200	16,398	-	13,198
Fines and forfeitures	-	-	-	-	-	-
Sale of property and compensation for loss	-	-	-	68,693	-	68,693
Miscellaneous	37,000	-	37,000	124,890	-	87,890
State aid	47,777	-	47,777	46,704	-	(1,073)
Federal aid	100,000	-	100,000	-	-	(100,000)
Total revenues	635,913	-	635,913	712,734	-	76,821
EXPENDITURES:						
Current:						
Trustees	5,200	-	5,200	5,476	-	(276)
Judicial	-	-	-	-	-	-
Mayor	8,800	-	8,800	7,939	-	861
Financial	4,923	-	4,923	1,546	-	3,377
Staff	38,500	-	38,500	53,799	-	(15,299)
Shared services	6,500	-	6,500	3,940	-	2,560
Special items	13,230	-	13,230	19,430	-	(6,200)
Police department	3,400	-	3,400	3,363	-	37
Fire department	123,511	-	123,511	108,329	-	15,182
Other public safety	47,050	-	47,050	50,020	-	(2,970)
Health	-	-	-	-	-	-
Transportation	494,450	-	494,450	180,357	-	314,093
Economic assistance and opportunity	2,250	-	2,250	10,064	-	(7,814)
Culture and recreation	30,050	-	30,050	60,300	-	(30,250)
Home and community service	32,400	-	32,400	102,476	-	(70,076)
Employee benefits	31,610	-	31,610	35,236	-	(3,626)
Debt service:						
Principal	11,000	-	11,000	11,000	-	-
Interest	3,039	-	3,039	4,044	-	(1,005)
Total expenditures	855,913	-	855,913	657,319	-	198,594
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(220,000)	-	(220,000)	55,415	-	275,415
OTHER FINANCING SOURCES (USES):						
Transfers in	20,000	-	20,000	32,000	-	12,000
Transfers out	-	-	-	(38,219)	-	(38,219)
Proceeds on long term obligations	200,000	-	200,000	-	-	(200,000)
Total other financing sources (uses)	220,000	-	220,000	(6,219)	-	(226,219)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	-	-	49,196	-	49,196
FUND BALANCE, June 1	173,961	-	173,961	173,961	-	-
FUND BALANCE, May 31	\$ 173,961	\$ -	\$ 173,961	\$ 223,157	\$ -	\$ 49,196

VILLAGE OF SHERMAN
BUDGETARY COMPARISON SCHEDULE
WATER FUND
YEAR ENDED MAY 31, 2024

	Original Budget	Revisions	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
REVENUES:						
Departmental income	\$ 214,130	\$ -	\$ 214,130	\$ 216,696	\$ -	\$ 2,566
Total revenues	214,130	-	214,130	216,696	-	2,566
EXPENDITURES:						
Current:						
Special items	4,500	-	4,500	5,400	-	(900)
Home and community service	112,664	-	112,664	104,838	-	7,826
Employee benefits	24,680	-	24,680	24,096	-	584
Debt service:						
Principal	34,286	-	34,286	-	-	34,286
Interest	-	-	-	-	-	-
Total expenditures	176,130	-	176,130	134,334	-	41,796
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	38,000	-	38,000	82,362	-	44,362
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	-	-
Transfers out	(38,000)	-	(38,000)	(114,085)	-	(76,085)
Total other financing sources (uses)	(38,000)	-	(38,000)	(114,085)	-	(76,085)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	-	-	(31,723)	-	(31,723)
FUND BALANCE, June 1	102,978	-	102,978	102,978	-	-
FUND BALANCE, May 31	\$ 102,978	\$ -	\$ 102,978	\$ 71,255	\$ -	\$ (31,723)

See paragraph on supplementary schedules included in independent auditors' report

VILLAGE OF SHERMAN
BUDGETARY COMPARISON SCHEDULE
WASTEWATER TREATMENT FUND
YEAR ENDED MAY 31, 2024

	Original Budget	Revisions	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
REVENUES:						
Departmental income	\$ 315,480	\$ -	\$ 315,480	\$ 329,834	\$ -	\$ 14,354
Total revenues	315,480	-	315,480	329,834	-	14,354
EXPENDITURES:						
Current:						
Special items	8,000	-	8,000	12,846	-	(4,846)
Home and community service	141,837	-	141,837	253,195	-	(111,358)
Employee benefits	31,500	-	31,500	34,736	-	(3,236)
Debt service:						
Principal	114,000	-	114,000	-	-	114,000
Interest	-	-	-	-	-	-
Total expenditures	295,337	-	295,337	300,777	-	(5,440)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	20,143	-	20,143	29,057	-	8,914
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	-	-
Transfers out	(20,143)	-	(20,143)	(32,992)	-	(12,849)
Total other financing sources (uses)	(20,143)	-	(20,143)	(32,992)	-	(12,849)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	-	-	(3,935)	-	(3,935)
FUND BALANCE, June 1	156,985	-	156,985	156,985	-	-
FUND BALANCE, May 31	\$ 156,985	\$ -	\$ 156,985	\$ 153,050	\$ -	\$ (3,935)

See paragraph on supplementary schedules included in independent auditors' report

VILLAGE OF SHERMAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSET/LIABILITY
FOR THE YEAR ENDED MAY 31, 2024

	YEAR ENDED MAY 31,								
	2024	2023	2022	2021	2020	2019	2018	2017	2016
ERS PENSION PLAN									
VILLAGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)	0.0011065%	0.0012080%	-0.0010194%	0.0009437%	0.0009920%	0.0007651%	0.0007478%	0.0008676%	0.0010003%
VILLAGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)	162,922	259,052	(83,334)	940	262,684	54,209	24,134	81,519	160,544
VILLAGE'S COVERED-EMPLOYEE PAYROLL	348,176	334,784	296,445	269,041	220,748	234,299	227,617	241,682	247,334
VILLAGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL	46.79%	77.38%	-28.11%	0.35%	119.00%	23.14%	10.60%	33.73%	64.91%
VILLAGE'S FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	93.88%	90.78%	103.70%	100.00%	86.40%	96.30%	98.20%	94.70%	90.70%

10 years of historical information is not yet available. An additional year of historical information will be added each year until 10 years of historical data is available.

VILLAGE OF SHERMAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED MAY 31, 2024

	YEAR ENDED MAY 31,								
	2024	2023	2022	2021	2020	2019	2018	2017	2016
ERS PENSION PLAN									
CONTRACTUALLY REQUIRED CONTRIBUTIONS	\$ 41,811	\$ 35,725	\$ 42,791	\$ 35,353	\$ 28,957	\$ 25,366	\$ 25,324	\$ 27,922	\$ 33,381
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	(41,811)	(35,725)	(42,791)	(35,353)	(28,957)	(25,366)	(25,324)	(27,922)	(33,381)
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
VILLAGE'S COVERED EMPLOYEE PAYROLL	\$ 348,176	\$ 334,784	\$ 296,445	\$ 269,041	\$ 220,748	\$ 234,299	\$ 227,617	\$ 241,682	\$ 247,334
CONTRIBUTIONS AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	12.01%	10.67%	14.43%	13.14%	13.12%	10.83%	11.13%	11.55%	13.50%

10 years of historical information is not yet available. An additional year of historical information will be added each year until 10 years of historical data is available.



**JOHNSON, MACKOWIAK
& ASSOCIATES, LLP**

Certified Public Accountants & Consultants

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

Honorable Mayor
Members of the Board of Trustees
Village of Sherman
Sherman, New York 14781

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Village of Sherman, New York, as of and for the year ended May 31, 2024, and the related notes to the financial statements, which collectively comprise Village of Sherman, New York's basic financial statements, and have issued our report thereon dated February 15, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Village of Sherman, New York'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 Village of Sherman, New York's internal control. Accordingly, we do not express an opinion on the effectiveness of Village of Sherman, New York'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 entity'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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

Johnson, Mackowiak & Associates, LLP

JOHNSON, MACKOWIAK & ASSOCIATES, LLP

Fredonia, New York
February 15, 2025



**JOHNSON, MACKOWIAK
& ASSOCIATES, LLP**

Certified Public Accountants & Consultants

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

Honorable Mayor
Members of the Board of Trustees
Village of Sherman, New York
Sherman, New York 14781

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Village of Sherman, New York'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 the Village of Sherman, New York's major federal programs for the year ended May 31, 2024. The Village of Sherman, New York'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, the Village of Sherman, New York, complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended May 31, 2024.

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 Auditors' Responsibilities for the Audit of Compliance section of our report.

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 and provisions of contracts or grant agreements applicable to the Village of Sherman, New York's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Village of Sherman, New York'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 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 judgement made by a reasonable user of the report on compliance about the Village of Sherman, New York's compliance with requirements of each major federal program as a whole.

In planning an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control Over Compliance

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

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

Johnson, Mackowiak & Associates, LLP

JOHNSON, MACKOWIAK & ASSOCIATES, LLP

Fredonia, New York
February 15, 2025

**VILLAGE OF SHERMAN, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MAY 31, 2024**

Federal Grantor/Pass-through Grantor Program Title	CFDA Number	Agency or Pass-through Number	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Direct program			
Water and Waste Disposal Systems for Rural Communities	10.760	*	\$ 1,399,451
Community Facilities Loans and Grants	10.766		<u>54,510</u>
<i>TOTAL U.S. DEPARTMENT OF AGRICULTURE:</i>			<u>1,453,961</u>
<u>U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT</u>			
Passed through New York State Dept. of Home & Community Renewal:			
Community Development Block Grant / State's Program and			
Non-Entitlement Grants in Hawaii			
Housing Rehab	14.228	1071HR118-20	<u>206,022</u>
Total passed through New York State Dept. of Home & Community Development:			<u>206,022</u>
<i>TOTAL U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT:</i>			<u>206,022</u>
<u>U.S. DEPT. OF TREASURY</u>			
Passed through the New York State Dept. of Taxation:			
Coronavirus State and Local Fiscal Recovery Funds	21.027		<u>-</u>
<i>TOTAL U.S. DEPARTMENT OF TREASURY:</i>			<u>-</u>
TOTAL FEDERAL AWARDS EXPENDED			<u><u>\$ 1,659,983</u></u>

* Major Program

** No amounts were provided to subrecipients

See notes to schedule of expenditures of federal awards

VILLAGE OF SHERMAN, NEW YORK
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MAY 31, 2024

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of Federal award programs administered by the Village, which is described in Note 1 to the Village's accompanying financial statements, using the modified accrual basis of accounting. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the Village's financial statements. Federal awards that are included in the Schedule may be received directly from Federal agencies, as well as Federal awards that are passed through from other government agencies.

The information presented in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

NOTE 2 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. The amounts reported as Federal expenditures were obtained from the Federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the Village's financial reporting system.

The Federal expenditures are recognized under the Uniform Guidance.

NOTE 3 - SCOPE OF AUDIT

The Village is an independent municipal corporation. All Federal grant operations of the Village are included in the scope of the single audit.

NOTE 4 - FEDERAL LOANS

The Village was approved by the USDA Rural Development Community Facilities Loans and Grant Program to receive a loan totaling \$37,900 to purchase streets equipment during the current fiscal year. The balance owed at May 31, 2024 was \$37,900.

The Village was approved by the USDA Rural Development to receive a loan totaling \$2,574,000 to pay off the short term financing for the wastewater improvement project. The balance owed at May 31, 2024 was \$2,574,000.

NOTE 5 - INDIRECT COST RATE

The Village did not elect to use the 10% de minimus cost rate.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the Federal financial reports used as the source for the data presented. The Village's policy is not to charge Federal award programs with the indirect costs.

VILLAGE OF SHERMAN, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MAY 31, 2024

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____yes Xno

Significant deficiency(ies) identified? _____yes Xno

Noncompliance material to financial statements noted? _____yes Xno

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____yes Xno

Significant deficiency(ies) identified? _____yes Xnone reported

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

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) _____yes Xno

VILLAGE OF SHERMAN, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MAY 31, 2024

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.760	Water and Waste Disposal Systems for Rural Communities

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

Auditee qualified as low-risk auditee? yes X no

Section II – Financial Statement Findings

As of and for the year ended May 31, 2024, the Village of Sherman, New York, in the County of Chautauqua, New York, had no findings that were required to be reported in accordance with GAGAS.

Section III – Federal Award Findings and Questioned Costs

As of and for the year ended May 31, 2024, the Village of Sherman, New York, in the County of Chautauqua, New York, had no findings and questioned costs as defined in Section 2 CFR 200.516(a) of the Uniform Guidance.

VILLAGE OF SHERMAN, NEW YORK
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED MAY 31, 2024

Financial Statement Findings

As of and for the year ended May 31, 2023, the Village of Sherman, New York, in the County of Chautauqua, New York, had no findings that were required to be reported in accordance with GAGAS

Federal Award Findings and Questioned Costs

As of and for the year ended May 31, 2023, the Village of Sherman, New York, in the County of Chautauqua, New York, had no findings and questioned costs as defined in Section 200.516 of the Uniform Guidance.

FORM OF BOND COUNSEL’S OPINION

LAW OFFICES

OF

Timothy R. McGill

248 WILLOWBROOK OFFICE PARK
FAIRPORT, NEW YORK 14450

Kristine M. Bryant
Paralegal

Tel: (585) 381-7470
Fax: (585) 381-7498

May 22, 2025

Village of Sherman
Chautauqua County, New York

Re: ***Village of Sherman, Chautauqua County, New York***
\$1,250,000 Bond Anticipation Notes, 2025

Dear Board Members:

I have examined a record of proceedings relating to the issuance of \$1,250,000 aggregate principal amount of Bond Anticipation Notes, 2025 of the Village of Sherman, a village of the State of New York. The Notes are [registered to _____/ in book-entry-only form registered to “Cede & Co.,”] are dated May 22, 2025, are numbered 2025A-____, bear interest at the rate of _____ per centum (____%) per annum payable at maturity, mature May 21, 2026, and are issued pursuant to the Local Finance Law of the State of New York and bond resolutions adopted July 20, 2020 and August 10, 2022. 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 Village of Sherman, 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 Village without limitation as to rate or amount.

The Village 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 Notes 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 Village 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, 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 Notes is exempt from New York State and New York City personal income taxes under existing statutes.

LAW OFFICES
OF

Timothy R. McGill

Board of Education of the
Village of Sherman
May 22, 2025

Page 2

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 Village, together with other legally available sources of revenue, if any, will be sufficient to enable the Village to pay the principal of and interest on the Notes as the same respectively become due and payable. Reference should be made to the Official Statement prepared by the Village in relation to the Notes for factual information which, in the judgment of the Village, could materially affect the ability of the Village 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 Village, 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.

Very truly yours,

Timothy R. McGill, Esq.

TRM: