

PRELIMINARY OFFICIAL STATEMENT

NEW ISSUE

SERIAL BONDS

S&P GLOBAL RATINGS: "A" STABLE OUTLOOK

SEE "RATINGS" HEREIN

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

The Bonds will be designated "qualified tax-exempt obligations" pursuant to Section 265(b) (3) of the Code.

\$3,085,000

VILLAGE OF POTSDAM

ST. LAWRENCE COUNTY, NEW YORK

GENERAL OBLIGATIONS

CUSIP BASE: 737747

\$3,085,000 Public Improvement (Serial) Bonds, 2021 (referred to herein as the "Bonds")

Dated and Delivered: October 28, 2021

Due: October 15, 2022-2046

MATURITIES\*\*

Table with 14 columns: Year, Amount, Rate, Yield, CSP, Year, Amount, Rate, Yield, CSP, Year, Amount, Rate, Yield, CSP. Rows list maturity years from 2022 to 2030 and 2031 to 2039, with corresponding amounts ranging from \$65,000 to \$140,000\*.

\* The Bonds maturing in the years 2030-2046 are subject to redemption prior to maturity as described herein under the heading "Optional Redemption."
\*\* Subject to change pursuant to the accompanying Notice of Private Competitive Bond Sale in order to achieve substantially level or declining annual debt service.

The Bonds are general obligations of the Village of Potsdam, St. Lawrence County, New York, (the "Village") all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Bonds and interest thereon, subject to applicable statutory limitations. See "NATURE OF THE OBLIGATIONS" and "TAX LEVY LIMITATION LAW" herein.

Proposals for the Bonds shall be for not less than \$3,085,000 and accrued interest, if any, on the total principal amount of the Bonds. A good faith deposit will not be required.

The Bonds will be issued as registered bonds and may be registered, at the option of the purchaser, in the name of the purchaser or in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which, if so elected by the purchaser, will act as securities depository for the Bonds. If the Bonds are issued in book-entry form, individual purchases will be in the principal amount of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. Interest on the Bonds will be payable on October 15, 2022 and semi-annually thereafter on April 15 and October 15 in each year until maturity. Principal and interest will be paid by the Village to DTC, which will in turn remit such principal and interest to its participants, for subsequent distribution to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein. If the Bonds are issued in registered certificated form, the Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. Paying agent fees, if any, in such case are to be paid by the purchaser. The Bonds may not be converted into coupon bonds or be registered to bearer.

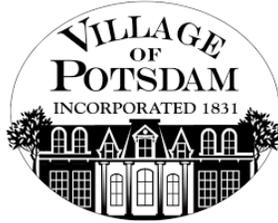
The Bonds are offered when, as and if issued and received by the purchaser and subject to the receipt of the approving legal opinion as to the validity of the Bonds of Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel. It is anticipated that the Bonds will be available for delivery in Jersey City, New Jersey, or as may be agreed upon, on or about October 28, 2021.

ELECTRONIC BIDS for the Bonds must be submitted via Fiscal Advisors Auction website ("Fiscal Advisors Auction") accessible via www.fiscaladvisorsauction.com on October 14, 2021 until 11:00 A.M., Eastern Time, pursuant to the Notice of Private Competitive Bond 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 Bonds pursuant to the terms provided in the Notice of Private Competitive Bond Sale.

October 6, 2021

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 PRIVATE COMPETITIVE BOND SALE WITH RESPECT TO THE OBLIGATIONS HEREIN DESCRIBED. THE VILLAGE WILL COVENANT IN AN UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE AS DEFINED IN THE RULE WITH RESPECT TO THE BONDS. SEE "CONTINUING DISCLOSURE" HEREIN.

# VILLAGE OF POTSDAM ST. LAWRENCE COUNTY, NEW YORK



REINHOLD J. TISCHLER  
MAYOR

## TRUSTEES

ALEXANDRA JACOBS-WILKE  
ABBY LEE  
STEPHEN WARR  
MAGGIE MCKENNA

\* \* \* \* \*

GREGORY THOMPSON  
Village Administrator

CARA ADAMS  
Village Treasurer

ANDREW SILVER, ESQ.  
Village Attorney



FISCAL ADVISORS & MARKETING, INC.  
Municipal Advisor



ORRICK, HERRINGTON & SUTCLIFFE, LLP  
Bond Counsel

No person has been authorized by the Village of Potsdam 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 Bonds in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information, estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Village of Potsdam.

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**OFFICIAL STATEMENT  
OF THE  
VILLAGE OF POTSDAM  
ST. LAWRENCE COUNTY, NEW YORK  
RELATING TO  
\$3,085,000 Public Improvement (Serial) Bonds, 2021**

This Official Statement, which includes the cover page and inside cover page, has been prepared by the Village of Potsdam St. Lawrence County, New York (the “Village”, “County” and “State”, respectively) in connection with the sale by the Village of \$3,085,000 Public Improvement (Serial) Bonds, 2021 (the “Bonds”) (referred to herein as the “Bonds”).

The factors affecting the Village’s financial condition and the Bonds are described throughout this Official Statement. Inasmuch as many of these factors, including economic and demographic factors, are complex and may influence the Village 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 Bonds and the proceedings of the Village relating thereto are qualified in their entirety by reference to the definitive forms of the Bonds and such proceedings.

This Official Statement should be read with the understanding that the ongoing COVID-19 global pandemic has created prevailing economic conditions (at the global, national, State and local levels) that are highly uncertain, generally negative, and rapidly changing, and these conditions are expected to continue for an indefinite period of time. Accordingly, the Village’s overall economic situation and outlook (and all of the specific Village-related information contained herein) should be carefully reviewed, evaluated and understood in the full light of this unprecedented world-wide event, the effects of which are extremely difficult to predict and quantify. See “MARKET AND RISK FACTORS - COVID-19” herein.

**THE BONDS**

**Description of the Bonds**

The Bonds 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 Bonds 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 Bonds and interest thereon, subject to applicable statutory limitations. See “NATURE OF THE OBLIGATIONS” and “TAX LEVY LIMITATION LAW” herein.

The Bonds will be dated October 28, 2021 and will mature in the principal amounts and on the dates as set forth on the cover page. The Bonds are subject to redemption prior to maturity as described herein under “THE BONDS – Optional Redemption. The record date for the Bonds will be the last business day of the month preceding such interest payment. Interest on the Bonds will be calculated on a 30-day month and 360-day year basis.

The Bonds will be issued as registered bonds and, when issued, if issued in book-entry only form, will be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. Interest on the Bonds will be payable on October 15, 2022 and semi-annually thereafter on April 15 and October 15 in each year until maturity. Principal and interest will be paid by the Village to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds, as described herein. If the Bonds are issued in registered certificated form, the Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. Paying agent fees, if any, in such case are to be paid by the purchaser. The Bonds may not be converted into coupon bonds or be registered to bearer.

## **Optional Redemption**

The Bonds maturing on or before October 15, 2029 shall not be subject to redemption prior to maturity. The Bonds maturing on or after October 15, 2030 shall be subject to redemption prior to maturity as a whole or in part (and by lot if less than all of a maturity is to be redeemed), at the option of the Village on October 15, 2029 or on any date thereafter at par (100%), plus accrued interest to the date of redemption.

If less than all of the bonds of any maturity are to be redeemed, the particular Bonds of such maturity to be redeemed shall be selected by the Village by lot in any customary manner of selection as determined by the Village Treasurer. Notice of such call for redemption shall be given by providing notice to the registered holder not more than sixty (60) days nor less than thirty (30) days prior to such date. Notice of redemption having been given as aforesaid, the Bonds so called for redemption shall, on the date for redemption set forth in such call for redemption, become due and payable, together with interest to such redemption date, and interest shall cease to be paid thereon after such redemption date.

## **Purpose of Issue**

The Bonds are issued pursuant to the Constitution and statutes of New York State, including among others, the Village Law and the Local Finance Law, and a bond resolution adopted on November 4, 2019 authorizing serial bonds for the construction of improvements to and reconstruction of the East Dam and the hydroelectric facility thereat in the amount of \$4,500,000.

The proceeds of the Bonds will provide \$3,085,000 new monies for the aforementioned purpose.

## **NATURE OF THE OBLIGATION**

Each Bond 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 Bonds 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”). 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 Bonds 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, insuring the availability of the levy of property tax revenues to pay debt service. As the Flushing National Bank (1976) Court noted, the term "faith and credit" in its context is "not qualified in any way". Indeed, in Flushing National Bank v. Municipal Assistance Corp., 40 N.Y.2d 1088 (1977) the Court of Appeals described the pledge as a direct constitutional mandate. In Quirk v. Municipal Assistance Corp., 41 N.Y.2d 644 (1977), the Court of Appeals stated that, while holders of general obligation debt did not have a right to particular revenues such as sales tax, "with respect to traditional real estate tax levies, the bondholders are constitutionally protected against an attempt by the State to deprive the city of those revenues to meet its obligations." According to the Court in Quirk, the State Constitution "requires the city to raise real estate taxes, and without specification other revenues, if such a levy be necessary to repay indebtedness."

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

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

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

### **BOOK-ENTRY-ONLY SYSTEM**

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds, if requested. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of such issue, and will be deposited with DTC.

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

companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds 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 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the Village, on payable dates in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC or the Village, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest 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 Bonds at any time by giving reasonable notice to the Village. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The Village may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

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 BONDS (1) PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE BONDS; (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE BONDS; OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT 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 BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE BONDS.

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 Bonds under certain Circumstances**

DTC may discontinue providing its services with respect to the Bonds at any time by giving reasonable 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 transfers through DTC at any time. In the event that such book-entry-only system is discontinued, the following provisions will apply: the Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple thereof. Principal of the Bonds when due will be payable upon presentation at the office of a bank or trust company located and authorized to do business in the State as a fiscal agent bank to be named by the Village upon termination of the book-entry-only system. Interest on the Bonds will remain payable October 15, 2022 and semi-annually thereafter on April 15 and October 15 in each year to maturity. Such interest will be payable by check drawn by the fiscal agent and mailed to the registered owner on each interest payment date at the address as shown on the registration books of the fiscal agent as of the last business day of the calendar month preceding each such interest payment date. Bonds may be transferred or exchanged at no cost to the registered owner at any time prior to maturity at the office of the fiscal agent for Bonds of the same or any other authorized denomination or denominations in the same aggregate principal amount in accordance with the Local Finance Law. The fiscal agent shall not be obligated to make any such transfer or exchange of Bonds between the last business day of the calendar month preceding an interest payment date and such interest payment date.

## **THE VILLAGE**

There follows in this Official Statement a brief description of the Village, together with certain information concerning its economy and governmental organization, its indebtedness, current major revenue sources and general and specific funds.

### **General Information**

The Village, incorporated in 1831, is located in northern upstate New York in St. Lawrence County. The City of Watertown is located approximately 70 miles to the southwest, and the City of Ogdensburg is approximately 25 miles to the northwest. The Village encompasses 5.18 square miles of land area and has a 2019 estimated population of 8,991. Major highways in and around the Village include U.S. Highway #11 and State Routes #56 and #345. U.S. Route #11 connects the Village with Interstate Highways #81 which further connects the Village to the New York State Thruway (Interstate #90). Air transportation is available from the Town of Massena Airport which is served by US Air Commuter Service.

The Village is primarily a residential community in nature. Residents are engaged in some farming, but most participate in industry, commerce, education and the professions in and around the North Country. The Village along with the City of Ogdensburg accommodates the residents with their retail shopping requirements. Commercial banking facilities are provided by Community Bank, N.A., KeyBank, N.A. and NBT Bank, N.A.

Higher education opportunities are available at The State University of New York at Potsdam, Clarkson University, The State University of New York at Canton and St. Lawrence University. Enrollment at these colleges is currently stable.

## Recent Economic Developments

The following projects have been completed, started construction or expect to start construction in the near future:

- Canton Potsdam Hospital continues to expand its medical services in the community with addition of physicians in various specialties, the renovation and modernization of its medical and office facilities and the addition of a new facility on their campus.
- In October 2019, Governor Andrew M. Cuomo announced that the Village will receive \$10 million in funding as the North Country winner of the fourth round of the Downtown Revitalization Initiative. In its application, the Village included projects already in motion, such as the renovation of old Snell Hall, and also ones already completed, such as the North Country Children’s Museum. The Village would like to fund projects in and around the Market Street area, for building renovations, streetscapes (lighting and sidewalks), helping small business and light industry start-ups and extending the walking trail that now runs along the Raquette River. Initially money will be used for planning, and the Village will submit proposed projects to the State. By next spring, the State will decide which projects get funded. Vecino Group has begun work on the renovation of Snell Hall for residential units and construction is on track.

Source: Village officials.

## Population Trends

	<u>Village of Potsdam</u>	<u>County of St. Lawrence</u>	<u>New York State</u>
1990	10,432	111,974	17,990,455
2000	9,518	111,931	18,976,457
2010	9,428	111,944	19,378,102
2019 (estimated)	8,991	107,740	19,453,561

Source: U.S. Census Bureau.

## Larger Employers

The following are the five larger employers located within St. Lawrence County and in close proximity to the Village:

<u>Name</u>	<u>Type</u>	<u>Employees</u>
St. Lawrence Health System	Hospital	2,025
Clarkson University	Higher Education	917
St. Lawrence-Lewis County BOCES	Education	865
SUNY Potsdam	Higher Education	837
St. Lawrence University	Higher Education	828

Source: Village officials.

## Selected Wealth and Income Indicators

Per capita income statistics are available for the Village, County and State. Listed below are select figures from the 2000 Census Report, and 2006-2010 and 2015-2019 American Community Survey 5 Year Estimates.

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>2000</u>	<u>2006-2010</u>	<u>2015-2019</u>	<u>2000</u>	<u>2006-2010</u>	<u>2015-2019</u>
Village of:						
Potsdam	\$ 10,824	\$ 16,384	\$ 16,321	\$ 37,933	\$ 55,072	\$ 77,143
County of:						
St. Lawrence	15,728	20,143	25,378	38,510	50,384	62,727
State of:						
New York	23,389	30,948	39,326	51,691	67,405	84,385

Note: 2016-2020 American Community Survey estimates are not available as of the date of this Official Statement.

Source: 2000 U.S. Census Bureau Report, and 2006-2010 and 2015-2019 American Community Survey data.

## Unemployment Rate Statistics

Unemployment statistics are not available for the Village as such. The smallest area for which such statistics are available (which includes the Village) is the County. The information set forth below with respect to the County is included for information purposes only. It should not be implied from the inclusion of such data here that the County is necessarily representative of the Village, or vice versa.

	<u>Annual Averages</u>						
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
St. Lawrence County	7.8%	7.4%	6.7%	6.6%	5.6%	5.3%	8.2%
New York State	6.3	5.2	4.9	4.6	4.1	3.8	10.0

	<u>2021 Monthly Figures</u>								
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sept</u>
St. Lawrence County	7.0%	7.3%	6.7%	5.8%	5.0%	5.7%	6.1%	6.0%	N/A
New York State	9.4	9.7	8.4	7.7	7.0	7.2	7.4	7.1	N/A

Note: Unemployment rates for September 2021 are not available as of the date of this Official Statement. Unemployment drastically increased starting in mid-March of 2020 due to the COVID-19 global pandemic, although it has since begun to decrease. See "COVID-19" herein.

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

## Financial Organization

The Village Treasurer is the Chief Fiscal Officer and the accounting officer. It is the Treasurer's duty to receive, disburse and account for all financial transactions.

## Form of Village Government

As prescribed by Village Law, the chief executive officer of the Village is the Mayor who is elected for a term of four years and is eligible to succeed himself. The chief executive officer is also a member of the Board of Trustees. In addition to the Mayor, there are four Trustees who are elected for four-year terms. The terms are staggered so that two Trustees will run for election every year. The Mayor will run every four years. The Mayor and Trustees are elected at large. The Village Administrator is a permanent appointment and serves at the pleasure of the Board of Trustees.

The Mayor, with the approval of the Board of Trustees appoints a Village Treasurer to serve a two-year term. The Village Treasurer also serves as the tax collector.

## Budgetary Procedures

The Mayor, with the assistance of the Village Administrator and Treasurer, prepares the proposed budget each year, pursuant to the Laws of the State of New York, 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 by May as its final budget for the coming fiscal year. The budget is not subject to referendum.

## Investment Policy

Pursuant to the statutes of the State of New York, 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 New York 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) special time deposit accounts, (2) Certificates of Deposit, (3) Obligations of the United States of America, (4) obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America, (5) obligations of the State of New York, (6) obligations issued pursuant to the Local Finance Law (with approval of the State Comptroller) by any municipality, school district or district or district corporation other than the Village of Potsdam, (7) obligations of public authorities, public housing authorities, urban renewal agencies and industrial development agencies where the general State statutes governing such entities or whose specific enabling legislation authorizes such investments, (8) certificates of participation issued pursuant to General Municipal Law and (9) obligations of this local government, but only with any moneys in a reserve fund established pursuant to General Municipal Law.

## **State Aid**

The Village receives financial assistance from the State. For the fiscal year ending May 31, 2022, approximately 3.4% of the revenues of the Village were 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.

An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on the Village's financial condition and operating results by potentially delaying the receipt of real property taxes or resulting in a delay or reduction by the State in the payment of State aid and is expected to impact future sales tax revenues. Currently, the spread of COVID-19, a respiratory disease caused by a new strain of coronavirus, has spread globally, including to the United States, and has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. The current outbreak has caused the Federal government to declare a national state of emergency. The State has also declared a state of emergency and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19. The outbreak of COVID-19 and the dramatic steps taken by the State to address it are expected to negatively impact the State's economy and financial condition. The full impact of COVID-19 upon the State is not expected to be known for some time. Similarly, the degree of the impact to the Village's operations and finances is extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions may be taken by governmental and other health care authorities, including the State, to contain or mitigate its impact. The continued spread of the outbreak could have a material adverse effect on the State and municipalities and school districts located in the State, including the Village. The Village is monitoring the situation and will take such proactive measures as may be required to maintain its operations and meet its obligations.

The State's revenue picture improved in the final quarter of fiscal year 2021, with tax collections exceeding expectations. On March 1, 2021 the Executive and Legislature reached consensus that cumulative tax receipts over fiscal year 2021 and fiscal year 2022 would be at least \$2.5 billion higher than estimated in the Executive Budget Financial Plan. Collections through the end of fiscal year 2021 were even more favorable, providing the basis for the substantial upward revision to tax receipts. The State finished fiscal year 2021 in a stronger overall position in comparison to the Executive Budget Financial Plan. Results reflected both strong tax receipts and disbursements that fell substantially below budgeted levels.

On March 11, 2021 the Federal American Rescue Plan Act (ARPA) was enacted. The ARPA is a \$1.9 trillion economic stimulus bill intended to contain the COVID-19 pandemic and accelerate the nation's economic recovery. The ARPA provides the State with \$12.6 billion in general aid ("recovery aid") as well as \$17.2 billion in categorical aid for schools, universities, childcare, housing and other purposes. The enacted 2021-22 State budget provides for an increase in All Funds spending of 9.7% over 2020-21, relying on a combination of the new federal funding and revenue-raising initiatives to avoid cuts and support additional investments. According to the State, the budget deploys the first \$5.5 billion of the \$12.6 billion provided for under ARPA.

The Village has received \$461,075 ARPA funds to date and anticipates receiving a total of \$922,150. The Village Board is in discussion to determine how funds will be spent.

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

Should the Village fail to receive State aid expected from the State in the amounts and at the times expected, occasioned by a delay in the payment of such monies, the Village is authorized by the Local Finance Law to provide operating funds by borrowing in anticipation of the receipt of uncollected State aid. (See "MARKET AND RISK FACTORS – COVID-19" herein).

**Employees**

The Village provides services through approximately 51 full-time employees, 41 of whom are represented by unions as follows:

<u>Number of Employees</u>	<u>Bargaining Unit</u>	<u>Contract Expiration Date</u>
17	Teamster's Local 687	May 31, 2024
24	CSEA Local 1000	May 31, 2023

Source: Village officials.

**Employee Pension Payments**

Substantially all employees of the Village are members of the New York State and Local Employees' Retirement System ("ERS") or the New York State and Local Police and Fire Retirement System ("PFRS"; with ERS, the "Retirement Systems"). The ERS is generally also known as the "Common Retirement Fund". The Retirement Systems are cost-sharing multiple public employer retirement systems. The obligation of employers and employees to contribute and the benefit to employees are governed by the New York State Retirement System and Social Security Law (the "Retirement System Law"). The Retirement Systems offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service. The Retirement System Law generally provides that all participating employers in each retirement system are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement Systems.

The ERS is non-contributory with respect to members hired prior to July 27, 1976 (Tier 1 & 2); members hired from July 27, 1976 through December 31, 2009 (Tier 3 & 4) contribute 3% for the first 10 years of service and then become non-contributory; members hired from January 1, 2010 through March 31, 2012 (Tier 5) must contribute 3% for their entire careers; members hired April 1, 2012 (Tier 6) or after will contribute between 3 and 6 percent for their entire careers based on their annual wage.

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

For both ERS & PFRS, Tier 5 provides for:

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

For both ERS & PFRS, Tier 6 provides for:

- Increase in contribution rates of between 3% and 6% base on annual wage
- Increase in the retirement age from 62 years to 63 years
- A readjustment of the pension multiplier
- A change in the period for final average salary calculation from 3 years to 5 years

The Village's payments to ERS and PFRS since the 2017 fiscal year have been as follows:

<u>Fiscal Year</u>		<u>ERS</u>		<u>PFRS</u>
2017	\$	363,941	\$	223,710
2018		380,473		235,755
2019		314,121		214,219
2020		292,703		210,013
2021		312,053		242,115
2022 (Budgeted)		321,000		230,000

Source: Village officials.

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

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

A chart of average ERS and PFRS rates (2017 to 2021) is shown below:

<u>Year</u>	<u>ERS</u>
2017	15.5%
2018	15.3
2019	14.9
2020	14.6
2021	14.6

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

Chapter 57 of the Laws of 2010 (Part TT) amended the Retirement and Social Security Law to authorize participating local government employers, if they so elect, to amortize an eligible portion of their annual required contributions to both ERS and PFRS, when employer contribution rates rise above certain levels. The option to amortize the eligible portion began with the annual contribution due February 1, 2011. The amortizable portion of an annual required contribution is based on a "graded" rate by the State Comptroller in accordance with formulas provided in Chapter 57. Amortized contributions are to be paid in equal annual installments over a ten-year period, but may be prepaid at any time. Interest is to be charged on the unpaid

amortized portion at a rate to be determined by State Comptroller, which approximates a market rate of return on taxable fixed rate securities of a comparable duration issued by comparable issuers. The interest rate is established annually for that year's amortized amount and then applies to the entire ten years of the amortization cycle of that amount. When in any fiscal year, the participating employer's graded payment eliminates all balances owed on prior amortized amounts, any remaining graded payments are to be paid into an employer contribution reserve fund established by the State Comptroller for the employer, to the extent that amortizing employer has no currently unpaid prior amortized amounts, for future such use.

Stable Rate Pension Contribution Option. The 2013-14 Adopted State Budget included a provision that authorized local governments, including the 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. The pension contribution rates under this program would reduce near-term payments for employers, but 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. It should also be noted that the Village provides post-retirement healthcare benefits to various categories of former employees. These costs may rise substantially in the future. Accounting rule, GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB"), requires governmental entities, such as the Village, to account for post-retirement healthcare benefits with respect to vested pension benefits. GASB 45 is now fully implemented for all government entities.

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

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

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Summary of Changes from the Last Valuation. The Village contracted with an actuarial firm to calculate its OPEB liability under GASB 75. Prior valuations performed under GASB 45 guidelines have not been restated and are not reflected in historic exhibits.

The following outlines the changes to the Total OPEB Liability during the 2020 and 2021 fiscal years, by source.

Balance beginning at June 1:	2019	2020
	\$ 27,152,512	\$ 29,126,004
Changes in Net OPEB Liability:		
Service cost	797,976	930,206
Interest	858,255	684,957
Differences between expected and actual experience	(1,508,023)	(1,995,342)
Changes in assumptions or other inputs	2,709,911	2,824,785
Changes of benefit terms	-	-
Benefit payments	(884,627)	(883,279)
Net Changes	\$ 1,973,492	\$ 1,561,327
Balance ending at May 31:	2020	2021
	\$ 29,126,004	\$ 30,687,331

Source: Actuarial Valuation reports of the Village. Table itself is not audited.

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.

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.

## Financial Statements

The Village retains an independent certified public accountant firm for a continuous independent audit of all financial transactions of the Village. The financial affairs of the Village are also subject to annual audits by the State Comptroller. See “The State Comptroller’s Fiscal Stress Monitoring System” and “New York State Comptroller Report of Examination” herein. The Village’s audited financial statements for the fiscal year ending May 31, 2019 is available and is attached hereto as “APPENDIX-D”. The Village’s audited financial statements for fiscal year ending May 31, 2020 is not complete as of the date of this Official Statement and will be filed to the Electronic Municipal Market Access Website upon completion. Certain financial information of the Village can also be found attached as Appendices to this Official Statement.

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

Beginning with the fiscal year ending May 31, 2003, the Village is required to issue its financial statements in accordance with GASB Statement No. 34. This statement includes reporting of all assets including infrastructure and depreciation in the Government Wide Statement of Activities, as well as the Management’s Discussion and Analysis. The Village hired an outside consultant to assist in implementation of GASB 34, inclusive of a physical review and documentation of all assets owned by the Village. The Village is currently in full compliance with GASB 34.

*Unaudited Results of Operations for Fiscal Year Ended 2021*

The Village expects to end the fiscal year ending May 31, 2021 with a unassigned fund balance of \$4,452,929.

Summary estimated information for the General Fund for the period ending May 31, 2021 is as follows:

Revenues:	\$	6,793,370
Expenditures:	\$	6,228,171
Excess (Deficit) Revenues Over Expenditures:	\$	<u>565,199</u>
Total General Fund Balance at May 31, 2020:	\$	4,083,943
Total Estimated General Fund Balance at May 31, 2021:	\$	4,649,141

Note: These estimated projections are based upon certain current assumptions and estimates and the final results may vary therefrom

The Village's Annual Update Document (as filed with the State Comptroller's Office) fiscal year ending May 31, 2021 is expected to be available on or about October 31, 2021 and will be filed to the Electronic Municipal Market Access system upon completion.

Source: Village officials.

**The State Comptroller's Fiscal Stress Monitoring System**

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

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

The reports of the State Comptroller for the 2016 through 2020 fiscal years of the Village are as follows:

<u>Year</u>	<u>Stress Designation</u>	<u>Fiscal Score</u>
2020	No Designation	0.0
2019	No Designation	0.0
2018	No Designation	0.0
2017	No Designation	3.3
2016	No Designation	38.3

Fiscal Stress Scores for fiscal year ending May 31, 2021 have not been calculated as of the date of this Official Statement.

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

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

## **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 found by visiting the Audits of Local Governments section of the Office of the State Comptroller website.

The State Comptroller's Office released an audit of the Village on May 26, 2017. The purpose of the audit was to determine whether the Board effectively managed the Village's financial condition for the period June 1, 2015 through November 30, 2016.

### Key Findings:

- The Village's hydroelectric and sewer funds had deficit fund balances, and the general fund's unrestricted fund balance was relatively low, at approximately 4.5 percent of appropriations, as of May 31, 2016.
- The Board has not adopted multiyear financial and capital plans.

### Key Recommendations:

- Continue to work to eliminate deficits in the operating funds and to increase fund balance to the levels established in the Board's fund balance policy.
- Develop and adopt multiyear financial and capital plans.

There are no other recent State Comptrollers audits of the Village for the past five years, nor any that are currently in progress or pending release at this time.

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

## **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 serial bonds are to be issued, is the Village Law and the Local Finance Law.

The Village has complied with the procedure for the validation of the Bonds 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 through May 31.

Except for as provided in the section entitled "Estimated Overlapping Indebtedness," this Official Statement does not include the financial data of any political subdivision having power to levy taxes within the Village.

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## TAX INFORMATION

### Taxable Assessed Valuations

<u>Year of Village Tax Roll:</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Taxable Assessed Valuation	\$ 209,660,465	\$ 210,217,117	\$ 214,722,916	\$ 216,448,631	\$ 216,849,889
New York State Equalization Rate	100.00%	100.00%	97.00%	95.00%	94.00%
Total Taxable Full Valuation	\$ 209,660,465	\$ 210,217,117	\$ 221,363,831	\$ 227,840,664	\$ 230,691,371

### Tax Rates Per \$1,000 (Assessed)

<u>Year of Village Tax Roll:</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
General	\$ 17.84	\$ 18.20	\$ 18.29	\$ 18.29	\$ 18.29

### Tax Collection Record

<u>Fiscal Year Ending May 31:</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Total Tax Levy	\$ 3,740,325	\$ 3,825,338	\$ 3,926,752	\$ 3,958,296	\$ 3,965,218
Amount Uncollected <sup>(1)</sup>	136,243	108,435	185,167	371,374 <sup>(2)</sup>	134,159
% Uncollected	3.64%	2.83%	4.72%	9.38%	3.38%

<sup>(1)</sup> See "Tax Collection Procedure" herein.

<sup>(2)</sup> Collections for 2021 are currently ongoing.

### Tax Collection Procedure

The Village uses the St. Lawrence County tax collection system and collects taxes in two installments. Tax bills are sent out in late May of each year. The first installment is due by July 1<sup>st</sup> and the second installment is due by August 1<sup>st</sup>. There is a penalty for late payments during the first month of 5% and an additional 1% for each of the next two months. Taxes remaining unpaid after September must be paid to the County Treasurer. Any delinquent taxes submitted to the County carry an additional 7% penalty. The Village receives the amount of uncollected taxes from the County by the following April, thereby assuring 100% collection annually.

### Ten Largest Taxpayers – 2020 Assessment Roll for 2020-21 Tax Roll

<u>Name</u>	<u>Type</u>	<u>Taxable Assessed Valuation</u>
Affinity Potsdam Properties	Developer	\$ 10,181,000
Lowe's Home Centers, Inc.	Retail	6,400,000
Potsdam Hotel Association LLC	Developer	4,050,000
Potsdam Associates	Shopping Center	3,595,000
North County Housing	Apartments	3,450,000
JR Weston Inc.	Hotels	2,930,000
Meadow East	Apartments	2,300,000
GBR Market Street Limited	Retail	1,800,000
St. Lawrence Gas	Utility	1,551,564
Maple Street Development	Pharmacy	1,500,000

The ten larger taxpayers listed above have a total taxable assessed valuation of \$37,757,564, which represents 16.6% of the tax base of the Village.

As of the date of this Official Statement, the Village currently has no tax certioraris that, if decided adversely to the Village, would be expected to have a material impact on the financial condition of the Village.

Source: Village Tax Rolls.

*PILOT Agreement*

The Village has entered into a Payment-In-Lieu-Of-Tax (PILOT) Agreement with a private developer, Vecino Group, that will be redeveloping Clarkson University’s Old Snell Hall into affordable housing apartments. The Village anticipates receiving approximately \$100,000 annually over 25 years.

**Sales Tax Comparison**

Sales distribution is a function of St. Laurence County which the Village has no authority to determine. The formula and method is determined by the County and is required to be passed by State law. The County collects a 4% sales and use tax. The combined State and local tax rate imposed in the County increased from 7% to 8%. Of the total amount collected, the County retains 58.39065% with the City of Ogdensburg receiving 6.437389% of the total which is transferred to their bank account within two business days. The remainder is distributed to the other municipalities in the County, including the Village, based on a formula of 50% assessed valuation and 50% population.

On August 19, 2013, the County Board of Legislators overwhelmingly approved raising the local sales tax from 3% to 4%. The State approved their increase, and the additional sales tax went into effect on December 1, 2013 and remained in effect until December 1, 2015. The County Board of Legislators has renewed the additional sales tax through 2023.

The following table sets forth a comparison of the Budgeted and Actual total Sales Tax collected during each of the last five fiscal years:

<u>Fiscal Year Ended May 31:</u>	<u>Budgeted Sales Tax</u>	<u>Actual Sales Tax</u>
2015	\$1,300,000	\$1,281,735
2016	1,290,000	1,244,823
2017	1,215,000	1,268,315
2018	1,200,000	1,279,431
2019	1,250,000	1,377,428
2020	1,350,000	1,465,000
2021	1,400,000	1,511,152
2022 (Budgeted)	1,400,000	442,871

Source: Village officials.

**Constitutional Tax Margin**

The constitutional tax margin has been computed as follows for the 2020, 2021 and 2022 fiscal years:

<u>Fiscal Year Ending May 31:</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Five Year Average Full Valuation.....	\$ 209,009,709	\$ 214,879,193	\$ 230,691,371
Tax Limit - (2%).....	4,180,194	4,297,584	4,613,827
Total Additions.....	<u>453,430</u>	<u>361,859</u>	<u>343,523</u>
Total Taxing Power.....	\$ 4,633,624	\$ 4,659,443	\$ 4,957,350
Total Levy for General Village Purposes.....	<u>3,926,752</u>	<u>3,825,338</u>	<u>3,965,218</u>
Constitutional Tax Margin.....	<u>\$ 706,872</u>	<u>\$ 834,105</u>	<u>\$ 992,132</u>

Source: Village officials.

## **Additional Tax Information**

Real property in the Village is assessed by the Village.

Veterans' and senior citizens', members of volunteer fire companies and ambulance services, and persons with disabilities and limited income exemptions are offered to those who qualify.

The assessment roll of the Village is constituted approximately as follows: Commercial - 53%, Residential-46% and Industrial-1%.

The estimated total property tax bill of the typical \$87,100 market value residential property located in the Village is approximately \$4,780 including State, County, Town, School District and Fire District taxes.

## **STATUS OF INDEBTEDNESS**

### **Constitutional Requirements**

The New York State Constitution and Local Finance Law limit the power of the Village (and other municipalities and school districts of the State) to issue obligations and to contract indebtedness. Such constitutional and statutory limitations include the following, in summary form, and are generally applicable to the Village and the Bonds:

Purpose and Pledge. 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 thereof and interest thereon.

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three years, 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 the weighted average period of probable usefulness thereof; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the Village has authorized the issuance of indebtedness having 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, bond anticipation notes and capital notes.

Debt Limit. The Village has the power to contract indebtedness for any Village purpose authorized by the Legislature of the State of New York provided the aggregate principal amount thereof shall not exceed seven per centum of the five-year average full valuation of the taxable real estate of the Village and subject to certain enumerated deductions and exclusions such as water and certain sewer facilities and cash and appropriations for current debt service. The constitutional method for determining full valuation is by taking the assessed valuation of taxable real estate for the last completed assessment roll and applying thereto the ratio (equalization rate) which such assessed valuation bears to the full valuation; such ratio is determined by the State Office of Real Property Services. The Legislature also is required to prescribe the manner by which such ratio shall be determined.

General. The Village is further subject to constitutional limitation by the general constitutionally imposed duty of the State Legislature to restrict the power of taxation, assessment, borrowing money, contracting indebtedness and loaning the credit of the Village so as to prevent abuses in the exercise of such powers; however, as has been noted under "Nature of Obligation," the State Legislature is prohibited by a specific constitutional provision from restricting the power of the Village to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limit Law imposes a statutory limitation on the Village's power to increase its annual tax levy, unless the Village complies with certain procedural requirements to permit the Village to levy certain year-to-year increases in real property taxes. (See "TAX LEVY LIMITATION LAW" herein.)

### **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 constitutional provisions set forth above. The power to spend money, however, generally derives from other law, including the Village Law and General Municipal Law of the State.

Pursuant to the Local Finance Law, the Village authorizes the incurrence of indebtedness, including bonds and bond anticipation notes issued in anticipation of such 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. Certain of such resolutions may be subject to permissive referendum, or may be submitted to the Village voters at the discretion of the Board of Trustees. A bond resolution that is submitted to voters at the discretion of the Board of Trustees requires only a 3/5 vote of the Board.

The Local Finance Law also provides for a twenty-day statute of limitations after publication of a bond resolution, which, in effect, estops legal challenges to the validity of obligations authorized by such bond resolution thereafter except for alleged constitutional violations. The Village has complied with said procedure with respect to the Bonds.

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

Each bond resolution also provides for 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 reductions are made within two years of the original date of borrowing and provided that such renewals do not generally 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, for the entire period of probable usefulness of the purpose for which they were originally issued. (See “*Payment and Maturity*” under “*Constitutional Requirements*” herein.)

In general, the Local Finance Law contains similar provisions providing the Village with power to issue general obligation revenue and tax anticipation notes and general obligation budget deficiency and capital notes.

The Village Board of Trustees, as the finance board of the Village, has the power to authorize the sale and issuance of bonds and notes, including the Bonds. However, such finance board may delegate the power to sell its bonds and notes to the Village Treasurer, the chief fiscal officer of the Village, pursuant to the Local Finance Law.

**Debt Outstanding End of Fiscal Year**

<u>Fiscal Years Ending May 31<sup>st</sup>:</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Bonds	\$ 4,207,325	\$ 3,614,400	\$ 3,010,475	\$ 2,690,550	\$ 2,414,625
Bond Anticipation Notes	0	0	0	0	0
Revenue Anticipation Notes	0	0	0	0	0
EFC Short-Term Financing	0	232,475	8,608,911	11,951,808	12,374,744
Installment Purchase Contracts <sup>(1)</sup>	<u>356,849</u>	<u>414,079</u>	<u>423,562</u>	<u>324,349</u>	<u>359,888</u>
Total Debt Outstanding	<u>\$ 4,564,174</u>	<u>\$ 4,260,954</u>	<u>\$ 12,042,948</u>	<u>\$ 14,966,707</u>	<u>\$ 15,149,257</u>

<sup>(1)</sup> See “Installment Purchase Obligations” herein. Does not constitute general obligation debt.

**Details of Outstanding Indebtedness**

The following table sets forth the indebtedness of the Village evidenced by bonds and notes as of September 30, 2021.

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Amount</u>
Bonds	2021-2051	<u>\$ 14,283,225</u>
	Total Indebtedness	<u>\$ 14,283,225</u>

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## Debt Statement Summary

Statement of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of September 30, 2021:

Five-Year Average Full Valuation of Taxable Real Property .....	\$ 219,954,690
Debt Limit - 7% thereof .....	15,396,828

### Inclusions:

Bonds.....	\$ 14,283,225	
Bond Anticipation Notes.....	0	
Total Inclusions.....		\$ 14,283,225

### Exclusions:

Appropriations.....	\$ 35,925	
Water Debt <sup>(1)</sup> .....	385,000	
Sewer Debt <sup>(2)</sup> .....	12,078,502	
Total Exclusions.....		\$ 12,499,427

Total Net Indebtedness Subject to Debt Limit.....	\$ 1,783,798
Net Debt-Contracting Margin.....	\$ 13,613,030
Percent of Debt Contracting Power Exhausted.....	11.59%

- (1) Water Debt is excluded pursuant to Article VIII, Section 5B of the New York State Constitution.  
(2) Sewer Debt is excluded pursuant to Article VIII, Section 5E of the New York State Constitution.

## Bonded Debt Service

A schedule of Bonded Debt Service, including principal of the Bonds, may be found in APPENDIX - B to this Official Statement.

## Cash Flow Borrowings

The Village has not found it necessary to borrow revenue anticipation notes or tax anticipation notes nor budget or deficiency notes in the past. Although the degree of the impact of COVID-19 on the operations and finances of the Village is extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, the Village does not currently expect to issuance additional obligations to address cash flow needs for the foreseeable future.

## Authorized but Unissued Debt

The Village has no authorized projects contemplated at this time.

## New York State Environmental Facilities Corporation Loan Advance

On October 27, 2016, the Village entered into an agreement with the New York State Environmental Facilities Corporation (“EFC”) for Project No. C6-6066-02-00, to receive Short-term Interest Free Financing (“STIFF”) and a New York State Water Grant (“NYSWG”) to finance costs associated with the planning, design and construction of the Village of Potsdam wastewater treatment and collection system improvements project (the “Project”). EFC has authorized a loan to the Village in an aggregate principal amount not to exceed \$12,606,500 for Project No. C6-6066-02-00, and as of November 27, 2020, has disbursed \$12,374,744 of that amount. The Village is obligated to repay the loan in annual principal installments in amounts and times specified or determined in accordance with the Project Finance Agreement, dated October 27, 2016, between the Village and EFC. The Village converted its short-term EFC financing to long-term financing on September 30, 2021 in the principal amount of \$12,078,502.

## Community Development Block Grant

On December 8, 2016, the Village entered into an agreement between the Housing Trust Fund Corporation (“HTFC”), represented by the Office of Community Renewal (collectively the “Corporation”), and the Village of Potsdam, whereas, pursuant to Title I of the Housing and Community Development Act of 1974, as amended (“Act”), the Corporation is authorized to administer and distribute Community Development Block Grant (“CDBG”) funds to units of general local government in non-entitlement areas located in the State of New York (“State”). The grant amount is for \$750,000 to help pay for costs associated with the planning, design and construction of the Village of Potsdam wastewater treatment collection system improvements project (the “Project”). \$750,000 CDBG money has been requested and spent by the Village as of the date of this Official Statement.

## Installment Purchase Obligations

The Village Board of Trustees voted on December 17, 2007 to enter into a lease-purchase agreement in connection with an Energy Performance Contract dated June 23, 2008. The purpose of the contract was to make energy efficient upgrades at various Village facilities, a cost of \$800,000 at that time, in which amount the Village entered into the lease purchase agreement.

The following is a schedule of the future minimum payments under the Energy Performance Contract:

<u>Fiscal Year Ending</u>	<u>Total</u>
2021	\$ 62,772
2022	62,772
2023	62,772
2024	<u>5,231</u>
Total	<u>\$ 193,547</u>

Source: Village officials. Table itself not audited.

In 2020, the Village entered into an installment purchase agreement for a Sewer Flusher.

The following is a schedule of the future minimum payments under the Installment Purchase Contract:

<u>Fiscal Year Ending</u>	<u>Total</u>
2021	\$ 18,210
2022	<u>18,210</u>
Total	<u>\$ 36,420</u>

Source: Village officials. Table itself not audited.

In 2019, the Village entered into an installment purchase agreement for a Mack MHD Plow Truck:

The following is a schedule of the future minimum payments under the Installment Purchase Contract:

<u>Fiscal Year Ending</u>	<u>Total</u>
2021	\$ 30,831
2022	30,831
2023	<u>30,831</u>
Total	<u>\$ 92,493</u>

Source: Village officials. Table itself not audited.

In 2021, the Village entered into an installment purchase agreement for an International Truck:

The following is a schedule of the future minimum payments under the Installment Purchase Contract:

<u>Fiscal Year Ending</u>	<u>Total</u>
2023	\$ 33,788
2024	33,788
2025	33,788
2026	<u>33,788</u>
Total	<u>\$ 135,152</u>

Source: Village officials. Table itself not audited.

### 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 net outstanding indebtedness of such political subdivisions is as follows:

<u>Municipality</u>	<u>Status of Debt as of</u>	<u>Gross Indebtedness</u> <sup>(1)</sup>	<u>Estimated Exclusions</u>	<u>Net Indebtedness</u>	<u>Village Share</u>	<u>Applicable Indebtedness</u>
County of:						
St. Lawrence	12/31/2019	\$ 26,355,000	\$ - <sup>(2)</sup>	\$ 26,355,000	3.47%	\$ 914,519
Town of:						
Potsdam	12/31/2019	322,197	180,857 <sup>(2)</sup>	141,340	34.39%	48,607
School District:						
Potsdam	5/31/2020	16,770,000	14,405,430 <sup>(3)</sup>	2,364,570	44.04%	<u>1,041,357</u>
Total:						<u>\$ 2,004,482</u>

- (1) Bonds and bond anticipation notes as of close of the respective fiscal year. Not adjusted to include subsequent bond sales, if any.
- (2) Water and sewer debt and appropriations. Pursuant to the Local Finance Law, this indebtedness is excluded from the constitutional debt limit.
- (3) Estimated State Building Aid.

Source: State Comptroller's Special Report on Municipal Affairs for Local Finance years ended in 2019 for the County and Town and 2020 for the school district listed above.

### Debt Ratios

The following table sets forth certain ratios relating to the Village's net indebtedness as of September 30, 2021:

	<u>Amount</u>	<u>Per Capita</u> <sup>(a)</sup>	<u>Percentage of Full Value</u> <sup>(b)</sup>
Net Indebtedness <sup>(c)</sup> .....	\$ 1,783,798	\$ 198.40	0.77%
Net Indebtedness Plus Net Overlapping Indebtedness <sup>(d)</sup> .....	3,788,280	421.34	1.64

- (a) The 2019 estimated population of the Village is 8,991. (See "THE VILLAGE – Population Trends" herein.)
- (b) The Village 2021-2022 full value of taxable real estate is \$230,691,371. (See "TAX INFORMATION – Taxable Valuations" herein.)
- (c) See "Debt Statement Summary" herein.
- (d) Estimated net overlapping indebtedness is \$2,004,482. (See "Estimated Overlapping Indebtedness" herein.)

## 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; but has been made 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 would be permitted for taxable real property full valuation increases due to changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A municipality may exceed the tax levy limitation for the coming fiscal year only if the governing body of such municipality first enacts, by at least a sixty percent vote of the total voting strength of the board, a local law (resolution in the case of fire districts and certain special districts) to override such limitation for such coming fiscal year only. There are exceptions to the tax levy limitation provided in the Tax Levy Limitation Law, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees' Retirement System, the Police and Fire Retirement System, and the Teachers' Retirement System. Municipalities are also permitted to carry forward a certain portion of their unused levy limitation from a prior year. Each municipality prior to adoption of each fiscal year budget must submit for review to the State Comptroller any information that is necessary in the calculation of its tax levy for each fiscal year.

The Tax Levy Limitation Law does not contain an exception from the levy limitation for the payment of debt service on either outstanding general obligation debt of municipalities or such debt incurred after the effective date of the Tax Levy Limitation Law (June 24, 2011).

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

## SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

**General Municipal Law Contract Creditors' Provision.** Each Note when duly issued and paid for will constitute a contract between the 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 Bonds in the event of a default in the payment of the principal of and interest on the Bonds.

**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 Bonds 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 Bonds 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 Bonds) 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 City of its faith and credit for the payment of obligations.

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

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

**No Past Due Debt.** No principal of or interest on 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 Bonds. The following is a discussion of certain events that could affect the risk of investing in the Bonds. In addition to the events cited herein, there are other potential risk factors that an investor must consider. In order to make an informed investment decision, an investor should be thoroughly familiar with the entire Official Statement, including its appendices, as well as all areas of potential risk.

The financial condition of the Village as well as the market for the Bonds 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 in the country, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Bonds. If a significant default or other financial crisis should occur in the affairs of the State or another jurisdiction, or any of their respective agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the Village to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Bonds, 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 this year or future years, 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 several recent 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.

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 Bonds.

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 Bonds should elect to sell a Bond prior to its maturity, there can be no assurance that a market shall have been established, maintained and be in existence for the purchase and sale of any of the Bonds. Recent global financial crises have included limited periods of significant disruption. In addition, the price and principal value of the Bonds 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 Bonds and other debt issued by the Village. Any such future legislation would have an adverse effect on the market value of the Bonds (See “Tax Exemption” herein).

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

### COVID -19

An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on the Village’s financial condition and operating results by potentially delaying the receipt of real property taxes or resulting in a delay or reduction by the State in the payment of State aid. Currently, the spread of COVID-19, a respiratory disease caused by a new strain of coronavirus, has spread globally, including to the United States, and has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. The current outbreak has caused the Federal government to declare a national state of emergency. The State has also declared a state of emergency and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19. These steps have had a material impact on public gatherings and the operations of schools, non-essential businesses and other entities. The outbreak of COVID-19 and the dramatic steps taken by the State to address it are expected to negatively impact the State’s economy and financial condition. The full impact of COVID-19 upon the State is not expected to be known for some time. Similarly, the degree of the impact to the Village’s operations and finances is extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions may be taken by governmental and other health care authorities, including the State, to contain or mitigate its impact. The continued spread of the outbreak could have a material adverse effect on the State and municipalities and school districts located in the State, including the Village. The Village is monitoring the situation and will take such proactive measures as may be required to maintain its operations and meet its obligations.

### 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.

## **CONTINUING DISCLOSURE**

In order to assist the purchasers in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), the Village will enter into a Continuing Disclosure Undertaking, descriptions of which are attached hereto as “APPENDIX – C, CONTINUING DISCLOSURE UNDERTAKING WITH RESPECT TO THE BONDS”.

### **Historical Continuing Disclosure Compliance**

Except as noted below, the Village is in compliance in all material respects within the last five years with all previous undertakings made pursuant to the Rule.

The Village’s audited financial statements for the fiscal year ending May 31, 2020 were not filed by the last business day of the respective succeeding fiscal year which is May 31, 2021. A failure to file notice was submitted to the EMMA system

on September 28, 2021. The Village is currently in the process of having an audit completed for the fiscal year ended May 31, 2020. Upon receipt of the completed audited financial statements, the Village plans to promptly file it to the MSRB EMMA System.

## **TAX MATTERS**

In the opinion of Orrick, Herrington & Sutcliffe LLP (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds 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 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed forms of opinion of Bond Counsel is set forth in “APPENDIX – D” hereto.

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 Bonds. The Village has covenanted to comply with certain restrictions designed to insure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes possibly from the date of original issuance of the Bonds. 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 Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. 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 Bonds.

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 Bonds) 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 Bonds 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 Bonds 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 Bonds 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.

Legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. In recent years, legislative proposals have been made which generally would limit the exclusion from gross income of interest on obligations like the Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Bonds. 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 Bonds. Prospective purchasers of the Bonds 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 Bonds are subject to the approving legal opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Bond Counsel’s opinion will be in substantially the form attached hereto as “APPENDIX – D”.

## **LITIGATION**

The Village from time to time receives notices of claim and is party to litigation. In the opinion of the Village, after consultation with the Village Attorney, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no significant claims or actions pending in which the Village has not asserted a substantial and adequate defense, nor which, if determined against the Village, would have an adverse material 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 Bonds or the levy and collection of taxes or assessments to pay same, or in any way contesting or affecting the validity of the Bonds or any proceedings or authority of the Village taken with respect to the authorization, issuance or sale of the Bonds or contesting the corporate existence or boundaries of the Village.

## **RATINGS**

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P Global") has assigned its rating of "A" with a stable outlook to the Bonds. No application was made to any other rating agency for the purpose of obtaining an additional rating on the Bonds. A rating reflects only the view of the rating agency assigning such rating, and any desired explanation of the significance of such rating should be obtained from S&P Global, Public Finance Ratings, 55 Water Street, 38<sup>th</sup> Floor, New York, New York 10041, Phone: (212) 438-2118.

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

## **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 Bonds and has reviewed and commented on certain legal documents, including this Official Statement. The advice on the plan of financing and the structuring of the Bonds 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 Bonds.

## **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 Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds 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 Bonds.

Statements in this official statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, which are based on the 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", "estimate", "expect", "objective", "projection", "forecast", "goal", or similar words are intended to identify forward-looking statements.

Orrick, Herrington & Sutcliffe LLP, New York, New York Bond Counsel to the Village, expresses no opinions 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 Bonds, 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 Bonds, 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 a limitation as to information in the Official Statement obtained from sources other than the Village.

The Official Statement is submitted only in connection with the sale of the Bonds 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](http://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 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 contact information is as follows: Ms. Cara Adams, Village Clerk/Treasurer, Village of Potsdam, PO Box 5168, Potsdam, New York 13676, Phone: (315) 265-7480, Fax: (315) 265-3149, email: [cadams@vi.potsdam.ny.us](mailto:cadams@vi.potsdam.ny.us)

This Official Statement was prepared with the assistance of Fiscal Advisors & Marketing, Inc. Additional information may be obtained upon request from the offices of Fiscal Advisors & Marketing, Inc., telephone number (315) 752-0051, or at [www.fiscaladvisors.com](http://www.fiscaladvisors.com)

**VILLAGE OF POTSDAM  
ST. LAWRENCE COUNTY, NEW YORK**

**Dated: October 6, 2021**

/s/ \_\_\_\_\_  
**CARA ADAMS  
VILLAGE TREASURER**

GENERAL FUND

Balance Sheets

Fiscal Years Ending May 31st:	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u> (unaudited)
<b>ASSETS</b>					
Unrestricted Cash	\$ 60,191	\$ 915,867	\$ 1,567,408	\$ 2,452,716	\$ 3,356,186
Restricted Cash	203,521	196,279	228,611	247,608	271,980
Accounts Receivable	-	-	9,101	1,391	637
Other Receivables	4,884	6,942	125,895	-	-
Due from Other Funds	224,442	1,214	-	168,906	168,906
Due From Other Governments	344,890	366,613	400,375	396,639	399,558
Inventory	20,098	16,801	20,196	33,108	28,520
Miscellaneous Current Assets	-	-	-	-	-
Prepaid Expenditures	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 858,026</u>	<u>\$ 1,503,716</u>	<u>\$ 2,351,586</u>	<u>\$ 3,300,368</u>	<u>\$ 4,225,787</u>
<b>LIABILITIES AND FUND EQUITY</b>					
Accounts Payable	\$ 36,860	\$ 18,632	\$ 18,515	\$ 25,606	\$ 21,413
Accrued Liabilities	-	-	-	-	-
Bank Overdraft	-	-	-	-	-
Notes and Loans Payable	-	112,176	-	-	-
Long Term Debt Payable	-	-	-	-	-
Due to Other Funds	81,362	-	129,657	120,431	120,431
Due to Other Governments	4,762	-	-	-	-
Deferred Revenue	-	-	-	-	-
Other Liabilities	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>122,984</u>	<u>130,808</u>	<u>148,172</u>	<u>146,037</u>	<u>141,844</u>
<b>FUND EQUITY</b>					
Nonspendable	\$ 242,126	\$ 16,801	\$ 135,651	\$ 200,800	\$ 196,212
Restricted	203,520	196,279	228,611	247,608	271,980
Assigned	2,500	24,998	70,140	131,390	300,683
Unassigned	286,896	1,134,830	1,769,012	2,574,533	3,315,068
<b>TOTAL FUND EQUITY</b>	<u>735,042</u>	<u>1,372,908</u>	<u>2,203,414</u>	<u>3,154,331</u>	<u>4,083,943</u>
<b>TOTAL LIABILITIES and FUND EQUITY</b>	<u>\$ 858,026</u>	<u>\$ 1,503,716</u>	<u>\$ 2,351,586</u>	<u>\$ 3,300,368</u>	<u>\$ 4,225,787</u>

Source: 2016-2019 audited financial reports of the Village and 2020 annual financial report update document (unaudited).  
This Appendix is not itself audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending May 31st:	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>REVENUES</b>					
Real Property Taxes	\$ 2,925,006	\$ 3,240,762	\$ 3,521,690	\$ 3,740,325	\$ 3,825,338
Real Property Tax Items	60,746	55,946	55,461	67,192	86,343
Non-Property Tax Items	1,463,292	1,401,405	1,449,945	1,500,635	1,547,375
Departmental Income	288,101	335,086	202,737	195,632	176,434
Intergovernmental Charges	426,638	352,982	192,219	218,080	175,818
Use of Money & Property	95,550	105,611	138,601	159,838	215,608
Sale of Equipment	29,668	34,631	12,038	2,712	14,510
Licenses and Permits	70,734	152,145	74,990	125,741	345,592
Fines and Forfeitures	107,981	149,874	41,216	60,954	94,603
Gifts and Donations	30,007	50,873	97,070	34,010	34,000
Interfund Revenues	166,971	34,534	-	-	-
Revenues from State Sources	340,456	291,312	293,714	251,507	440,641
Revenues from Federal Sources	22,810	50,818	114,513	18,569	49,372
Miscellaneous	3,351	35,954	11,333	8,661	2,542
Total Revenues	<u>\$ 6,031,311</u>	<u>\$ 6,291,933</u>	<u>\$ 6,205,527</u>	<u>\$ 6,383,856</u>	<u>\$ 7,008,176</u>
<b>EXPENDITURES</b>					
General Government Support	\$ 1,113,147	\$ 1,104,622	\$ 622,781	\$ 667,951	\$ 633,259
Public Safety	1,684,045	1,784,778	1,814,235	1,790,315	1,898,328
Health	10,583	8,639	10,943	4,986	584
Transportation	803,836	715,271	769,651	757,999	865,672
Culture and Recreation	451,477	374,267	170,689	138,806	160,466
Home and Community Services	173,123	154,416	137,873	132,744	284,970
Employee Benefits	1,801,307	1,643,200	1,747,757	1,763,021	1,935,516
Debt Service	57,264	57,674	-	-	-
Total Expenditures	<u>\$ 6,094,782</u>	<u>\$ 5,842,867</u>	<u>\$ 5,273,929</u>	<u>\$ 5,255,822</u>	<u>\$ 5,778,795</u>
Excess of Revenues Over (Under) Expenditures	<u>(63,471)</u>	<u>449,066</u>	<u>931,598</u>	<u>1,128,034</u>	<u>1,229,381</u>
Other Financing Sources (Uses):					
Operating Transfers In	23,669	1,200	147,280	2,590	-
Operating Transfers Out	(40,000)	(40,000)	(441,014)	(300,118)	(278,464)
Total Other Financing	<u>(16,331)</u>	<u>(38,800)</u>	<u>(293,734)</u>	<u>(297,528)</u>	<u>(278,464)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(79,802)</u>	<u>410,266</u>	<u>637,864</u>	<u>830,506</u>	<u>950,917</u>
<b>FUND BALANCE</b>					
Fund Balance - Beginning of Year	404,578	324,776	735,044	1,372,908	2,203,414
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 324,776</u>	<u>\$ 735,042</u>	<u>\$ 1,372,908</u>	<u>\$ 2,203,414</u>	<u>\$ 3,154,331</u>

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

GENERAL FUND

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

Fiscal Years Ending May 31st:	2020		2021	2022
	Original Budget	Unaudited Actual	Adopted Budget	Adopted Budget
<b>REVENUES</b>				
Real Property Taxes	\$ 3,926,752	\$ 3,965,179	\$ 3,958,296	\$ 4,065,218
Real Property Tax Items	60,000	74,265	62,000	62,000
Non-Property Tax Items	1,485,000	1,638,586	1,535,000	1,535,000
Departmental Income	180,400	169,872	181,150	175,700
Intergovernmental Charges	99,249	166,169	98,749	92,000
Use of Money & Property	151,300	210,417	186,300	156,300
Sale of Equipment	1,000	16,812	1,000	1,000
Licenses and Permits	101,650	249,750	112,150	78,150
Fines and Forfeitures	35,000	20,244	25,000	35,000
Gifts and Donations	-	148,185	-	34,100
Revenues from State Sources	223,864	249,700	226,864	226,864
Revenues from Federal Sources	15,000	27,733	15,000	50,000
Miscellaneous	35,350	4,630	35,350	1,000
Total Revenues	\$ 6,314,565	\$ 6,941,542	\$ 6,436,859	\$ 6,512,332
<b>EXPENDITURES</b>				
General Government Support	\$ 1,359,832	\$ 605,872	\$ 1,383,322	\$ 1,398,498
Public Safety	1,853,393	1,866,169	1,897,551	1,997,386
Health	11,652	2,934	12,418	12,646
Transportation	886,196	976,423	909,231	961,562
Culture and Recreation	157,158	220,327	197,968	177,763
Home and Community Services	156,321	134,429	163,794	166,154
Employee Benefits	1,378,684	1,827,822	1,353,800	1,353,800
Debt Service	-	-	-	-
Total Expenditures	\$ 5,803,236	\$ 5,633,976	\$ 5,918,084	\$ 6,067,809
Excess of Revenues Over (Under) Expenditures	\$ 511,329	\$ 1,307,566	\$ 518,775	\$ 444,523
Other Financing Sources (Uses):				
Operating Transfers In	-	-	-	-
Operating Transfers Out	(389,954)	(377,954)	(504,525)	(444,523)
Other Budgetary Uses	(121,375)	-	(14,250)	-
Total Other Financing	(511,329)	(377,954)	(518,775)	(444,523)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	929,612	-	-
<b>FUND BALANCE</b>				
Fund Balance - Beginning of Year	-	3,154,331	-	-
Prior Period Adjustments (net)	-	-	-	-
Fund Balance - End of Year	\$ -	\$ 4,083,943	\$ -	\$ -

Source: 2020 annual financial report update document (unaudited) of the Village. This Appendix is not itself audited.

**Changes In Fund Equity**

Fiscal Years Ending May 31st:	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u> (unaudited)
<b><u>SPECIAL GRANT FUND</u></b>					
Fund Equity - Beginning of Year	\$ 922,521	\$ 833,265	\$ 774,437	\$ 746,141	\$ 771,841
Prior Period Adjustments (net)	-	-	-	-	-
Revenues & Other Sources	420,839	186,416	178,986	82,360	44,610
Expenditures & Other Uses	510,095	245,244	207,282	56,660	5,427
Fund Equity - End of Year	\$ 833,265	\$ 774,437	\$ 746,141	\$ 771,841	\$ 811,024
<b><u>WATER FUND</u></b>					
Fund Equity - Beginning of Year	\$ 437,699	\$ 547,108	\$ 699,320	\$ 734,168	\$ 844,323
Prior Period Adjustments (net)	-	-	-	-	2
Revenues & Other Sources	1,457,320	1,499,723	1,441,222	1,522,726	1,557,840
Expenditures & Other Uses	1,347,911	1,347,511	1,406,374	1,412,571	1,401,138
Fund Equity - End of Year	\$ 547,108	\$ 699,320	\$ 734,168	\$ 844,323	\$ 1,001,027
<b><u>SEWER FUND</u></b>					
Fund Equity - Beginning of Year	\$ (150,847)	\$ (71,133)	\$ 253,137	\$ 414,076	\$ 507,076
Prior Period Adjustments (net)	-	-	-	-	-
Revenues & Other Sources	1,660,602	1,711,574	1,648,586	1,604,281	1,594,648
Expenditures & Other Uses	1,580,888	1,387,304	1,487,647	1,511,281	1,416,731
Fund Equity - End of Year	\$ (71,133)	\$ 253,137	\$ 414,076	\$ 507,076	\$ 684,993
<b><u>HYDRO-ELECTRIC FUND</u></b>					
Fund Equity - Beginning of Year	\$ (110,374)	\$ (223,006)	\$ (161,394)	\$ (115,455)	\$ (169,192)
Prior Period Adjustments (net)	-	-	-	-	-
Revenues & Other Sources	282,800	447,234	413,769	296,115	290,394
Expenditures & Other Uses	395,432	385,622	367,830	349,852	392,332
Fund Equity - End of Year	\$ (223,006)	\$ (161,394)	\$ (115,455)	\$ (169,192)	\$ (271,130)
<b><u>DISPOSAL FUND</u></b>					
Fund Equity - Beginning of Year	\$ 3,261	\$ 29,375	\$ 37,585	\$ 45,666	\$ 54,765
Prior Period Adjustments (net)	-	-	-	-	(2)
Revenues & Other Sources	235,749	230,792	228,830	228,269	230,598
Expenditures & Other Uses	209,635	222,582	220,749	219,170	220,746
Fund Equity - End of Year	\$ 29,375	\$ 37,585	\$ 45,666	\$ 54,765	\$ 64,615

Source: 2016-2019 audited financial reports of the Village and 2020 annual financial report update document (unaudited).  
This Appendix is not itself audited.

**BONDED DEBT SERVICE**

Fiscal Year Ending May 31st	Excluding the Bonds to be Issued			Principal of the Bonds	Total Principal All Bonds
	Principal	Interest	Total		
2022	\$ 683,545	\$ 80,099	\$ 763,644	-	\$ 683,545
2023	688,545	72,358	760,903	65,000	753,545
2024	693,545	64,104	757,649	100,000	793,545
2025	698,545	55,322	753,867	105,000	803,545
2026	703,545	45,990	749,535	105,000	808,545
2027	677,620	34,671	712,291	105,000	782,620
2028	687,620	23,293	710,913	110,000	797,620
2029	697,620	11,514	709,134	110,000	807,620
2030	437,620	4,736	442,356	115,000	552,620
2031	437,620	3,157	440,777	115,000	552,620
2032	437,620	1,579	439,199	120,000	557,620
2033	402,620	-	402,620	120,000	522,620
2034	402,620	-	402,620	120,000	522,620
2035	402,620	-	402,620	120,000	522,620
2036	402,620	-	402,620	125,000	527,620
2037	402,620	-	402,620	125,000	527,620
2038	402,620	-	402,620	130,000	532,620
2039	402,620	-	402,620	135,000	537,620
2040	402,620	-	402,620	135,000	537,620
2041	402,620	-	402,620	140,000	542,620
2042	402,620	-	402,620	140,000	542,620
2043	402,620	-	402,620	145,000	547,620
2044	402,620	-	402,620	145,000	547,620
2045	402,620	-	402,620	150,000	552,620
2046	402,620	-	402,620	150,000	552,620
2047	402,620	-	402,620	155,000	557,620
2048	402,620	-	402,620	-	402,620
2049	402,620	-	402,620	-	402,620
2050	402,620	-	402,620	-	402,620
2051	402,620	-	402,620	-	402,620
<b>TOTALS</b>	<b>\$ 14,493,225</b>	<b>\$ 396,821</b>	<b>\$ 14,890,046</b>	<b>\$3,085,000.00</b>	<b>\$ 17,578,225</b>

**CURRENT BONDS OUSTANDING**

Fiscal Year Ending May 31st	2005			2011		
	Renovation of the Arena			Capital Project		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 35,925	\$ 8,891	\$ 44,816	\$ 35,000	\$ 17,364	\$ 52,364
2023	35,925	7,113	43,038	35,000	15,785	50,785
2024	35,925	5,335	41,260	35,000	14,207	49,207
2025	35,925	3,557	39,482	35,000	12,628	47,628
2026	35,925	1,778	37,703	35,000	11,050	46,050
2027	-	-	-	35,000	9,471	44,471
2028	-	-	-	35,000	7,893	42,893
2029	-	-	-	35,000	6,314	41,314
2030	-	-	-	35,000	4,736	39,736
2031	-	-	-	35,000	3,157	38,157
2032	-	-	-	35,000	1,579	36,579
<b>TOTALS</b>	<b>\$ 179,625</b>	<b>\$ 26,674</b>	<b>\$ 206,299</b>	<b>\$ 385,000</b>	<b>\$ 104,181</b>	<b>\$ 489,181</b>

Fiscal Year Ending May 31st	2016			2021		
	Refunding of 2008 Serial Bonds			EFC Wastewater Project		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 210,000	\$ 53,844	\$ 263,844	\$ 402,620	-	\$ 402,620
2023	215,000	49,459	264,459	402,620	-	402,620
2024	220,000	44,563	264,563	402,620	-	402,620
2025	225,000	39,138	264,138	402,620	-	402,620
2026	230,000	33,163	263,163	402,620	-	402,620
2027	240,000	25,200	265,200	402,620	-	402,620
2028	250,000	15,400	265,400	402,620	-	402,620
2029	260,000	5,200	265,200	402,620	-	402,620
2030	-	-	-	402,620	-	402,620
2031	-	-	-	402,620	-	402,620
2032	-	-	-	402,620	-	402,620
2033	-	-	-	402,620	-	402,620
2034	-	-	-	402,620	-	402,620
2035	-	-	-	402,620	-	402,620
2036	-	-	-	402,620	-	402,620
2037	-	-	-	402,620	-	402,620
2038	-	-	-	402,620	-	402,620
2039	-	-	-	402,620	-	402,620
2040	-	-	-	402,620	-	402,620
2041	-	-	-	402,620	-	402,620
2042	-	-	-	402,620	-	402,620
2043	-	-	-	402,620	-	402,620
2044	-	-	-	402,620	-	402,620
2045	-	-	-	402,620	-	402,620
2046	-	-	-	402,620	-	402,620
2047	-	-	-	402,620	-	402,620
2048	-	-	-	402,620	-	402,620
2049	-	-	-	402,620	-	402,620
2050	-	-	-	402,620	-	402,620
2051	-	-	-	402,620	-	402,620
<b>TOTALS</b>	<b>\$ 1,850,000</b>	<b>\$ 265,966</b>	<b>\$ 2,115,966</b>	<b>\$ 12,078,600</b>	<b>\$ -</b>	<b>\$ 12,078,600</b>

### CONTINUING DISCLOSURE UNDERTAKING WITH RESPECT TO THE BONDS

In accordance with the requirements 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”), the Village has agreed to provide, or cause to be provided, during the period in which the Bonds are outstanding:

- (i) 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, during each fiscal year in which the Bonds are outstanding, (i) certain annual financial information and operating data for the preceding fiscal year in a form generally consistent with the information contained or cross-referenced in the final Official Statement dated October 14, 2021 of the Village relating to the Bonds under the headings “THE VILLAGE”, “TAX INFORMATION”, “STATUS OF INDEBTEDNESS”, “LITIGATION” and all Appendices (other APPENDIX C, D, & E, and other than any Appendix related to bond insurance) by the end of the sixth month following the end of each succeeding fiscal year, commencing with the fiscal year ending May 31, 2021, and (ii) a copy of the audited financial statement, if any, (prepared in accordance with accounting principles generally accepted in the United States of America in effect at the time of the audit) for the preceding fiscal year, commencing with the fiscal year ending May 31, 2021; such audit, if any, will be so provided on or prior to the later of either the end of the sixth month of each such succeeding fiscal year or, if an audited financial statement is not available at that time, within sixty days following receipt by the Village of its audited financial statement for the preceding fiscal year, but, in any event, not later than the last business day of each such succeeding fiscal year; and provided further, in the event that the audited financial statement for any fiscal year is not available by the end of the sixth month following the end of any such succeeding fiscal year, unaudited financial statements in the form provided to the State, if available, will be provided no later than said date; provided however, that provision of unaudited financial statements in any year shall be further conditioned upon a determination by the Village of whether such provision is compliant with the requirements of federal securities laws including Rule 10b-5 of the Securities Exchange Act of 1934 and Rule 17(a)(2) of the Securities Act of 1933;

(ii) within 10 business days after the occurrence of such event, notice of the occurrence of any of the following events with respect to the Bonds, to EMMA or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule:

- (a) principal and interest payment delinquencies
- (b) non-payment related defaults; if material
- (c) unscheduled draws on debt service reserves reflecting financial difficulties
- (d) unscheduled draws on credit enhancements reflecting financial difficulties
- (e) substitution of credit or liquidity providers, or their failure to perform
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (g) modifications to rights of Bondholders; if material
- (h) bond calls, if material, and tender offers
- (i) defeasances
- (j) release, substitution, or sale of property securing repayment of the Bonds; if material
- (k) rating changes
- (l) bankruptcy, insolvency, receivership or similar event of the 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; and
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

- (o) incurrence of a “financial obligation” (as defined in the Rule) of the 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 Bondholders, 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 Bonds.

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 Bonds.

For the purposes of the event identified in (l) of this section, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, 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 obligated person.

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 Bonds; 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.

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

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

The 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.

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

## FORM OF BOND COUNSEL’S OPINION

October 28, 2021

Village of Potsdam,  
County of St. Lawrence  
State of New York

Re: Village of Potsdam, County of St. Lawrence, New York  
\$3,085,000 Public Improvement (Serial) Bonds, 2021

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an issue of \$3,085,000 Public Improvement (Serial) Bonds, 2021 (the “Obligations”), of the Village of Potsdam (the “Obligor”), dated October 28, 2021, initially issued in registered form in denominations such that one bond shall be issued for each maturity of bonds in such amounts as hereinafter set forth, bearing interest at the rate of \_\_\_\_ hundredths per centum (\_\_\_\_%) per annum as to bonds maturing in \_\_\_\_, payable on October 15, 2022 and semi-annually thereafter on April 15 and October 15, and maturing in the amount of \$\_\_\_\_\_ on October 15, 2022, \$\_\_\_\_\_ on October 15, 2023, \$\_\_\_\_\_ on October 15, 2024, \$\_\_\_\_\_ on October 15, 2025, \$\_\_\_\_\_ on October 15, 2026, \$\_\_\_\_\_ on October 15, 2027, \$\_\_\_\_\_ on October 15, 2028, \$\_\_\_\_\_ on October 15, 2029, \$\_\_\_\_\_ on October 15, 2030, \$\_\_\_\_\_ on October 15, 2031, \$\_\_\_\_\_ on October 15, 2032, \$\_\_\_\_\_ on October 15, 2033, \$\_\_\_\_\_ on October 15, 2034, \$\_\_\_\_\_ on October 15, 2035, \$\_\_\_\_\_ on October 15, 2036, \$\_\_\_\_\_ on October 15, 2037, \$\_\_\_\_\_ on October 15, 2038, \$\_\_\_\_\_ on October 15, 2039, \$\_\_\_\_\_ on October 15, 2040, \$\_\_\_\_\_ on October 15, 2041, \$\_\_\_\_\_ on October 15, 2042, \$\_\_\_\_\_ on October 15, 2043, \$\_\_\_\_\_ on October 15, 2044, \$\_\_\_\_\_ on October 15, 2045 and \$\_\_\_\_\_ on October 15, 2046.

The Obligations maturing on or before October 15, 2029 shall not be subject to redemption prior to maturity. The Obligations maturing on or after October 15, 2030 shall be subject to redemption prior to maturity as a whole or in part (and by lot if less than all of a maturity is to be redeemed) at the option of the Village on October 15, 2029 or on any date thereafter at par, plus accrued interest to the date of redemption.

We have examined:

- (1) the Constitution and statutes of the State of New York;
- (2) the Internal Revenue Code of 1986, including particularly Sections 103 and 141 through 150 thereof, and the applicable regulations of the United States Treasury Department promulgated thereunder (collectively, the "Code");
- (3) an arbitrage certificate executed on behalf of the Obligor which includes, among other things, covenants, relating to compliance with the Code, with the owners of the Obligations that the Obligor will, among other things, (i) take all actions on its part necessary to cause interest on the Obligations not to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Obligations and investment earnings thereon, making required payments to the Federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Obligations to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, refraining from spending the proceeds of the Obligations and investment earnings thereon on certain specified purposes (the “Arbitrage Certificate”); and
- (4) a certificate executed on behalf of the Obligor which includes, among other things, a statement that compliance with such covenants is not prohibited by, or violative of, any provision of local or special law, regulation or resolution applicable to the Obligor.

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

In our opinion:

- (a) The Obligations have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the Obligor, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Obligations and interest thereon, subject to applicable statutory limitations; provided, however, that the enforceability (but not the validity) of the Obligations: (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights, and (ii) may be subject to the exercise of judicial discretion in appropriate cases.
- (b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligations; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights.
- (c) Interest on the Obligations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Interest on the Obligations is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligations.

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

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

The scope of our engagement in relation to the issuance of the Obligations has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein. Such opinions are not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the Obligor, together with other legally available sources of revenue, if any, will be sufficient to enable the Obligor to pay the principal of or interest on the Obligations as the same respectively become due and payable. Reference should be made to the Official Statement prepared by the Obligor in relation to the Obligations for factual information which, in the judgment of the Obligor, could materially affect the ability of the Obligor to pay such principal and interest. While we have participated in the preparation of such Official Statement, we have not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, we express no opinion as to whether the Obligor, in connection with the sale of the Obligations, has made any untrue statement of a material fact or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

Very truly yours,

/s/ ORRICK, HERRINGTON & SUTCLIFFE LLP

**VILLAGE OF POTSDAM  
ST. LAWRENCE COUNTY, NEW YORK**

**AUDITED FINANCIAL STATEMENTS**

**For the Year Ended May 31, 2019**

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

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

**VILLAGE OF POTSDAM**

**FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION AND  
INTERNAL CONTROL AND COMPLIANCE REPORTS  
MAY 31, 2019**

**VILLAGE OF POTSDAM, NEW YORK**

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VILLAGE OF POTSDAM

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Village of Potsdam, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Potsdam, New York (the Village) as of and for the year ended May 31, 2019, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

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 Potsdam, New York, as of May 31, 2019, 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.

## ***Other Matters***

### *Required Supplementary Information*

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

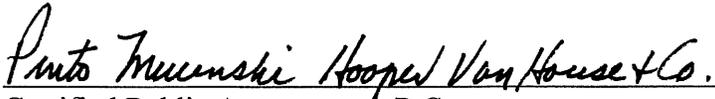
### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Potsdam, New York's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 combining and individual non-major fund financial statements and 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 report dated October 5, 2020, on our consideration of the Village of Potsdam, 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 that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village of Potsdam, New York's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Potsdam, New York's internal control over financial reporting and compliance.

  
P. Mucinski Hooper Van House & Co.  
Certified Public Accountants, P.C.

October 5, 2020

**VILLAGE OF POTSDAM**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**MAY 31, 2019**

**INTRODUCTION**

Our discussion and analysis of Village of Potsdam (the Village) financial performance provides an overview of the Village's financial activities for the fiscal year ended May 31, 2019. It should be read in conjunction with the Village's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

Total net position (deficit) was \$ (5,160,207) at May 31, 2019.

- ❑ The Village recognized revenues of \$ 11,799,356, which were less than expenditures of \$ 11,936,080 by \$ 136,724.
- ❑ Long-term liabilities have shown a net increase of \$ 27,323,786 due to the proceeds received in capital notes, normal amortization on existing debt, changes in employee benefit obligation liabilities, and the increase in the adoption of GASB 75.

**OVERVIEW OF FINANCIAL STATEMENTS**

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the Village. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ❑ **Government-Wide Financial Statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
- ❑ **Fund Financial Statements** focus on reporting the individual parts of the Village operations in more detail. The fund financial statements comprise the remaining statements.
  - **Governmental Funds** statements tell how general government services were financed in the short term as well as what remains for future spending.
  - **Fiduciary Fund** statements provide information about the financial relationships in which the Village acts solely as a trustee or agent for the benefit of others, to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required supplementary information that further explains and supports the financial statements.

## **Government-Wide Statements**

The Government-Wide Statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Government-Wide Statements report the Village's net position and how it has changed. Net position is the difference between the assets and liabilities and is one way to measure the Village's financial health or position.

- ❑ Over time, increases or decreases in the Village's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- ❑ To assess the overall health of the Village, one needs to consider additional nonfinancial factors such as changes in the property tax base, changes in program funding by the Federal and State governments, and condition of facilities.

The Government-Wide Financial Statements of the Village include government activities. Most of the Village's basic services are included here, such as road maintenance, emergency services, utility services, and general administration. Property taxes, sales taxes, franchises, gross receipts taxes, and state aid finance most of these activities.

## **Fund Financial Statements**

The Fund Financial Statements provide more detailed information about the Village's most significant funds-not the Village as a whole. Funds are accounting devices that the Village uses to keep track of specific sources of funding and spending for particular programs. Some funds are required to be established by state law and by bond covenants. The Village of Potsdam establishes other funds to control and manage money for particular purposes or to show that the Village is meeting legal responsibilities for using certain revenues. The Village has two kinds of funds:

- ❑ Governmental Funds - Most of the Village's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explain the relationship (or differences) between them.
- ❑ Fiduciary Funds - The Village is the trustee, or fiduciary, for assets that belong to others. Payroll activities and deposits are in an agency fund. The Village is responsible for ensuring that assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the Village's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the Village-wide financial statements because the Village cannot use the assets to finance its operations.

**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE**

**Net Position**

The Village’s combined net position (deficit) was \$ (5,160,207) at May 31, 2019. See Table 1.

**Table 1:  
Net Position**

	Governmental Activities 2019	Governmental Activities 2018	Total Dollar Change 2018-2019
<b>Assets</b>			
Cash-Unrestricted	\$ 4,376,000	\$ 3,275,081	\$ 1,100,919
Cash-Restricted	350,215	319,308	30,907
Accounts Receivable	313,734	258,591	55,143
Due from Other Governments	396,639	417,917	(21,278)
Other Receivables	137,166	122,218	14,948
Prepaid Expenditures	2,384	2,256	128
Inventory	33,108	20,196	12,912
Capital Assets, Net of Accumulated Depreciation	<u>31,493,037</u>	<u>22,366,129</u>	<u>9,126,908</u>
<b>TOTAL ASSETS</b>	<b>37,102,283</b>	<b>26,781,696</b>	<b>10,320,587</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
	<u>658,728</u>	<u>1,400,013</u>	<u>(741,285)</u>
<b>TOTAL</b>	<b><u>\$ 37,761,011</u></b>	<b><u>\$ 28,181,709</u></b>	<b><u>\$ 9,579,302</u></b>
<b>Liabilities</b>			
Accounts Payable	\$ 687,405	\$ 66,281	\$ 621,124
Accrued Liabilities Due Within One Year	675,201	465,047	210,154
Compensated Absences Payable	331,187	324,194	6,993
Bonds Payable	3,010,475	3,614,400	(603,925)
Other Long-Term Debt	9,048,028	646,555	8,401,473
Due to Other Funds	2,417	2,417	-
Pension Plan Liabilities	1,277,062	685,527	591,535
Other Post Employment Benefits (OPEB)	<u>27,152,512</u>	<u>25,604,337</u>	<u>1,548,175</u>
<b>TOTAL LIABILITIES</b>	<b>42,184,287</b>	<b>14,227,630</b>	<b>10,775,529</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
	736,931	1,796,435	(1,059,504)
Net Position (Deficit)	<u>(5,160,207)</u>	<u>(5,023,484)</u>	<u>(136,723)</u>
<b>TOTAL</b>	<b><u>\$ 37,761,011</u></b>	<b><u>\$ 28,181,709</u></b>	<b><u>\$ 9,579,302</u></b>

**Changes in Net Position**

The Village’s total revenues were \$ 11,799,356. A large portion of the revenue comes from property taxes (32.42%). Non-Property tax items, predominantly sales tax, accounted for another 13.11% of total revenues.

The total cost of all programs and services was \$ 11,936,080. During the year one of the Village’s largest expenses was related to the post-employment benefit adjustment of \$ 1,548,175. Other expenses are predominately related to Emergency services - \$ 3,473,613 (29.1%), Transportation activities - \$ 905,254 (7.58%), and Home and Community Services - \$ 3,169,315 (26.55%). The remainder of the expenditures was for general governmental support, culture and recreation, debt service, and other miscellaneous expenditures.

**Table 2:  
Changes in Net Position**

	Governmental Activities 2019	Governmental Activities 2018	Total Dollar Change 2018-2019
<b>Revenues</b>			
Real Property Taxes	\$ 3,825,338	\$ 3,740,325	\$ 85,013
Real Property Tax Items	86,343	67,192	19,151
Non-Property Taxes	1,547,375	1,500,635	46,740
Charges for Services	4,557,145	4,644,508	(87,363)
Operating Grants	564,141	270,076	294,065
Use of Money	228,801	167,264	61,537
Gain (Loss) on Sale of Property	16,256	(14,598)	30,854
Capital Grants	879,821	1,198,760	(318,939)
Gifts and Donations	34,000	34,010	(10)
Insurance Recoveries	56,279	-	56,279
Miscellaneous	<u>24,268</u>	<u>24,268</u>	<u>(20,411)</u>
<b>TOTAL REVENUES</b>	<u>11,799,356</u>	<u>11,632,440</u>	<u>166,916</u>
<b>Expenses</b>			
General Support	935,317	910,040	25,277
Public Safety	3,473,613	2,866,087	607,526
Health	1,324	8,153	(6,829)
Transportation	905,254	975,924	(70,760)
Culture and Recreation	579,854	543,428	36,426
Home and Community Services	3,169,315	3,068,259	101,056
Other Expenditures (OPEB)	1,548,175	757,819	790,356
Depreciation	1,211,833	1,238,060	(26,227)
Interest Expense	<u>111,395</u>	<u>122,906</u>	<u>(11,511)</u>
<b>TOTAL EXPENSES</b>	<u>11,936,080</u>	<u>10,490,676</u>	<u>1,445,404</u>
<b>INCREASE (OR DECREASE) IN NET POSITION</b>	<u>\$ (136,724)</u>	<u>\$ 1,141,764</u>	<u>\$ (1,278,488)</u>

**Governmental Activities**

The cost of all governmental activities this year was \$ 11,936,080.

Table 3 presents the cost of each of the Village’s functions as well as each function’s net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by charges for services, operating grants, and capital grants and contributions.

**Table 3  
Net Cost of Governmental Activities**

	Total Cost of Services 2019	Total Cost of Services 2018	Net Cost of Services 2019	Net Cost of Services 2018
General Support	\$ 935,317	\$ 910,040	\$ 235,900	\$ 414,671
Public Safety	3,473,613	2,866,087	3,417,482	2,765,387
Health	1,324	8,153	1,324	8,153
Transportation	905,254	975,924	630,628	(466,162)
Culture and Recreation	579,854	543,428	108,132	234,061
Home Community	3,169,315	3,068,259	(1,329,896)	(697,563)
Other Expenditures (OPEB)	1,548,175	757,819	1,548,175	757,819
Depreciation	1,211,833	1,238,060	1,211,833	1,238,060
Interest Expense	<u>111,395</u>	<u>122,906</u>	<u>111,395</u>	<u>122,906</u>
<b>TOTAL</b>	<b><u>\$ 11,936,080</u></b>	<b><u>\$ 10,490,676</u></b>	<b><u>\$ 5,934,973</u></b>	<b><u>\$ 4,377,332</u></b>

**FINANCIAL ANALYSIS OF THE VILLAGE’S FUNDS**

As the Village completed the year, its governmental funds reported a combined fund balance of \$ 4,782,258, an improvement over the previous year. The Water and Sewer Funds continued to show improved financial condition in the 2018 - 2019 fiscal year. The Water Fund had a positive fund balance of \$ 844,323 at May 31, 2019, and the Sewer Fund showed a positive fund balance of \$ 507,076. Also, the Hydro Fund continued to have a deficit fund balance, with expenditures exceeding revenues for the 2018 - 2019 year, thereby adding \$ 53,737 to the deficit fund balance.

**General Fund Budgetary Highlights**

Over the course of the year, the Village revises its annual budget to reflect unexpected changes in revenues and expenditures. A schedule of the Village’s original and final budget amounts compared with actual revenues and expenses are provided in the supplemental section of the audited financial report. There were no significant modifications to the adopted budget during the fiscal year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At May 31, 2019, the Village had invested \$ 52,645,312 in a broad range of capital assets, including buildings and improvements, infrastructure, equipment, and vehicles. See Table 4. More detailed information about the Village's capital assets is presented in the notes to the financial statements.

**Table 4**  
**Capital Assets**

Governmental Activities	2019	2018	Total Dollar Change 2018-2019
Land	\$ 630,566	\$ 630,566	\$ -
Improvements and Construction in Progress	40,219,875	30,535,008	9,684,867
Buildings	7,950,532	7,950,532	-
Machinery and Equipment	<u>3,844,339</u>	<u>3,208,633</u>	<u>635,706</u>
Totals at Historical Cost	52,645,312	42,324,739	10,320,573
Total Accumulated Depreciation	<u>(21,152,275)</u>	<u>(19,958,610)</u>	<u>(1,193,665)</u>
<b>NET CAPITAL ASSETS</b>	<b><u>\$ 31,493,037</u></b>	<b><u>\$ 22,366,129</u></b>	<b><u>\$ 9,126,908</u></b>

### Long-Term Debt

At year-end, the Village had \$ 41,494,465 in long-term liabilities, consisting of general obligation bonds, compensated absences, installment purchase debt, employee retirement plan obligations, and other post-employment benefits, as shown in Table 5. The Village increased total long-term liabilities by \$ 10,154,405, mainly due to the increase in the OPEB liability and the proceeds drawn on the loan for the sewer project. More detailed information about the Village's debt is presented in the notes to the financial statements.

**Table 5**  
**Long-Term Liabilities**

Governmental Activities	2019	2018	Total Dollar Change
General Obligation Bonds	\$ 3,010,475	\$ 3,614,400	\$ (603,925)
Compensated Absences	331,187	324,195	6,992
Other Long-Term Debt	9,048,027	646,554	8,401,473
Worker's Compensation	675,201	465,047	210,154
Pension Plan Liabilities	1,277,062	685,527	591,535
Other Post-Employment Benefits	<u>27,152,512</u>	<u>25,604,337</u>	<u>1,548,175</u>
<b>TOTAL LONG-TERM LIABILITIES</b>	<b><u>\$ 41,494,465</u></b>	<b><u>\$ 31,340,060</u></b>	<b><u>\$ 10,154,405</u></b>

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

At the time these financial statements were prepared and audited, the Village was aware of several circumstances that could affect its future financial health:

- ❑ The ERS and PFRS retirements continue to have a major impact on our budgets. It is anticipated that the 2020 - 2021 year will result in an increase in the ERS obligation contribution of \$ 12,000 and an increase in the PFRS contribution of \$ 17,000.
- ❑ Health insurance costs have continued to increase. The Village has taken several steps in recent years to reduce costs as much as possible. A new health reimbursement account option has been implemented as of June 1, 2016 with the CSEA and management. CSEA negotiations have new hires paying 6.5% toward the health insurance premiums. A similar HRA program was implemented for the Teamsters in January of 2018; with additional changes which will result in cost savings being implemented in January 2020 per the Teamsters contract.
- ❑ Full Value Tax Rate Per Thousand has increased; but only by a small percentage, that coupled with a limited tax base dictates that any increases in expenditures without a corresponding increase in State funding results in a large percentage increase in taxes.
- ❑ The Village has experienced mechanical failures in the East Hydroelectric Generating Facility since late 2014. Attempts to repair the facility resulted in brief operations at times since then, but as the 2019 - 2020 fiscal year opened, the facility remained out of service. The loss of the East Hydro revenue will continue to impact the 2019 - 2020 Hydro Fund budget. The Village is working with NYPA to get the plant back on line within the 2019 - 2020 fiscal year.
- ❑ Upgrading of the Water Pollution Control Facility is proceeding. This was originally a \$ 10.7 million dollar project. Due to higher than anticipated project bids being received, the Board authorized a \$ 5,334,000 increase in bonding to cover the additional costs. Grant funding of \$ 2,667,000 has been received from the NYS Clean Water Infrastructure Grant Program. Grant funding has been received for \$ 750,000 from the NYS Small Cities CDBG Program. The NYS Clean Water State Revolving Fund will be the source of the funds needed to complete the project after all grants have been secured. The Village anticipates work on the WPCF to be completed by March 2020.

## **CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, participants, investors and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Village Administrator or the Village Clerk/Treasurer, 2 Park Street, P.O. Box 5168, Potsdam, NY 13676, (315) 265-5770.

**BASIC FINANCIAL STATEMENTS**

**VILLAGE OF POTSDAM**  
**STATEMENT OF NET POSITION**  
**MAY 31, 2019**

**ASSETS**

**Current Assets**

Cash		
Unrestricted	\$	4,376,000
Restricted		350,215
Receivables		
Accounts Receivable		313,734
Due from Other Governments		396,639
Other Receivables		137,166
Inventory		33,108
Prepaid Expenditures		2,384
<b>Total Current Assets</b>		<u>5,609,246</u>

**Noncurrent Assets**

Capital Assets (Net)		<u>31,493,037</u>
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**TOTAL ASSETS** 37,102,283

**Deferred Outflows of Resources**

Pensions		<u>658,728</u>
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**TOTAL ASSETS AND DEFERRED OUTFLOWS** \$ 37,761,011

**LIABILITIES**

**Current Liabilities**

Accounts Payable	\$	687,405
Due to Fiduciary Funds		2,417
Current Portion of Long Term Debt		492,865
Accrued Liabilities		675,201
<b>Total Current Liabilities</b>		<u>1,857,888</u>

**Noncurrent Liabilities**

Bonds Payable		2,690,550
Capital Notes		8,608,912
Pension Plan Liabilities		1,277,062
Post Employment Benefits Other Than Pensions		27,152,512
Installment Purchase Debt		266,176
Compensated Absences Payable		331,187
<b>Total Noncurrent Liabilities</b>		<u>40,326,399</u>
<b>Total Liabilities</b>		<u>42,184,287</u>

**Deferred Inflows of Resources**

Pensions		599,765
Deferred Revenue		137,166
<b>Total Deferred Inflows</b>		<u>736,931</u>

**NET POSITION**

Investment in Capital Assets - Net of Related Debt		19,434,535
Restricted for Reserves		350,215
Unrestricted (Deficit)		(24,944,957)
<b>Total Net Position</b>		<u>(5,160,207)</u>

**TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION** \$ 37,761,011

**VILLAGE OF POTSDAM**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED MAY 31, 2019**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	Capital Grants	
<b>FUNCTIONS/PROGRAMS</b>					
General Support	\$ 935,317	\$ 520,012	\$ 179,405	\$ -	\$ (235,900)
Public Safety	3,473,613	51,133	4,998	-	(3,417,482)
Health	1,324	-	-	-	(1,324)
Transportation	905,254	143,580	131,046	-	(630,628)
Culture and Recreation	579,854	297,157	174,565	-	(108,132)
Home and Community Services	3,169,315	3,545,263	74,127	879,821	1,329,896
Other Expenditures (OPEB)	1,548,175	-	-	-	(1,548,175)
Depreciation	1,211,833	-	-	-	(1,211,833)
Interest Expense	111,395	-	-	-	(111,395)
<b>Total Functions and Programs</b>	<u>\$ 11,936,080</u>	<u>\$ 4,557,145</u>	<u>\$ 564,141</u>	<u>\$ 879,821</u>	<u>\$ (5,934,973)</u>
<b>GENERAL REVENUES</b>					
Real Property Taxes					\$ 3,825,338
Real Property Tax Items					86,343
Non-Property Tax Items					1,547,375
Use of Money and Property					228,801
Gifts and Donations					34,000
Loss on Disposal of Fixed Assets					16,256
Insurance Recoveries					56,279
Miscellaneous					3,857
<b>Total General Revenues</b>					<u>5,798,249</u>
<b>CHANGE IN NET POSITION</b>					(136,724)
<b>TOTAL NET POSITION</b>					
Beginning of Year					<u>(5,023,483)</u>
<b>TOTAL NET POSITION</b>					
END OF YEAR					<u>\$ (5,160,207)</u>

See Notes to Financial Statements.

VILLAGE OF POTSDAM

BALANCE SHEET - GOVERNMENTAL FUNDS  
MAY 31, 2019

	General	Special Revenue	Capital Projects	Total Governmental Funds
<b>ASSETS</b>				
Unrestricted Cash	\$ 2,452,716	\$ 1,828,674	\$ 94,610	\$ 4,376,000
Restricted Cash	247,608	102,603	4	350,215
Accounts Receivable	1,391	312,343	-	313,734
Other Receivable	-	137,166	-	137,166
Due From Other Funds	168,906	129,800	-	298,706
Due From Other Governments	396,639	-	-	396,639
Inventory	33,108	-	-	33,108
Prepaid Expenditures	-	2,384	-	2,384
<b>TOTAL</b>	<u>\$ 3,300,368</u>	<u>\$ 2,512,970</u>	<u>\$ 94,614</u>	<u>\$ 5,907,952</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 25,606	\$ 89,224	\$ 572,575	\$ 687,405
Due to Other Funds	120,431	167,692	13,000	301,123
Notes Payable	-	-	8,608,912	8,608,912
Total Liabilities	<u>146,037</u>	<u>256,916</u>	<u>9,194,487</u>	<u>9,597,440</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>137,166</u>	<u>-</u>	<u>137,166</u>
<b>FUND BALANCE</b>				
Nonspendable	200,800	-	-	200,800
Restricted	247,608	102,603	4	350,215
Assigned	131,390	21,189	-	152,579
Unassigned	<u>2,574,533</u>	<u>1,995,096</u>	<u>(9,099,877)</u>	<u>(4,530,248)</u>
Total Fund Balance	<u>3,154,331</u>	<u>2,118,888</u>	<u>(9,099,873)</u>	<u>(3,826,654)</u>
<b>TOTAL</b>	<u>\$ 3,300,368</u>	<u>\$ 2,512,970</u>	<u>\$ 94,614</u>	<u>\$ 5,907,952</u>

VILLAGE OF POTSDAM

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
MAY 31, 2019

Fund Balances-Total Governmental Funds \$ (3,826,654)

*Amounts reported for governmental activities in the statement of net position are different because:*

**Capital Assets**

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 31,493,037

**Long Term Liabilities**

Long term liabilities are not due and payable in the current period, and therefore are not reported in the funds.

Compensated Absences	(331,187)
Accrued Workers Compensation	(675,201)
Long-Term Debt	(3,449,591)
Net OPEB Obligation	(27,152,512)
Net Pension Liability	(1,277,062)

**Deferred Inflows and Outflows**

Deferred outflows are not current assets or financial resources; and deferred inflows are not due and payable in the current period and are therefore not reported in the governmental funds.

Deferred Outflows	658,728
Deferred Inflows	<u>(599,765)</u>

**Net Position of Governmental Activities** \$ (5,160,207)

VILLAGE OF POTSDAM

STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED MAY 31, 2019

	General	Special Revenue	Capital Projects	Total Governmental Funds
<b>REVENUES</b>				
Real Property Taxes	\$ 3,825,338	\$ -	\$ -	\$ 3,825,338
Real Property Tax Items	86,343	-	-	86,343
Non-Property Taxes	1,547,375	-	-	1,547,375
Departmental Income	176,434	3,636,517	-	3,812,951
Intergovernmental Charges	175,818	184,461	-	360,279
Use of Money	215,608	12,797	396	228,801
Sale of Equipment	14,510	1,746	-	16,256
Licenses and Permits	345,592	-	-	345,592
Fines and Forfeitures	38,323	-	-	38,323
Insurance Recoveries	56,280	-	-	56,280
Gifts and Donations	34,000	-	-	34,000
Premium on Obligations	-	-	-	-
State Aid	440,641	74,127	12,247	527,015
Federal Aid	49,372	-	867,574	916,946
Miscellaneous	2,542	1,315	-	3,857
<b>Total Revenues</b>	<u>7,008,176</u>	<u>3,910,963</u>	<u>880,217</u>	<u>11,799,356</u>
<b>EXPENDITURES</b>				
General Government Support	633,259	94,204	-	727,463
Public Safety	1,898,328	-	-	1,898,328
Health	584	-	-	584
Transportation	865,672	-	-	865,672
Culture and Recreation	160,466	286,503	-	446,969
Home and Community Services	284,970	2,162,952	-	2,447,922
Employee Benefits	1,935,516	646,209	-	2,581,725
Capital Outlay	-	-	9,959,240	9,959,240
Debt Service	-	802,327	-	802,327
<b>Total Expenditures</b>	<u>5,778,795</u>	<u>3,992,195</u>	<u>9,959,240</u>	<u>19,730,230</u>
<b>OTHER FINANCING SOURCES AND USES</b>				
Proceeds of Obligations	-	-	112,044	112,044
Operating Transfers In	-	278,464	-	278,464
Operating Transfers (Out)	(278,464)	-	-	(278,464)
<b>Total Other Sources (Uses)</b>	<u>(278,464)</u>	<u>278,464</u>	<u>112,044</u>	<u>112,044</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>				
	950,917	197,232	(8,966,979)	(7,818,830)
<b>FUND BALANCES - Beginning of Year</b>	<u>2,203,414</u>	<u>1,921,656</u>	<u>(132,894)</u>	<u>3,992,176</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 3,154,331</u>	<u>\$ 2,118,888</u>	<u>\$ (9,099,873)</u>	<u>\$ (3,826,654)</u>

VILLAGE OF POTSDAM

RECONCILIATION OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MAY 31, 2019

NET CHANGES IN FUND BALANCES \$ (7,818,830)

*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 estimated useful lives as depreciation expense. 9,127,408

Repayment of notes and bond principal is an expenditure in the  
governmental funds, but the repayment reduces long-term  
liabilities in the statement of net position. 690,932

Proceeds of Long-term debt is recorded as an other financing source for Governmental Funds,  
but is not recorded in the Statement of Activities. This is the amount of proceeds from  
long-term debt received in the current period. (112,044)

(Increases) Decreases in proportionate share of net pension assets/liabilities 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. (258,368)

Some expenses reported in the statement of activities, such as other post  
employment benefits, compensated absences, and accrued workers compensation  
do not require the use of current financial resources and, therefore, are not  
reported as expenditures in the governmental funds. (1,765,822)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (136,724)

**VILLAGE OF POTSDAM**

**STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
MAY 31, 2019**

	Private Purpose Trusts	Agency
<b>ASSETS</b>		
Unrestricted Cash	\$ -	\$ 29,315
Restricted Cash	23,660	-
Due From Other Funds	-	2,417
<b>TOTAL ASSETS</b>	<b>\$ 23,660</b>	<b>\$ 31,732</b>
 <b>LIABILITIES</b>		
Due To Other Funds	\$ -	\$ -
Other Liabilities	-	31,732
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 31,732</b>
 <b>NET POSITION</b>		
Trust Funds	23,660	
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 23,660</b>	

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
FOR THE YEAR ENDED MAY 31, 2019**

	Private Purpose Trusts
<b>ADDITIONS</b>	
Interest and Dividends	\$ 21
<b>DEDUCTIONS</b>	
Interfund Transfers	-
<b>CHANGE IN NET POSITION</b>	21
<b>Net Position - Beginning of Year</b>	23,639
<b>NET POSITION - END OF YEAR</b>	<b>\$ 23,660</b>

**VILLAGE OF POTSDAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Village of Potsdam, New York have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as they apply to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Certain significant accounting principles utilized by the Village are described below.

**Financial Reporting Entity**

The Village of Potsdam was incorporated in 1831 and is governed by the Village law, the general laws of the State of New York and various other laws and ordinances. The Board of Trustees, which is the legislative body responsible for the overall operation of the Village, consists of the Mayor and four Trustees. The Mayor serves as Chief Executive Officer; and the Treasurer serves as Chief Fiscal Officer of the Village. The Village provides a full range of municipal services, including police and fire protection, water and sewer service, road maintenance, cultural and recreation programs, refuse and garbage collection, snow removal, etc.

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

The financial reporting entity consists of: (a) The primary government which is the Village, (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.

The decision to include a potential component unit in the Village's reporting entity is based on several criteria set forth in GASB 14, 39, and 61 including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, no other entities are included in the reporting entity.

**Basis of Presentation**

**Government-Wide Financial Statements**

The Statement of Net Position and the Statement of Activities present financial information about the Village's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, departmental income, state aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

**VILLAGE OF POTSDAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation (Continued)**

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

**Fund Financial Statements**

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

The Village reports the following major Governmental funds:

**General Fund:** The general fund is the principal fund and includes all operations not required to be recorded in other funds.

**Special Revenue Funds:** These funds account for the proceeds of specific revenue sources, such as Federal and State grants, that are legally restricted to expenditures for specified purposes, water and sewer, and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

**Capital Projects Fund:** The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

**Fiduciary Fund:** This fund is used to account for fiduciary activities. Fiduciary activities are those in which the Village acts as trustee or agent for resources that belong to others. These activities are not included in the government-wide financial statements, because their resources do not belong to the Village, and are not available to be used.

**Basis of Accounting/Measurement Focus**

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 at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the Village gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**VILLAGE OF POTSDAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Accounting/Measurement Focus (Continued)**

The governmental fund statements are reported using the modified accrual basis of accounting. Under this basis of accounting, revenues are recorded when measurable and available. The Village considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the fiscal year.

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

**Cash and Investments**

For purposes of reporting cash flows, cash and cash equivalents include only cash on demand and CLASS accounts; certificates of deposit and securities are considered investments.

**Property Taxes**

Village real property taxes are levied annually no later than May 15 and become a lien each June 1. Taxes are collected during the period of June 1 to September 30. Unpaid Village real property taxes are turned over to the county for collection. Full payment is received from the county during the fiscal year for which the taxes were levied.

**Accounts Receivable**

Accounts receivable are shown net, with uncollectible amounts determined by management. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

**Due To/From Other Funds**

The amounts reported on the Statement of Net Position for due to and due from other funds represents amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year-end is provided subsequently in these notes.

**Capital Assets**

Capital assets are reported at actual cost for acquisitions subsequent to 1990. For assets acquired prior to 1990, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received.

**VILLAGE OF POTSDAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets (Continued)**

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the Government-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 10,000	Straight Line (SL)	40 yr. (varies)
Building Improvements	\$ 10,000	SL	40 yr. (varies)
Site Improvements	\$ 10,000	SL	40 yr. (varies)
Furniture and Equipment	\$ 10,000	SL	5 - 15 yr.
Infrastructure	\$ 10,000	SL	40 yr. (varies)

**Vested Employee Benefits**

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Sick leave use is based on a last-in, first-out basis.

Upon retirement, resignation or death, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

Consistent with *GASB Statement 16, Accounting for Compensated Absences*, an accrual for accumulated sick leave is included in the compensated absences liability at year-end. The compensated absences liability is calculated based on the pay rates in effect at year-end.

Village employees participate in the New York State and Local Retirement System and the New York State and Local Police and Fire Retirement System.

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

**VILLAGE OF POTSDAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

In addition to providing the retirement benefits described in Note 1 above, the Village provides postemployment health insurance coverage to its retired employees and their survivors. In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (Statement 75). This statement replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension, (Statement 45) and issues new standards for defined benefit OPEB and defined contribution OPEB provided to employees of state and local governments through OPEB plans. Its intent is to improve accounting and financial reporting by requiring an OPEB liability to be reported on the face of the financial statements rather than in the accompanying notes as previously required by Statement 45. In 2019, the Village implemented Statement 75.

**Deferred Revenue**

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

**Encumbrance Accounting**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in the governmental funds.

Encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

**Restricted Resources**

When an expense is incurred for purposes for which both restricted and unrestricted amounts are available, the Village's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these notes.

**Fund Balance – Reservations and Designations**

In the government-wide financial statements, the difference between the Village's total assets and total liabilities represents net position. Net position displays three components - invested in capital assets, net of related debt; restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net assets represent the net assets available for future operations.

**VILLAGE OF POTSDAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Balance – Reservations and Designations (Continued)**

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the Village board members through approval of resolutions. Committed fund balance can be assigned for other uses only by similar action of the Village board. Assigned fund balance is a limitation imposed by the Village board. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the policy of the Village to generally consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the Village that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts. In both instances, when a proposed expenditure is made with specific balances identified as the source of the funding, that specific fund balance will be used.

**Inventories**

Purchases of inventorable items are recorded as expenditures at the time of use, and year-end balances are maintained on the statement of net position.

**Accrued Sick Leave and Vacation Balances**

Pursuant to contractual agreements, Village employees are entitled to accrue and accumulate, within certain limitations, sick leave, vacation leave, and compensatory time. An individual who leaves the employment of the Village is entitled to be paid for unused vacation leave and unused compensatory time. Upon retirement, the computed cash value of a portion of unused sick leave may be applied towards future contribution to the retirement system plans.

Accumulated unpaid vacation pay and unused compensatory time is recorded in the General Long-Term Debt Account Group as a non-current liability inasmuch as it will be funded from future resources or budgets.

Payment of vacation pay and unused compensatory time recorded in the general long-term obligations account group is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of vacation pay and unused compensatory time when such payment becomes due.

**VILLAGE OF POTSDAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Equity**

Reserves and Designations – Portions of fund equity are segregated for future use and are, therefore, not available for future appropriation or expenditure. Designation of unreserved fund balances in governmental funds indicates the utilization of these resources in the ensuing year's budget or tentative plans for future use.

**Insurance**

The Village of Potsdam self-insures against liability for most risks including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or availability has been incurred and the amount of loss can be reasonably estimated.

**Post-Employment Benefits**

In addition to providing pension benefits, the Village provides health insurance coverage and survivor benefits for retired employees. Dependent coverage is provided without cost to dependents of retired uniformed police officers and provided at a group charge to dependents of other eligible retirees. Health care benefits and survivors' benefits are provided through insurance companies. Coverage for most employees is subject to agreements within union contracts. The Village recognizes the cost of providing these benefits by recording its share of costs as an expenditure in the year paid.

During the year, \$ 690,604 was paid on behalf of currently enrolled retirees and recorded as an expenditure in the governmental funds.

**Use of Estimates**

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

**Subsequent Events**

Management has reviewed and evaluated all events and transactions from June 1, 2019 through the date of this report. On March 12, 2020, the World Health Organization characterized COVID-19 as a pandemic. Subsequently, the Governor of New York issued a pause order in New York State. As of the date of these financial statements, the extent of the economic impact of this crisis is unknown. There were no other events or transactions that existed which would provide additional pertinent information about conditions at the balance sheet date or which were required to be recognized in the accompanying financial statements.

**VILLAGE OF POTSDAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Deferred Outflows/Inflows of Resources**

GASB Statement No 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, defined and classified deferred outflows of resources and deferred inflows of resources. A deferred outflow of resource is a consumption of net assets that applies to future periods, and as such, will not be recognized as an outflow of resource (expense/expenditure) until that time. A deferred inflow of resource is an acquisition of net assets that applies to future periods, and as such, will not be recognized as an inflow of resource (revenue) until that time.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has three items that qualify for reporting in this category. First is the deferred charge on refunding reported in the government-Wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second 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 pension asset or liability and difference during the measurement period between the Village's contributions and its proportion share of total contributions to the pension systems not included in pension expense. Lastly are the Village contributions to the pension systems (PFRS and ERS Systems) subsequent to the measurement date.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Village has typically one item that qualifies 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 (PFRS and ERS Systems) 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.

**Changes in Accounting Principles**

For the fiscal year ended May 31, 2019, the Village implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of the statement requires the Village to report Other Postemployment Benefits (OPEB) expenses, deferred outflows of resources and deferred inflows of resources related to OPEB. See Note 12 for the financial statement impact of implementation of the statement.

**VILLAGE OF POTSDAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2019**

**NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS**

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

*Fund Balances of Governmental Funds vs. Net Position of Governmental Activities*

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

*Statement of Revenues, Expenditures, and Changes in Fund Balance vs. Statement of Activities*

Differences between the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories, as outlined below:

1. Long-Term Revenue and Expenses Differences.

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

2. Capital Related Differences.

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

3. Long-Term Debt Transaction Differences.

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

**VILLAGE OF POTSDAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2019**

**NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Data**

1. Budget Policies

No later than March 20, the Treasurer submits a tentative budget to the Village Clerk for the fiscal year commencing the following June 1. The tentative budget includes proposed expenditures and the proposed means of financing for all funds of the Village.

After public hearings are conducted to obtain taxpayer comments, but no later than April 20, the Board adopts the Village budget.

The Village Treasurer is authorized to transfer certain budgeted amounts within departments. However, any revisions that alter total appropriations of any department of funds must be approved by the Board of Trustees.

Budgetary controls are established for the Capital Projects Fund through resolutions authorizing individual projects which remain in effect for the life of the project.

The Village does not budget for the combined Special Revenue Fund. Due to the fact that the periods for grant monies received in certain of these funds may differ from the Village's fiscal year, a comparison of budget information would not be meaningful.

**B. Deficit Fund Balances**

The Hydro Fund had a deficit fund balance at May 31, 2019 due to lower than anticipated power production in recent years due to mechanical issues.

Adjustments are being made in the future budgets and plant repairs are being made in order to generate sufficient revenues to reduce this deficit.

**C. Overdrawn Appropriations**

There were no overdrawn appropriations for the year ended May 31, 2019 that materially exceeded appropriations.

**VILLAGE OF POTSDAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2019**

**NOTE 4 - CAPITAL ASSETS**

Capital asset balances and activity for the year ended May 31, 2019 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets that are not Depreciated				
Land	\$ 630,566	\$ -	\$ -	\$ 630,566
Construction in Progress	<u>3,419,811</u>	<u>9,685,367</u>	-	<u>13,105,178</u>
Total Non-Depreciable Historical Cost	<u>\$ 4,050,377</u>	<u>\$ 9,685,367</u>	<u>\$ -</u>	<u>\$ 13,735,744</u>
Capital Assets that are Depreciated				
Buildings	\$ 7,950,532	\$ -	\$ -	\$ 7,950,532
Improvements	27,114,697	-	-	27,114,697
Equipment and Vehicles	<u>3,208,633</u>	<u>653,874</u>	<u>18,168</u>	<u>3,844,339</u>
Total Depreciable Historical Cost	<u>\$ 38,273,862</u>	<u>\$ 653,874</u>	<u>\$ 18,168</u>	<u>\$ 38,909,568</u>
Less Accumulated Depreciation				
Buildings	\$ 2,611,561	\$ 248,620	\$ -	\$ 2,860,181
Improvements	15,737,349	731,098	-	16,468,447
Equipment and Vehicles	<u>1,609,700</u>	<u>232,115</u>	<u>18,168</u>	<u>1,823,647</u>
Total Accumulated Depreciation	<u>19,958,610</u>	<u>1,211,833</u>	<u>18,168</u>	<u>21,152,275</u>
Total Depreciable Historical Cost, Net	<u>\$ 18,315,252</u>			<u>\$ 17,757,293</u>
Depreciation Expense was Charged to Governmental Functions as Follows:				
Depreciation not Charged to a Specific Function		<u>\$ 1,211,833</u>		

**NOTE 5 - CASH AND INVESTMENT POOL**

The Village's investment policies are governed by State statutes. Village monies must be deposited in FDIC insured commercial banks, designated in a resolution by the Board of Trustees. 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. This authorization is by Board resolution at the yearly meeting.

Collateral is required for demand deposits and certificates of deposit on all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the U.S. and its agencies and obligations of the State and its municipalities.

The written investment policy requires repurchase agreements to be purchased from banks located within the state and that underlying securities must be obligations of the federal government.

**VILLAGE OF POTSDAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2019**

**NOTE 5 - CASH AND INVESTMENT POOL (Continued)**

Deposits at year-end were covered by federal depository insurance or by collateral held by the Village's custodial banks in the Village's name. They consisted of:

Fund	Bank Balance	Book Balance
General Fund.....	\$ (695,634)	\$ (863,966)
Recreation Fund .....	109,652	109,652
Special Grant Fund .....	109,562	109,562
Water .....	617,046	617,046
Sewer .....	369,611	369,611
Waste Disposal.....	31,095	31,095
Capital .....	951,120	75,386
Trust and Agency.....	52,179	49,816
	\$ 1,544,631	\$ 498,202

**Investment Pool**

The Village participates in a multi-municipal cooperation investment pool agreement pursuant to New York State General Municipal Law Article 5-G, Section 119-0, whereby it holds a portion of the investments in cooperation with other participants. At May 31, 2019, the Village held \$ 4,280,713 in investments consisting of various investments in securities issued by the United States and its agencies. The investments are highly liquid and considered to be cash equivalents and are included as either restricted or unrestricted cash in the Village's balance sheet.

Fund	Amount
General .....	\$ 3,564,015
Special Grant Fund .....	576,597
Water .....	102,984
Sewer.....	11,847
Waste Disposal Fund .....	2,883
Capital .....	19,227
Trust and Agency .....	3,160
	\$ 4,280,713

The above amounts represent the cost of the investment pool shares and are considered to approximate market value.

The investment pool is categorically exempt from the New York State collateralization requirements.

**VILLAGE OF POTSDAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2019**

**NOTE 6 - LIABILITIES**

**I. Pension Plans**

Plan Description

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

Benefits Provided

The System provides retirement benefits as well as death and disability benefits.

*Tiers 1 and 2*

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

**VILLAGE OF POTSDAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2019**

**NOTE 6 - LIABILITIES (Continued)**

**I. Pension Plans (Continued)**

*Tiers 1 and 2 (Continued)*

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20 percent of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous two years.

*Tiers 3, 4, and 5*

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4, and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

**VILLAGE OF POTSDAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2019**

**NOTE 6 - LIABILITIES (Continued)**

**I. Pension Plans (Continued)**

*Tiers 3, 4, and 5 (Continued)*

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 3, 4, and 5 members, each year of final average salary is limited to no more than 10 percent of the average of the previous two years.

*Tier 6*

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with ten or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10 percent of the average of the previous four years.

*Ordinary Disability Benefits*

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after ten years of service; in some cases, they are provided after five years of service.

*Accidental Disability Benefits*

For all eligible Tier 1 and Tier 2 ERS and PFRS members, the accidental disability benefit is a pension of 75 percent of final average salary, with an offset for any Workers' Compensation benefits received. The benefit for eligible Tier 3, 4, 5, and 6 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$ 50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefits available.

**VILLAGE OF POTSDAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2019**

**NOTE 6 - LIABILITIES (Continued)**

**I. Pension Plans (Continued)**

*Tiers 6*

*Post-Retirement Benefit Increases*

A cost-of-living adjustment is provided annually to: (i) all pensioners who have attained age 62 and have been retired for five years; (ii) all pensioners who have attained age 55 and have been retired for ten years; (iii) all disability pensioners, regardless of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed \$ 18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor, but cannot be less than 1 percent or exceed 3 percent.

*Contributions*

The System is noncontributory except for employees who joined the ERS after July 27, 1976, who contribute 3% of their salary for the first ten years of membership and employees who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS) who generally contribute 3% of their salary for the entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates used in computing the employers' contributions based on salaries paid during the ERS' 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	PFRS
2019 .....	\$ 314,121	\$ 214,219
2018 .....	\$ 308,473	\$ 235,755
2017 .....	\$ 363,941	\$ 223,710

Funding Policy

Chapter 260 of the Laws of 2004 of the State of New York allows participating employers to bond or amortize a portion of their retirement contributions for up to 10 years.

Also, Chapter 57 of the Laws of 2010 of the State of New York allows participating employers to amortize a portion of their retirement bill for 10 years in accordance with various stipulations.

**VILLAGE OF POTSDAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2019**

**NOTE 6 - LIABILITIES (Continued)**

**I. Pension Plans (Continued)**

Funding Policy (Continued)

Chapter 105 of the Laws of 2013 of the State of New York allows participating employers to amortize a portion of their retirement bill for up to 12 years in accordance with various stipulations.

The laws require participating employers to make payments on a current basis, while bonding or amortizing existing unpaid amounts relating to the ERS's fiscal years in which the local government elects to participate in the programs. To date, the Village has elected to pay each year's contributions in full.

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At May 31, 2019, the Village reported the following liability for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Village's proportion of the net pension liability was based on a projection of the Village's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. This information was provided by the System in reports provided to the Village.

ERS

Actuarial Valuation Date		4/1/2018
Net Pension Liability	\$	(7,085,305,000)
Village's Portion of the Plan Liability	\$	(538,305)
Net Pension Liability		.0075975%

PFRS

Actuarial Valuation Date		4/1/2018
Net Pension Liability	\$	(1,677,063,000)
Village's Portion of the Plan Liability	\$	(571,310)
Net Pension Liability		.0340661%

**VILLAGE OF POTSDAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2019**

**NOTE 6 - LIABILITIES (Continued)**

**I. Pension Plans (Continued)**

Funding Policy (Continued)

For the year ended May 31, 2019, the Village's recognized pension expense was \$ 695,787. At May 31, 2019, the Village's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 244,790	\$ 97,132
Changes of Assumptions	342,880	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	252,578
Changes in Proportion and Differences Between the District's Contributions and Proportionate Share of Contributions	71,058	250,055
Village's Contributions Subsequent to the Measurement Date	<u>-</u>	<u>-</u>
Total	<u>\$ 658,728</u>	<u>\$ 599,765</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended	<u>ERS</u>	<u>PFRS</u>
2020	\$ 128,516	\$ 55,327
2021	(99,967)	(80,725)
2022	(10,049)	(42,888)
2023	78,172	34,664
2024	-	(4,086)

**VILLAGE OF POTSDAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2019**

**NOTE 6 - LIABILITIES (Continued)**

**I. Pension Plans (Continued)**

ACTUARIAL ASSUMPTIONS

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

Measurement Date	3/31/2019
Actuarial Valuation Date	4/1/2018
Inflation	2.5%
Salary Scale	4.2 in ERS; 5 in PFRS
Investment Rate of Return (Net of Investment Expense, including Inflation)	7.0 Compounded Annually

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014.

The actuarial assumptions used in the April 1, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

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

Measurement Date	<u>3/31/2019</u>
<u>Asset Class</u>	
Domestic Equity	4.55%
International Equity	6.35%
Private Equity	7.50%
Real Estate	5.55%
Absolute Return Strategies	3.75%
Opportunistic Strategies	5.68%
Real Assets	5.29%
Bonds and Mortgages	1.31%
Cash	(0.25)%
Inflation-Indexed Bonds	1.25%

**VILLAGE OF POTSDAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2019**

**NOTE 6 - LIABILITIES (Continued)**

**I. Pension Plans (Continued)**

DISCOUNT RATE

The discount rate used to calculate the total pension liability was 7.0%. 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 those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SENSITIVITY OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TO THE DISCOUNT RATE ASSUMPTION

The following presents the Village's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Village's proportionate share of the net pension asset (liability) would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's Proportionate Share of the Net Pension (Asset) Liability	\$ 2,353,555	\$ 538,305	\$ (986,634)
PFRS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's Proportionate Share of the Net Pension (Asset) Liability	\$ 2,064,628	\$ 571,310	\$ (675,784)

PENSION PLAN FIDUCIARY NET POSITION

The components of the current-year net pension liability of the employers as of the valuation date were as follows:

	ERS	PFRS	TOTAL
	(Dollars in Thousands)		
Employer's Total Pension Liability	\$ 189,803,429	\$ 34,128,100	\$ 223,931,529
Plan Net Position	(182,718,124)	(32,451,037)	(215,169,161)
Employer's Net Pension Liability	\$ 7,085,305	\$ 1,677,063	\$ 8,762,368

Ratio of plan net position to the employers' total pension liability	96.27%	95.09%	96.09%
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**VILLAGE OF POTSDAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2019**

**NOTE 6 - LIABILITIES (Continued)**

**I. Pension Plans (Continued)**

PAYABLES TO THE PENSION PLAN

Employer contributions are paid annually based on the System's fiscal year which ends on March 31. The Village paid its required contribution to the Plans in December of 2018 and therefore there are no payables as of May 31, 2019.

**II. Short-Term Debt**

Liabilities for Bond Anticipation Notes (BANs) are generally accounted for in the capital projects funds. The notes or renewal thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within each 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 improvement projects may be renewed for period's equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made. There was no short-term debt outstanding at May 31, 2019.

The Village may issue Revenue Anticipation Notes (RAN) in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. Revenue anticipation notes represent a liability that will be extinguished by the use of expendable available resources of the fund.

**III. Long-Term Debt**

**A. Serial Bonds:**

The Village borrows money in order to acquire equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and the future taxpayers receiving the benefit of the capital assets. These long-term liabilities are recorded in the General Long-Term Debt Account Group or in the Hydro, Water, and Sewer Funds. The provision to be made in future budgets for capital indebtedness represents the amount, excluding interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liability. The breakdown in the Long-Term Debt category is shown below.

**B. Other Long Term Debt:**

Compensated Absences – Represents the value of earned and unused portion of the liability for compensated absences.

Installment Purchase Debt – Represents the remaining installments due on purchase of equipment.

Accrued Workers Compensation – See Note 9.

**VILLAGE OF POTSDAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2019**

**NOTE 6 - LIABILITIES (Continued)**

**III. Long-Term Debt (Continued)**

Other Post-Employment Benefits – See Note 12.

<u>Description Of Issue</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Payable To Maturity</u>
Water	Sept. 1999	Nov. 2019	3.42	\$ 44,000
Hydro	Dec. 2015	August 2028	1.00-4.00	2,260,000
Water	Dec. 2011	Dec. 2031	4.51	455,000
Recreation	Nov. 2005	Nov. 2025	4.95	<u>251,475</u>
				3,010,475
Compensated Absences.....				331,187
Capital Notes.....				8,608,912
Installment Purchase Debt, .....				439,116
Accrued Workers Compensation .....				675,201
Pension Plan Liabilities, .....				1,277,062
Other Post-Employment Benefits .....				<u>27,152,512</u>
Total Long-Term Debt.....				<u>\$ 41,494,465</u>

Annual requirements for the above-stated bonded debt are as follows:

<u>Year Ending Date</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 319,925	\$ 95,814
2021	275,925	87,605
2022	280,925	80,099
2023	285,925	72,357
2024	290,925	64,104
2025-2029	1,451,850	170,739
2030-2033	<u>105,000</u>	<u>9,471</u>
	<u>\$ 3,010,475</u>	<u>\$ 580,189</u>

	<u>Balance 6/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 5/31/2019</u>
Serial Bonds	\$ 3,614,400	\$ -	\$ 603,925	\$ 3,010,475
Compensated Absences	324,194	6,993	-	331,187
Capital Notes	232,475	8,376,437	-	8,608,912
Installment Purchase Debt	414,080	112,044	87,008	439,116
Accrued Workers Compensation	465,047	210,154	-	675,201
Pension Plan Liabilities	685,527	591,535	-	1,277,062
Other Post Employment Benefits	<u>8,423,209</u>	<u>18,729,303</u>	<u>-</u>	<u>27,152,512</u>
Total	<u>\$ 14,158,932</u>	<u>\$ 28,026,466</u>	<u>\$ 690,933</u>	<u>\$ 41,494,465</u>

**VILLAGE OF POTSDAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2019**

**NOTE 6 - LIABILITIES (Continued)**

**III. Long-Term Debt (Continued)**

See Note 12 regarding the Other Post-Employment Benefits amount.

Additions and deletions to compensated absences and accrued worker's compensation are shown net because it is impracticable to determine these amounts separately. The amount disclosed above for the workers compensation liability at May 31, 2019 is reported with a one year lag.

Installment Purchase Debt -The Village has three installment agreements as follows: one dated June 23, 2008, in connection with an Energy Performance Contract, a second dated August 2, 2017, for the purchase of a John Deere Loader, a third dated April 15, 2019, for the purchase of a Mack Truck.

The following is a schedule of the future minimum payments under the Energy Performance Contracts.

Year Ending	<u>Energy</u>	<u>J.D. Loader</u>	<u>Mack</u>
May 31,			<u>Truck</u>
2020	\$ 62,772	\$ 30,704	\$ 30831
2021	62,772	30,705	30831
2022	62,772	30,705	30831
2023	62,772	-	30831
2024	5,231	-	-
2025	<u>-</u>	<u>-</u>	<u>-</u>
Minimum Lease Payments	\$ 256,319	\$ 92,114	\$ 123,324
Less: Interest 2.224% per Annum	11,511	-	-
Less: Interest, 3.50% per Annum	-	9,851	-
Less: Interest, 3.95% per Annum	<u>-</u>	<u>-</u>	<u>11,280</u>
Net Present Value of Payments	<u>\$ 244,808</u>	<u>\$ 82,263</u>	<u>\$ 112,044</u>

**IV. PRIOR-YEAR ADVANCE REFUNDING OF BONDS**

On December 10, 2015, the Village issued \$ 2,555,000 in General Obligation Bonds with an average interest rate of 2.55 percent to refund \$ 2,830,000 of outstanding 2008 Series Bonds which had an average interest rate of 4.55 percent. The net proceeds of \$ 2,562,977 (after payment of \$ 75,031 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2015 Series Bonds. As a result, the 2008 Series Bonds were considered to be defeased in August of 2018, however the Village elected to make the final payment in fiscal year 2018, and the liability for those bonds was removed from the general long-term debt account group at that time. The Village advance refund of the 2008 Series Bonds was done to reduce its total debt service payments over the next 12 years by almost \$ 142,240 and to obtain an economic gain (difference between the present values of the debt service payments on the old and the new debt) of \$ 122,069.

**VILLAGE OF POTSDAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2019**

**NOTE 7 - FUND EQUITY**

**Government-Wide Statements**

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

Invested in Capital Assets, Net of Related Debt - Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions, or improvements of those assets.

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

Unrestricted Net Position - Reports all other net position that do not meet the definition of the above two classifications and are deemed to be available for general use by the Government.

**Funds Statements**

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

**Non-Spendable Fund Balance** - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Balances in these accounts at May 31, 2019 represent the amount of inventory at year-end and the long-term portion of interfund receivables.

**Committed** - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the governments highest level of decision making authority, currently, the Board of Trustees. The Village has no committed fund balances as of May 31, 2019.

**Assigned** - Includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The balances in the General Fund and Special Revenue Fund at May 31, 2019 of \$ 131,390 and \$ 21,189, respectively, represent encumbrances at year end.

**Unassigned** - Includes all other net position that do not meet the definition of the above four classifications and are deemed to be available for general use by the Village.

**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. The Village has established the following restricted fund balances:

**Unemployment Reserve**

The Unemployment Insurance Reserve is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The balance in the General Fund of this reserve at May 31, 2019 was \$ 3.

**VILLAGE OF POTSDAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2019**

**NOTE 7 - FUND EQUITY (Continued)**

**Tax Stabilization Reserve**

This reserve is used to segregate a portion of fund balance to finance unanticipated revenue loss or unanticipated expenditures chargeable to the eligible portion of the annual budget. The balance in the General Fund of this reserve at May 31, 2019 was \$ 63,231.

**Employee Benefit Reserve**

This reserve is used to segregate a portion of fund balance for accrued liabilities established pursuant to General Municipal Law, Section 6-p. The balance in the General Fund of this reserve at May 31, 2019 was \$ 74,302.

**Reserve for Capital Improvements**

The Board has established a reserve to help fund the costs of capital improvements for the Library portion of the Civic Center. The balance in the General Fund of this reserve at May 31, 2019 was \$ 69,412. The Board has also established a reserve in the Capital Fund to help fund Fire Department capital items. The balance of this reserve at May 31, 2019 was \$ 4.

**Repair Reserve**

This reserve is used to segregate a portion of fund balance for repairs as established pursuant to General Municipal Law, Section 6-d. The balance of this reserve in the Water Fund at May 31, 2019 was \$ 102,603.

**Other Miscellaneous Reserves**

The Board has established reserves in the General Fund to set aside funds for police vest and airpak expenditures. The balance of these reserves at May 31, 2019 was \$ 5,448, and \$ 35,212, respectively.

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

**VILLAGE OF POTSDAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2019**

**NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivables and payables at May 31, 2019 are summarized as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund .....	\$ 177,161	\$ 120,431
Water Fund .....	30,702	-
Sewer Fund .....	72,038	-
Waste Disposal Fund.....	18,805	-
Community Development Fund.....	-	-
Hydro Fund.....	-	167,692
Capital Projects.....	-	13,000
Trust and Agency .....	2,417	-
	<u>\$ 301,123</u>	<u>\$ 301,123</u>

**NOTE 9 - RISK FINANCING AND RELATED INSURANCE**

The Village of Potsdam participates in the St. Lawrence County Workers' Compensation Fund. The Fund is a municipal risk sharing pool that administers and insures workers' compensation claims for employees of all the participants. Fund participants include forty-four municipalities. If the Fund's assets were to be exhausted, members would be responsible for the Fund's liabilities. The Village of Potsdam's share of such liabilities total \$ 675,201 at May 31, 2019, which represents 3.19% of the pool's total liability. This amount is reflected in the General Long-Term Account Group. The percentage and amount of the Village's share of the liability is based upon the Fund's claims liability as of December 31, 2018, the most recent period for which information is available.

**NOTE 10 - JOINT VENTURES**

The Village of Potsdam and the Town of Potsdam jointly operate a recreation program under terms that are updated on an annual basis. The Village and Town share in the cost of operating the various functions of the program. The Village's share of that cost is recorded in the Recreation Fund. The Village provides accounting services for the program, and financial reports regarding the recreation program may be obtained from the Village office.

**NOTE 11 - LEASE AGREEMENTS**

The Village entered into a lease/purchase agreement, dated April 18, 2001, with the Potsdam Volunteer Rescue Squad for use of part of the Squad's facility (building) located at 29-31 Elm Street in the Village of Potsdam. The lease will terminate on the maturity date of the Squad's mortgage on the building. The Village will reimburse the Squad for operating expenses and debt service payments at rates as negotiated in the lease agreement. Payments from the Village for the fiscal year ended May 31, 2019 amounted to \$ 119,568.

The Village has entered into lease agreements with Verizon, AT&T, and Sprint Nextel covering various periods. In return for allowing these companies to use Village-owned facilities as cellular telephone towers, the Village will receive monthly payments; the total lease income under these leases for 2018-2019 was \$ 95,355.

The Village entered into a lease agreement with the Potsdam Public Library, dated May 29, 2008, at an annual rent of \$ 1 per year, plus other expenses. The initial 25-year term will terminate on May 31, 2033.

**VILLAGE OF POTSDAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2019**

**NOTE 12 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**General Information about the OPEB Plan**

The Village provides post-employment health insurance and prescription insurance coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the Village's contractual agreements.

The Village recognizes the cost of providing health insurance annually as expenditures in the various operating funds of the Village as payments are made. For the year ended May 31, 2019, the Village recognized \$ 690,604 for its share of insurance premiums for currently enrolled retirees.

At December 31, 2018, the following employees were covered by the benefit terms:

Active	48
Retired	61
Retired spouses covered	<u>18</u>
	127

**Total OPEB Liability**

The Village's total OPEB liability of \$ 27,152,512 was measured as of May 31, 2019, and was determined by an actuarial valuation as of that date.

The total OPEB liability in the May 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.21%
Salary Increases	2.00%
Discount Rate	3.12%
Healthcare Cost Trend Rates	5%, 7%

Mortality rates were based on the RPH-2014 combined mortality, fully generational using scale MP-2018.

**Changes in the Total OPEB Liability**

	<u>Total OPEB Liability</u>
Balance at May 31, 2018, as Restated	\$ 25,604,337
Changes for the Year	
Service Cost	730,279
Interest	927,968
Changes of Benefit Terms	-
Differences between Expected and Actual Experience	-
Changes in Assumptions of Other Inputs	717,331
Benefit Payments	<u>(827,403)</u>
Balance at May 31, 2019	<u>\$ 27,152,512</u>

**VILLAGE OF POTSDAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2019**

**NOTE 12 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**  
(Continued)

Changes of assumptions and other inputs reflect a change in the discount rate from 4.00% in 2017 to 3.58% in 2018.

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

For the year ended May 31, 2019, the Village recognized OPEB expense of \$ 124,971. At May 31, 2019, the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences Between Expected and Actual Experience .....	\$ -	\$ -
Change of Assumptions or Other Inputs .....	<u>592,360</u>	<u>-</u>
Total	<u>\$ 592,360</u>	<u>\$ -</u>

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

For years ended May 31,	
2020	\$ 124,971
2021	124,971
2022	124,971
2023	124,971
2024	<u>92,476</u>
	<u>\$ 592,360</u>

**NOTE 13 - DEFERRED COMPENSATION PLAN**

Participation in the New York State Deferred Compensation Plan is offered to Village employees. The Plan permits employees to defer a portion of their salary until future years. The Plan is administered by the New York State Deferred Compensation Board, with Chase Manhattan Bank acting as Trustee and custodian of the Plan.

**NOTE 14 - CONTINGENCIES**

The Village of Potsdam receives grants, which are subject to audit by state and federal agencies. Such audits may result in disallowance and a request for a return of funds to the federal and state governments. Based on past audits, the Village government administration believes disallowance, if any, will be immaterial.

There are civil actions pending against the Village and the Potsdam Police Department. These matters involve the claim of violations of civil rights in connection with the questioning of an individual during a police investigation. These matters are ongoing and an estimate of the impact on the Village is unknown at this time.

**VILLAGE OF POTSDAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2019**

**NOTE 15 - RECENT ACCOUNTING PRONOUNCEMENTS**

The Village has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At May 31, 2019, the Village implemented the following new standards issued by GASB:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

GASB Statement No. 85, *Omnibus 2017*

GASB Statement No. 86, *Certain Debt Extinguishment Issues*

GASB has issued Statements No. 83 through No. 91, all of which are effective for future years for the Village.

The Village will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

**NOTE 16 - RESTATEMENT OF NET POSITION**

Due to the Village's implementation of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, a one-time prior-period adjustment of \$ 17,181,148 must be made to the beginning net position to reflect the transition from GASB No. 45 to GASB No. 75 as of June 1, 2018. The impact of this change does not flow through the annual OPEB expense calculation. The following details the change in the Village's beginning of year net position due to the GASB No. 75 implementation:

Net Position Beginning of Year, as Previously Stated	\$ 12,157,644
Net Effects of GASB No. 75 Implementation	<u>(17,181,148)</u>
Net Position Beginning of Year, as Restated	<u>\$ (5,023,504)</u>

**SUPPLEMENTARY INFORMATION**

**VILLAGE OF POTSDAM**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE-BUDGET (NON-GAAP BASIS) AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED MAY 31, 2019**

	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL	ENCUMBRANCE	ACTUAL OVER (UNDER)
<b>REVENUES</b>					
Real Property Taxes	\$ 3,825,338	\$ 3,825,338	\$ 3,825,338	\$ -	\$ -
Real Property Tax Items	53,714	53,714	86,343	-	32,629
Non-Property Taxes	1,375,000	1,375,000	1,547,375	-	172,375
Departmental Income	185,250	185,250	176,434	-	(8,816)
Intergovernmental Charges	105,340	105,340	175,818	-	70,478
Use of Money	125,100	125,100	215,608	-	90,508
Sale of Property	1,500	1,500	14,510	-	13,010
Interfund Revenues	-	-	-	-	-
Licenses and Permits	101,150	101,150	345,592	-	244,442
Fines and Forfeitures	35,000	35,000	38,323	-	3,323
Insurance Recoveries	-	-	56,280	-	-
Gifts and Donations	34,100	34,100	34,000	-	(100)
State Aid	236,915	236,915	440,641	-	203,726
Federal Aid	10,000	10,000	49,372	-	39,372
Miscellaneous	1,600	1,600	2,542	-	942
<b>Total Revenues</b>	<b>6,090,007</b>	<b>6,090,007</b>	<b>7,008,176</b>	<b>-</b>	<b>861,889</b>
<b>OTHER SOURCES - INTERFUND TRANSFERS</b>					
	-	-	-	-	-
<b>APPROPRIATED FUND BALANCE</b>	<b>-</b>	<b>(44,724)</b>	<b>-</b>	<b>-</b>	<b>44,724</b>
Total Revenues, Other Sources, and Appropriated Fund Balance	<u>\$ 6,090,007</u>	<u>\$ 6,045,283</u>	<u>\$ 7,008,176</u>	<u>\$ -</u>	<u>\$ 906,613</u>
<b>EXPENDITURES</b>					
General Government Support	\$ 883,512	\$ 767,219	\$ 633,259	\$ 71,153	\$ (62,807)
Public Safety	1,892,611	1,898,336	1,898,328	1,795	1,787
Health	11,478	795	584	-	(211)
Transportation	794,777	857,983	865,672	36,886	44,575
Culture and Recreation	151,612	166,635	160,466	12,003	5,834
Home and Community Service	145,753	137,209	284,970	9,553	157,314
Employee Benefits	1,919,800	1,926,642	1,935,516	-	8,874
<b>Total Expenditures</b>	<b>5,799,543</b>	<b>5,754,819</b>	<b>5,778,795</b>	<b>131,390</b>	<b>155,366</b>
<b>OTHER USES</b>					
Other Budgetary Uses	-	-	-	-	-
Interfund Transfers	290,464	290,464	278,464	-	(12,000)
<b>TOTAL EXPENDITURES AND OTHER USES</b>	<u>\$ 6,090,007</u>	<u>\$ 6,045,283</u>	<u>\$ 6,057,259</u>	<u>\$ 131,390</u>	<u>\$ 143,366</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER USES</b>			<b>\$ 950,917</b>		
<b>FUND BALANCE - Beginning of Year</b>			<u>2,203,414</u>		
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 3,154,331</u>		

**VILLAGE OF POTSDAM**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE-BUDGET (NON-GAAP BASIS) AND ACTUAL**  
**SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED MAY 31, 2019**

	SPECIAL REVENUE WATER, SEWER, HYDRO, RECREATION, AND TRASH				ACTUAL
	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL	ENCUMBRANCE	OVER (UNDER)
<b>REVENUES</b>					
Departmental Income	\$ 3,992,792	\$ 3,992,792	\$ 3,636,517	\$ -	\$ (356,275)
Intergovernmental Charges	184,460	184,460	184,461	-	1
Use of Money	520	520	12,797	-	12,277
Sale of Property	11,350	11,350	1,746	-	(9,604)
State Aid	-	-	74,127	-	74,127
Miscellaneous	150	150	1,315	-	1,165
Total Revenues	4,189,272	4,189,272	3,910,963	-	(278,309)
<b>OTHER SOURCES - INTERFUND TRANSFERS</b>	278,464	278,464	278,464	-	-
<b>APPROPRIATED FUND BALANCE</b>	-	(144,228)	-	-	144,228
Total Revenues, Other Sources, and Appropriated Fund Balance	\$ 4,467,736	\$ 4,323,508	\$ 4,189,427	\$ -	\$ (134,081)
<b>EXPENDITURES</b>					
General Government Support	\$ 158,921	\$ 143,126	\$ 94,204	\$ -	\$ (48,922)
Culture and Recreation	330,328	330,328	286,503	-	(43,825)
Home and Community Service	2,418,701	2,315,316	2,162,952	54,961	(97,403)
Employee Benefits	778,378	763,114	646,209	-	(116,905)
Debt Service	771,408	771,624	802,327	-	30,703
Total Expenditures	4,457,736	4,323,508	3,992,195	54,961	(276,352)
<b>OTHER USES</b>					
Other Budgetary Uses	-	-	-	-	-
Interfund Transfers	10,000	-	-	-	-
<b>TOTAL EXPENDITURES AND OTHER USES</b>	\$ 4,467,736	\$ 4,323,508	\$ 3,992,195	\$ 54,961	\$ (276,352)
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER USES</b>			\$ 197,232		
<b>FUND BALANCE - Beginning of Year</b>			1,921,656		
<b>FUND BALANCE - END OF YEAR</b>			\$ 2,118,888		

**VILLAGE OF POTSDAM**

**SCHEDULE OF CHANGES IN EMPLOYER'S TOTAL  
OPEB LIABILITY AND RELATED RATIOS  
FOR THE YEAR ENDED MAY 31, 2019**

	2019
<b>Total OPEB Liability</b>	
Service Cost	\$ 730,279
Interest Cost	927,968
Changes in Benefit Terms	-
Differences Between Expected and Actual Experience	-
Changes in Assumptions and Other Inputs	717,331
Contributions from the Employer	-
Benefit Payments	(827,403)
Net Change in Total OPEB Liability	1,548,175
Total OPEB Liability - Beginning	25,604,337
Total OPEB Liability - Ending	\$ 27,152,512
Covered Payroll Over Measurement Period	\$ 2,263,871
Total OPEB Liability as a Percentage of Covered Payroll	1199.38%

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

2019	3.12%
------	-------

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

**VILLAGE OF POTSDAM**

**SCHEDULE OF VILLAGE CONTRIBUTIONS  
FOR THE YEAR ENDED MAY 31, 2019**

**NYSERS PENSION PLAN**

	<u>5/31/2019</u>	<u>5/31/2018</u>	<u>5/31/2017</u>	<u>5/31/2016</u>
Contractually Required Contribution	\$ 314,121	\$ 308,473	\$ 363,941	\$ 427,883
Contributions in Relation to the Contractually Required Contribution	<u>314,121</u>	<u>308,473</u>	<u>363,941</u>	<u>427,883</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Village's Covered-Employee Payroll	 \$ 2,211,025	 \$ 2,173,877	 \$ 2,303,371	 \$ 2,300,570
Contribution as a Percentage of Covered- Employee Payroll	14.21%	14.19%	15.80%	18.60%

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

**VILLAGE OF POTSDAM**

**SCHEDULE OF VILLAGE CONTRIBUTIONS  
FOR THE YEAR ENDED MAY 31, 2019**

**NYSPPRS PENSION PLAN**

	<u>5/31/2019</u>	<u>5/31/2018</u>	<u>5/31/2017</u>	<u>5/31/2016</u>
Contractually Required Contribution	\$ 214,219	\$ 235,755	\$ 223,710	\$ 201,550
Contributions in Relation to the Contractually Required Contribution	<u>214,219</u>	<u>235,755</u>	<u>223,710</u>	<u>201,550</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Village's Covered-Employee Payroll	 \$ 901,550	 \$ 888,503	 \$ 906,863	 \$ 866,116
Contribution as a Percentage of Covered- Employee Payroll	23.76%	26.53%	24.67%	23.27%

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

**VILLAGE OF POTSDAM**

**SCHEDULE OF VILLAGE'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
FOR THE YEAR ENDED MAY 31, 2019**

**NYSERS PENSION PLAN**

	<u>5/31/2019</u>	<u>5/31/2018</u>	<u>5/31/2017</u>	<u>5/31/2016</u>
Village's Proportion of the				
Net Pension Liability (Asset)	0.007598%	0.007385%	0.008210%	0.008456%
Village's Proportionate Share of the				
Net Pension Liability (Asset)	\$ 538,305	\$ 238,359	\$ 771,384	\$ 1,357,144
Village's Covered-Employee Payroll	\$ 2,211,025	\$ 2,173,877	\$ 2,303,371	\$ 2,300,570
Village's Proportionate Share of the				
Net Pension Liability (Asset) as a Percentage				
of its Covered-Employee Payroll	24.35%	10.96%	33.49%	58.99%
Plan Fiduciary Net Position as a Percentage				
of the Total Pension Liability	96.27%	98.24%	94.70%	90.70%

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

**VILLAGE OF POTSDAM**

**SCHEDULE OF VILLAGE'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
FOR THE YEAR ENDED MAY 31, 2019**

**NYSPPRS PENSION PLAN**

	<u>5/31/2019</u>	<u>5/31/2018</u>	<u>5/31/2017</u>	<u>5/31/2016</u>
Village's Proportion of the				
Net Pension Liability (Asset)	0.0340661%	0.0363574%	0.0349400%	0.0365088%
Village's Proportionate Share of the				
Net Pension Liability (Asset)	\$ 571,310	\$ 367,485	\$ 724,185	\$ 1,080,947
Village's Covered-Employee Payroll	\$ 901,550	\$ 888,503	\$ 906,863	\$ 866,116
Village's Proportionate Share of the				
Net Pension Liability (Asset) as a Percentage				
of its Covered-Employee Payroll	63.37%	41.36%	79.86%	124.80%
Plan Fiduciary Net Position as a Percentage				
of the Total Pension Liability	95.09%	96.93%	93.50%	90.20%

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

**VILLAGE OF POTSDAM**

**COMBINING BALANCE SHEET  
SPECIAL REVENUE FUNDS  
MAY 31, 2019**

	SPECIAL GRANT FUND	WATER FUND	SEWER FUND	HYDRO- ELECTRIC FUND	WASTE DISPOSAL FUND	RECREATION FUND	TOTAL
<b>ASSETS</b>							
Unrestricted Cash	\$ 686,159	\$ 617,426	\$ 381,458	\$ -	\$ 33,979	\$ 109,652	\$ 1,828,674
Restricted Cash	-	102,603	-	-	-	-	102,603
Accounts Receivable	77,427	108,326	106,533	-	16,839	3,218	312,343
Other Receivables	137,166	-	-	-	-	-	137,166
Due From Other Funds	8,255	30,702	72,038	-	18,805	-	129,800
Prepaid Expenditures	-	-	-	-	2,384	-	2,384
<b>TOTAL</b>	<b>\$ 909,007</b>	<b>\$ 859,057</b>	<b>\$ 560,029</b>	<b>\$ -</b>	<b>\$ 72,007</b>	<b>\$ 112,870</b>	<b>\$ 2,512,970</b>
<b>LIABILITIES AND FUND BALANCE</b>							
<b>LIABILITIES</b>							
Accounts Payable	\$ -	\$ 14,734	\$ 52,953	\$ 1,500	\$ 17,242	\$ 2,795	\$ 89,224
Due To Other Funds	-	-	-	167,692	-	-	167,692
Total Liabilities	-	14,734	52,953	169,192	17,242	2,795	256,916
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>137,166</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>137,166</b>
<b>FUND BALANCE</b>							
Restricted	-	102,603	-	-	-	-	102,603
Assigned	-	-	-	-	21,189	-	21,189
Unassigned	771,841	741,720	507,076	(169,192)	33,576	110,075	1,995,096
Total Fund Balance	771,841	844,323	507,076	(169,192)	54,765	110,075	2,118,888
<b>TOTAL</b>	<b>\$ 909,007</b>	<b>\$ 859,057</b>	<b>\$ 560,029</b>	<b>\$ -</b>	<b>\$ 72,007</b>	<b>\$ 112,870</b>	<b>\$ 2,512,970</b>

See Notes to Financial Statements.

**VILLAGE OF POTSDAM**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED MAY 31, 2019**

	SPECIAL GRANT FUND	WATER FUND	SEWER FUND	HYDRO- ELECTRIC FUND	WASTE DISPOSAL FUND	RECREATION FUND	TOTAL
<b>REVENUES</b>							
Departmental Income	\$ 7,269	\$ 1,510,636	\$ 1,601,564	\$ 197,612	\$ 228,182	\$ 91,254	\$ 3,636,517
Intergovernmental Charges	-	-	-	-	-	184,461	184,461
Use of Money	10,574	1,917	244	-	62	-	12,797
Sale of Equipment	-	273	1,473	-	-	-	1,746
Miscellaneous Income	290	-	1,000	-	25	-	1,315
State Aid	64,227	9,900	-	-	-	-	74,127
Total Revenues	<u>82,360</u>	<u>1,522,726</u>	<u>1,604,281</u>	<u>197,612</u>	<u>228,269</u>	<u>275,715</u>	<u>3,910,963</u>
<b>EXPENDITURES</b>							
General Government Support	-	73,765	20,439	-	-	-	94,204
Home and Community Service	56,660	886,535	933,427	67,160	219,170	-	2,162,952
Culture and Recreation	-	-	-	-	-	286,503	286,503
Employee Benefits	-	271,591	252,063	16,548	-	106,007	646,209
Debt Service	-	180,680	305,352	266,144	-	50,151	802,327
Total Expenditures	<u>56,660</u>	<u>1,412,571</u>	<u>1,511,281</u>	<u>349,852</u>	<u>219,170</u>	<u>442,661</u>	<u>3,992,195</u>
<b>Other Financing Sources and Uses</b>							
Operating Transfers In	-	-	-	98,503	-	179,961	278,464
Operating Transfers (Out)	-	-	-	-	-	-	-
Total Other Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,503</u>	<u>-</u>	<u>179,961</u>	<u>278,464</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	25,700	110,155	93,000	(53,737)	9,099	13,015	197,232
<b>FUND BALANCE - Beginning of Year</b>	<u>746,141</u>	<u>734,168</u>	<u>414,076</u>	<u>(115,455)</u>	<u>45,666</u>	<u>97,060</u>	<u>1,921,656</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 771,841</u>	<u>\$ 844,323</u>	<u>\$ 507,076</u>	<u>\$ (169,192)</u>	<u>\$ 54,765</u>	<u>\$ 110,075</u>	<u>\$ 2,118,888</u>

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

VILLAGE OF POTSDAM

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED MAY 31, 2019

<u>PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>AGENCY OR PASS-THROUGH NUMBER</u>	<u>EXPENDITURES</u>
<b>U. S. Department of Housing and Urban Development</b>			
Wastewater Treatment	14.228	NYS Community Development Block Grant; Pass-through Number 947PR179-16	\$ <u>750,000</u>
<b>U. S. Department of Transportation</b>			
Airport Improvement	20.106	3-36-0099-033-2017	13,650
Airport Improvement	20.106	3-36-0099-034-2018	<u>103,924</u>
			<u>117,574</u>
<b>TOTAL ALL PROGRAMS</b>			\$ <u><u>867,574</u></u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**VILLAGE OF POTSDAM**  
**NOTES TO SCHEDULE OF**  
**EXPENDITURES OF FEDERAL AWARDS**  
**MAY 31, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards 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. 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 is presented in accordance with 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

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 indirect costs.

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

The Village has elected not to use the 10 percent de minimus indirect cost rate as allowed under the uniform Guidance.

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

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 reporting system.

**NOTE 2 - SUBRECIPIENTS**

No amounts were provided to subrecipients.

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



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
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Board of Trustees  
Village of Potsdam, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Potsdam, New York, as of and for the year ended May 31, 2019, and the related notes to the financial statements, which collectively comprise Village of Potsdam, New York's basic financial statements, and have issued our report thereon dated October 5, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Village of Potsdam, New York's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village'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 Village's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village of Potsdam'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 determination of financial statement amounts. 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 Village'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 Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Pmto Mucinski Hooper Van House & Co.  
Certified Public Accountants, P.C.

October 5, 2020

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



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

Board of Trustees  
Village of Potsdam, New York

**Report on Compliance for Each Major Federal Program**

We have audited Village of Potsdam, New York's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Village's major federal programs for the year ended May 31, 2019. The Village's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Village's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Village's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Village of Potsdam, 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 each of its major federal programs for the year ended May 31, 2019.

## Report on Internal Control Over Compliance

Management of Village of Potsdam, New York, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Village's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over compliance.

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

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

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.

  
Pruthi Trucinski Hoopes Van House & Co.  
Certified Public Accountants, P.C.

October 5, 2020

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**VILLAGE OF POTSDAM, NEW YORK**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED MAY 31, 2019**

**SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unmodified opinion on the financial statements of Village of Potsdam, New York.
2. No deficiencies were disclosed during the audit of the financial statements as reported in the 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*.
3. No instances of noncompliance material to the financial statements of Village of Potsdam, New York, which would be required to be reported in accordance with *Government Auditing Standards* was disclosed during the audit.
4. There were no control deficiencies in internal control over major federal award programs disclosed during the audit or reported in the Report on Compliance for each Major Program and the Report on Internal Control over Compliance.
5. The auditor's report on compliance for the major federal award programs for Village of Potsdam, New York, expresses an unmodified opinion on the major federal programs.
6. There are no audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a).
7. The program tested as a major program was the United States Department of Housing and Urban Development Wastewater Treatment, Federal CFDA # 14.228.
8. The threshold for distinguishing Type A and B programs was \$ 750,000.
9. Village of Potsdam, New York was determined to be a high-risk auditee.

**FINDINGS - FINANCIAL STATEMENTS AUDIT**

NONE

**FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS  
AUDIT**

NONE