

NEW ISSUE

BOND ANTICIPATION NOTES

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

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

\$1,077,380
VILLAGE OF POTSDAM
ST. LAWRENCE COUNTY, NEW YORK
GENERAL OBLIGATIONS
\$1,077,380 Bond Anticipation Notes, 2025 (Renewals)
(Referred to herein as the "Notes")

Dated: September 17, 2025

Due: September 17, 2026

The Notes 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 Notes and interest thereon, subject to applicable statutory limitations. See "NATURE OF THE OBLIGATION" and "TAX LEVY LIMITATION LAW" herein.

The Notes will be subject to optional redemption prior to maturity. (See "THE NOTES – Optional Redemption" herein.) Interest on the Notes will be calculated on a 30-day month and a 360-day year basis and will be payable at maturity, or early redemption date, on or after on or after December 17, 2025, upon 20 days' written notice..

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

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

If the Notes are issued in book-entry-only form, such notes will be delivered to DTC, which will act as securities depository for the Notes. Beneficial owners will not receive certificates representing their interest in the Notes. Individual purchases may be made in denominations of \$5,000 or integral multiples thereof, except for one odd denomination of \$7,380 as may be determined by successful bidder(s). A single note certificate will be issued for those Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Principal of and interest on said Notes will be paid in Federal Funds by the Village to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the beneficial owners of the Notes as described herein. Transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The Village will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. (See "BOOK-ENTRY-ONLY SYSTEM" herein).

The Notes are offered when, as and if issued and received by the purchaser(s) and subject to the receipt of the approving legal opinion as to the validity of the Notes of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, of New York City. It is anticipated that the Notes will be available for delivery through the facilities of DTC located in Jersey City, New Jersey, or at such place as may be agreed upon with the purchaser(s), on or about September 17, 2025.

ELECTRONIC BIDS for the Notes must be submitted on Fiscal Advisors Auction website ("Fiscal Advisors Auction") accessible via www.fiscaladvisorsauction.com, on September 3, 2025 by no later than 10:30 A.M. ET. Bids may also be submitted by facsimile at (315) 930-2354. No other form of electronic bidding services will be accepted. No phone bids will be accepted. Once the bids are communicated electronically via Fiscal Advisors Auction or via facsimile to the Village, each bid will constitute an irrevocable offer to purchase the Notes pursuant to the terms provided in the Notice of Sale for the Notes.

September __, 2025

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

VILLAGE OF POTSDAM
ST. LAWRENCE COUNTY, NEW YORK



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No dealer, broker, salesman or other person has been authorized by the Village of Potsdam to give any information or to make any representations other than those contained in this Official Statement; and if given or made, such other information or representations must not be relied upon as having been authorized by the Village of Potsdam. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the Village of Potsdam from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness. The information 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 since the date thereof.

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PREPARED WITH THE ASSISTANCE OF



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OFFICIAL STATEMENT
of the
VILLAGE OF POTSDAM
ST. LAWRENCE COUNTY, NEW YORK

Relating to
\$1,077,380 Bond Anticipation Notes, 2025 (Renewals)
(BANK QUALIFIED) (CALLABLE)

This Official Statement, which includes the cover page and appendices, 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 its aggregate principal amount of \$1,077,380 Bond Anticipation Notes, 2025 (Renewals) (referred to herein as the “Notes”).

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

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

THE NOTES

Description of the Notes

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

The Notes are dated September 17, 2025 and will mature on September 17, 2026, with the option of prior redemption as described herein under “Optional Redemption”. Interest will be calculated on a 30-day month and 360-day year basis, payable at maturity.

The Notes will be issued in either (i) at the option of the purchaser(s), as registered notes, and, if so issued, registered in the name of Cede & Co. as nominee of The Depository Trust Company (“DTC”), New York, New York, which will act as the securities depository for the Notes. Under this option, payment of the principal of and interest on the Notes to the Beneficial Owner(s) of the Notes will be made by DTC Participants and Indirect Participants in accordance with standing instructions and customary practices. Payment will be the responsibility of the DTC, subject to any statutory and regulatory requirements as may be in effect from time to time. See “BOOK-ENTRY-ONLY SYSTEM” herein; or (ii) registered in the name of the purchaser(s) with principal and interest payable in Federal Funds at the office of the Village Clerk, in Potsdam, New York.

Optional Redemption

The Notes will be subject to redemption prior to maturity at the option of the Village on or after December 17, 2025 at par (100%) plus accrued interest to the date of redemption, upon 20 days’ written notice.

Purpose of Issue

The Notes are being issued pursuant to the Constitution and statutes of the State including among others, the Village Law, the Local Finance Law and a bond resolution adopted by the Board of Trustees of the Village on May 28, 2024 authorizing the issuance of \$1,077,380 Bonds of the Village to pay the cost of a water service lateral inventory.

On September 25, 2024 the Village issued \$1,077,380 bond anticipation notes as the initial borrowing for the aforementioned project. The proceeds of the Notes will fully redeem and renew the outstanding \$1,077,380 bond anticipation notes that mature on September 18, 2025.

NATURE OF THE OBLIGATION

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

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

The Notes will be general obligations of the Village and will contain a pledge of the faith and credit of the Village for the payment of the principal thereof and the interest thereon as required by the Constitution and laws of the State. For the payment of such principal and interest, the Village has power and statutory authorization to levy ad valorem taxes on all real property within the Village subject to such taxation by the Village, subject to applicable statutory limitations.

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

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

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

“A pledge of the City’s faith and credit is both a commitment to pay and a commitment of the City’s revenue generating powers to produce the funds to pay. Hence, an obligation containing a pledge of the City’s “faith and credit” is secured by a promise both to pay and to use in good faith the City’s general revenue powers to produce sufficient funds to pay the principal and interest of the obligation as it becomes due. That is why both words, “faith” and “credit” are used and they are not tautological. That is what the words say and this is what the courts have held they mean... So, too, although the Legislature is given the duty to restrict municipalities in order to prevent abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the City’s power to levy taxes on real estate for the payment of interest on or principal of indebtedness previously contracted... While phrased in permissive language, these provisions, when read together with the requirement of the pledge and faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded”.

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

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

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

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

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

BOOK-ENTRY-ONLY SYSTEM

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

DTC, a limited-purpose trust company organized under the New York Banking Law, is a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 110 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

Redemption notices shall be sent to DTC. If less than all of the Notes 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.

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the Village, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment, principal and interest to DTC is the responsibility of the Village, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

Source: The Depository Trust Company.

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

THE 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 OR ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE NOTES, (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE NOTES.

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

Certificated Notes under Certain Circumstances

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

The Notes will be issued in denominations of \$5,000 or integral multiples thereof, except for one odd denomination of \$7,380 as may be determined by successful bidder(s). Interest on the Notes will remain payable at maturity. Principal of and interest on the Notes will be payable at a principal corporate trust office of a bank or trust company located and authorized to do business in the State to be named as fiscal agent by the Village. The Notes will not be subject to optional redemption prior to maturity.

THE VILLAGE

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 2020 estimated population of 8,312. 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 Boutique Air or the City of Ogdensburg Airport which is served by Contour Air.

The Village is primarily a residential community in nature. Residents are engaged 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 have declined post-pandemic but otherwise is stable.

Source: Village officials.

Recent Economic Developments

The following projects have recently 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. Completed October 2024.
- 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. The Village is in the process of planning and design for the DRI project slated to start Fall 2025. Brooks Street project is completed. The Vecino Group is trying to get approved for a PILOT to renovate the Old Congdon Hall located next to the Quarry.

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
2020	8,312	108,505	20,201,249
2023 (estimated)	8,436	106,940	19,571,216

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	746
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 2006-2010, 2016-2020, and 2019-2023 American Community Survey 5-Year Estimates.

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>2006-2010</u>	<u>2016-2020</u>	<u>2019-2023</u>	<u>2006-2010</u>	<u>2016-2020</u>	<u>2019-2023</u>
Village of:						
Potsdam	\$ 16,384	\$ 16,960	21,053	\$ 55,072	\$ 95,341	\$ 74,982
County of:						
St. Lawrence	20,143	26,676	31,574	50,384	66,843	80,918
State of:						
New York	30,948	40,898	49,520	67,405	87,270	105,060

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

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

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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 of St. Lawrence. The information set forth below with respect to the County and the State of New York is included for information purposes only. It should not be inferred from the inclusion of such data in this Official Statement that the County or State is necessarily representative of the Village, or vice versa.

	<u>Annual Averages</u>						
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
St. Lawrence County	5.6%	5.4%	7.7%	5.1%	4.1%	4.3%	4.6%
New York State	4.1	3.9	9.8	7.1	4.3	4.1	4.3

	<u>2025 Monthly Figures</u>							
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>
St. Lawrence County	5.7%	5.6%	5.2%	4.2%	3.9%	4.3%	N/A	N/A
New York State	4.6%	4.3%	4.1%	3.6%	3.5%	3.8%	N/A	N/A

Note: Certain unemployment rates for July and August 2025 are unavailable as of the date of this Official Statement.

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

Form of 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.

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.

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. In its budget for the Fiscal Year Ending May 31, 2025, approximately 4.31% of the revenues of the Village are estimated to be received in the form of State aid. If the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the Village, in any year, the Village may be affected by a delay in the receipt of State aid until sufficient State taxes have been received by the State to make State aid payments. Additionally, if the State should not adopt its budget in a timely manner, as is the case this year, municipalities and school districts in the State, including the Village, may be affected by a delay in the payment of State aid.

The State is not constitutionally obligated to maintain or continue State aid to the 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.

Employees

The Village provides services through approximately 88 full-time employees, 40 of whom are represented by unions as follows:

<u>Number of Employees</u>	<u>Bargaining Unit</u>	<u>Contract Expiration Date</u>
15	Teamster's Local 687	May 31, 2029
25	CSEA Local 1000	May 31, 2027

Source: Village officials.

Status and Financing of Employee Pension Benefits

Substantially all employees of the Village are members of the New York State and Local Employees' Retirement System ("ERS") 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 2020 fiscal year have been as follows:

<u>Fiscal Year</u>	<u>ERS</u>	<u>PFRS</u>
2020	\$ 292,703	\$ 210,013
2021	312,053	242,115
2022	359,890	279,423
2023	277,268	279,906
2024	200,000	400,000
2025 (Budgeted)	398,000	384,832

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 (2021 to 2026) is shown below:

<u>Year</u>	<u>ERS</u>	<u>PFRS</u>
2021	14.6%	24.4%
2022	16.2	28.3
2023	11.6	27.0
2024	13.1	27.8
2025	15.2	31.2
2026	16.5	33.7

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 2023-2024 and 2024-2025 fiscal years, by source.

	Balance beginning at June 1:	2023	2024
		\$ 20,722,883	\$ 20,722,883
Changes in Net OPEB Liability:			
Service cost		675,572	675,572
Interest		818,484	818,484
Differences between expected and actual experience		652,390	652,390
Changes in assumptions or other inputs		(157,974)	(157,974)
Changes of benefit terms		(5,072,601)	(5,072,601)
Benefit payments		(823,352)	(823,352)
Net Changes		\$ (3,907,481)	\$ (3,907,481)
	Balance ending at May 31:	2024	2025
		\$ 16,815,402	\$ 16,815,402

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 and unaudited Annual Financial Report for the fiscal years ending May 31, 2024, and May 31, 2025 are currently not available however will be posted to the MSRB EMMA website promptly upon completion. The Village’s audited financial statements for the fiscal year ending May 31, 2023 are available and attached hereto as “APPENDIX-C”. 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.

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 three most recent fiscal years of the Village are as follows:

<u>Year</u>	<u>Stress Designation</u>	<u>Fiscal Score</u>
2024	Not Filed	-
2023	Not Filed	-
2022	Not Filed	-

Fiscal Stress Scores for fiscal year ending May 31, 2025 have not been calculated for the Village as of the date of this Official Statement. The Village is working with a new accounting firm to timely file annual reports with the State Comptroller.

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.

There are no 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.

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.

The Village is in compliance with the estoppel procedure as recommended by Bond Counsel.

TAX INFORMATION

Taxable Valuations

<u>Village Tax Roll for Budget Year:</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Taxable Assessed Valuation	\$ 216,849,889	\$ 221,934,116	\$ 222,726,854	\$ 222,876,566	\$ 226,144,072
New York State Equalization Rate	94.00%	90.00%	84.00%	74.00%	69.00%
Total Taxable Full Valuation	\$ 230,691,371	\$ 246,593,462	\$ 265,151,017	\$ 301,184,549	\$ 327,745,032

Tax Rate Per \$1000 (Assessed)

<u>Village Tax Roll for Budget Year:</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
General	\$ 18.29	\$ 18.29	\$ 17.16	\$ 17.48	\$ 17.70

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 1st and the second installment is due by August 1st. 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.

Tax Levy and Tax Collection Record

<u>Fiscal Year Ending May 31:</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Total Tax Levy	\$ 3,965,218	\$ 4,058,185	\$ 3,979,917	\$ 3,896,392	\$ 4,647,924
Amount Uncollected ⁽¹⁾	134,159	281,831	243,049	-	-
% Uncollected	3.38%	6.94%	6.11%	0.00%	0.00%

⁽¹⁾ See "Tax Collection Procedure" herein.

Note: Uncollected Amount for 2025 is unavailable as of this Official Statement.

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

<u>Name</u>	<u>Type</u>	<u>Taxable Assessed Valuation</u>
Affinity Potsdam Properties	Developer	\$13,730,435
National Grid	Utility	10,626,192
Lowe's Home Centers, Inc.	Retail	8,405,797
Lawrence Ave Comm. Partners	Apartments	7,452,754
Potsdam Hotel Association LLC	Developer	5,869,565
Meadow East	Apartments	3,416,812
Verizon	Telecom	3,066,377
GBR Market Street Limited	Retail	2,608,696
Maple Street Development	Pharmacy	2,173,913
JR Weston Inc.	Hotels	1,282,609

The ten larger taxpayers listed above have a total taxable assessed valuation of \$58,633,150, which represents 26.31% 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 reasonably expected to have a material impact on the financial condition of the Village.

Source: Village Tax Rolls.

Sales Tax Comparison

Sales distribution is a function of St. Lawrence 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 has been increased from 7% to 8%, which will remain in effect until November 30, 2027. 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. The legislation was given an immediate effective date upon passage, ensuring the existing rate would continue without interruption until November 30, 2027

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>
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	1,400,000	1,701,222
2023	1,550,000	1,781,490
2024	1,800,000	1,749,903
2025	1,800,000	1,912,512
2026 (Budgeted)	1,926,000	465,012 ⁽¹⁾

⁽¹⁾ Sales Tax Collected as of August 1, 2025

Source: Village officials.

Constitutional Tax Margin

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

<u>Fiscal Year Ending May 31:</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Five Year Average Full Valuation.....	\$ 239,744,895	\$ 254,776,980	\$ 274,273,086
Tax Limit - (2%).....	4,794,898	5,095,540	5,485,462
Total Additions.....	567,918	520,006	1,571,834
Total Taxing Power.....	\$ 5,362,816	\$ 5,615,546	\$ 7,057,296
Total Levy for General Village Purposes.....	3,822,783	3,896,392	4,647,924
Constitutional Tax Margin.....	<u>\$ 1,540,033</u>	<u>\$ 1,719,154</u>	<u>\$ 2,409,372</u>

Source: Village officials.

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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 \$5,011 including State, County, Town, School District and Fire District taxes.

TAX LEVY LIMITATION LAW

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

The Tax Levy Limitation Law restricts, among other things, the amount of real property taxes (including assessments of certain special improvement districts) that may be levied by or on behalf of a municipality in a particular year, beginning with fiscal years commencing on or after January 1, 2012. Pursuant to the Tax Levy Limitation Law, the tax levy of a municipality cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the consumer price index ("CPI"), over the amount of the prior year's tax levy. Certain adjustments would be permitted for taxable real property full valuation increases due to changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A municipality may exceed the tax levy limitation for the coming fiscal year only if the governing body of such municipality first enacts, by at least a sixty percent vote of the total voting strength of the board, a local law (resolution in the case of fire districts and certain special districts) to override such limitation for such coming fiscal year only. There are exceptions to the tax levy limitation provided in the Tax Levy Limitation Law, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees' Retirement System, the Police and Fire Retirement System, and the Teachers' Retirement System. Municipalities are also permitted to carry forward a certain portion of their unused levy limitation from a prior year. Each municipality prior to adoption of each fiscal year budget must submit for review to the State Comptroller any information that is necessary in the calculation of its tax levy for each fiscal year.

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

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

STATUS OF INDEBTEDNESS

Constitutional Requirements

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

Purpose and Pledge. Subject to certain enumerated exceptions, the Village shall not give or loan any money or property to or in aid of any individual, private corporation or private undertaking or give or loan its credit to or in aid of any foreign or public corporation. The Village may contract indebtedness only for a Village purpose and shall pledge its faith and credit for the payment of the principal of any interest thereon.

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute; no installment may be more than fifty per centum in excess of the smallest prior installment, unless substantially level or declining debt service is utilized. The Village is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and such required annual installments on its bonds.

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

Pursuant to Article VIII of the State Constitution and Title 9 of Article 2 of the Local Finance Law, the debt limit of the Village is calculated by taking 7% of the latest five-year average of the full valuation of all taxable real property.

Statutory Procedure

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

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

The Local Finance Law also provides that when a bond resolution is published with a statutory form of notice, the validity of the bonds authorized thereby, including bond anticipation notes issued in anticipation of the sale thereof, may be contested only if:

- (1) Such obligations are authorized for a purpose for which the Village is not authorized to expend money, or
- (2) There has not been substantial compliance with the provisions of law which should have been complied with in the authorization of such obligations, and
- (3) An action contesting such validity, is commenced within twenty days after the date of such publication, or,

Such obligations are authorized in violation of the provisions of the Constitution.

The Village generally issues its obligations after the time period specified in 3, above has expired with no action filed that has contested validity. It is a procedure that is recommended by Bond Counsel and followed by the Village, but it is not an absolute legal requirement.

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

Statutory law in New York permits bond anticipation notes to be renewed each year provided annual principal installments are made in reduction of the total amount of such bonds outstanding, commencing no later than two years from the date of the first of such bonds and provided that such renewals do not exceed five years beyond the original date of borrowing. (See "Payment and Maturity" under "Constitutional Requirements" herein.)

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

Debt Outstanding End of Fiscal Year

<u>Fiscal Years Ending May 31st:</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Bonds	\$ 2,414,625	\$ 16,894,680	\$ 16,141,135	\$ 15,347,590	\$ 14,549,045
Bond Anticipation Notes	0	0	0	0	1,077,380
Revenue Anticipation Notes	0	0	0	0	0
EFC Short-Term Financing	12,374,744	0	0	0	0
Installment Purchase Contracts ⁽¹⁾	<u>359,888</u>	<u>233,986</u>	<u>106,595</u>	<u>67,576</u>	<u>33,788</u>
Total Debt Outstanding	<u>\$ 14,966,707</u>	<u>\$ 15,149,257</u>	<u>\$ 17,128,666</u>	<u>\$ 16,247,730</u>	<u>\$ 15,660,213</u>

(1) See “Installment Purchase Obligations” herein. Does not constitute general obligation debt, but does count toward the Village’s debt limit

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the Village evidenced by bonds and notes as of August 28, 2025:

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Amount</u>
Bonds	2024-2051	\$ 14,319,045
Bond Anticipation Notes	September 18, 2025	<u>1,077,380</u> ⁽¹⁾
Total Indebtedness		<u>\$ 15,396,425</u>

(1) To be fully redeemed and renewed with the proceeds of the Notes

Debt Statement Summary

Statement of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of August 28, 2025:

Five-Year Average Full Valuation of Taxable Real Property	\$ 274,273,086
Debt Limit - 7% thereof	19,199,116

Inclusions:

Bonds.....	\$ 14,319,045	
Bond Anticipation Notes	<u>1,077,380</u>	
Total Inclusions.....		<u>\$ 15,396,425</u>

Exclusions:

Appropriations.....	\$ 35,925	
Water Debt ⁽¹⁾	3,065,000	
Sewer Debt ⁽²⁾	<u>10,468,120</u>	
Total Exclusions.....		<u>\$ 13,569,045</u>

Total Net Indebtedness Subject to Debt Limit.....	<u>\$ 1,827,380</u>
Net Debt-Contracting Margin.....	<u>\$ 17,371,736</u>
Percent of Debt Contracting Power Exhausted.....	9.52%

(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.

Note: Debt Limit calculation does not include installment purchase contracts, which although not general obligation debt, do count toward the Debt Limit. See “Installment Purchase Obligations” herein. While the installment purchase contracts do count toward the debt limit, they do not materially affect the debt limit calculations.

Bonded Debt Service

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

Cash Flow Borrowings

The Village has not issued revenue anticipation notes, tax anticipation notes, nor deficiency or budget notes in the recent past, and has no plans to borrow for such notes in the foreseeable future.

Installment Purchase Obligations

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 at an annual interest rate of 3.22%:

<u>Fiscal Year Ending</u>	<u>Total</u>
2026	<u>33,788</u>
Total	<u>\$ 33,788</u>

Source: Village officials. Table itself not audited.

Capital Project Plans and Authorized Unissued Debt

The Village has been approved for a Downtown Revitalization Initiative grant in the amount of \$4.5 million for the construction of streetscape enhancement and Riverwalk Trail. A timeline for construction has not yet been established.

On May 28, 2024 the Trustees of the Village approved a resolution authorizing the issuance of \$2,420,000 bonds of the Village to finance the construction of improvements to raise and protect sewer main across the Raquette River. A timeline for the construction has not yet been established.

As of the date of this Official Statement there are no other planned capital projects or authorized and unused debt aside from the purpose of this issuance and that which is stated above.

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> ⁽¹⁾	<u>Estimated Exclusions</u>	<u>Net Indebtedness</u>	<u>Village Share</u>	<u>Applicable Indebtedness</u>
County of:						
St. Lawrence	6/30/2025	\$ 19,800,000 ⁽³⁾	\$ 470,000 ⁽²⁾	\$ 19,330,000	3.98%	\$ 769,798
Town of:						
Potsdam	7/2/2025	2,581,923 ⁽³⁾	1,274,965 ⁽²⁾	1,306,958	48.88%	638,841
School District:						
Potsdam	7/2/2025	28,642,500 ⁽³⁾	24,517,980 ⁽⁴⁾	4,124,520	39.30%	<u>1,620,936</u>
					Total:	<u>\$ 3,029,575</u>

⁽¹⁾ Not adjusted to include subsequent issuances, if any, from the date of the status of indebtedness stated in the table above for each respective municipality.

⁽²⁾ Water debt, sewer debt and budgeted appropriations as applicable to the respective municipality. Water Indebtedness excluded pursuant to Article VIII, Section 5B of the New York State Constitution. Sewer Indebtedness excluded pursuant to Article VIII, Section 5E of the New York State Constitution, as further prescribed under section 124.10 of the Local Finance Law. Appropriations are excluded pursuant to Section 136.00 of the Local Finance Law.

⁽³⁾ Gross Indebtedness, Exclusions, and Net Indebtedness sourced from annual financial information & operating data filings and/or official statements of the respective municipality.

⁽⁴⁾ Estimated State Building Aid.

Debt Ratios

The following table sets forth certain ratios relating to the Village's net indebtedness as of August 28, 2025:

	<u>Amount</u>	<u>Per Capita</u> ^(a)	<u>Percentage of Full Value</u> ^(b)
Net Indebtedness ^(c)	\$ 1,827,380	\$ 216.62	0.56%
Net Indebtedness Plus Net Overlapping Indebtedness ^(d)	4,856,955	575.74	1.48

- (a) The 2023 estimated population of the Village is 8,436. (See "THE VILLAGE – Population Trends" herein.)
(b) The Village's full value of taxable real estate for its 2025-26 tax roll is \$327,745,032. (See "TAX INFORMATION" herein.)
(c) See "Debt Statement Summary" herein.
(d) Estimated net overlapping indebtedness is \$3,832,844. (See "Estimated Overlapping Indebtedness" herein.)

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

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

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

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

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

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

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

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

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

At the Extraordinary Session of the State Legislature held in November, 1975, legislation was enacted which purported to suspend the right to commence or continue an action in any court to collect or enforce certain short-term obligations of The City of New York. The effect of such act was to create a three-year moratorium on actions to enforce the payment of such obligations. On November 29, 1976, the Court of Appeals, the State's highest court, declared such act to be invalid on the ground that it violates the provisions of the State Constitution requiring a pledge by such Village of its faith and credit for the payment of obligations.

As a result of the Court of Appeals decision in *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law, described below, enacted at the 1975 Extraordinary Session of the State legislature authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the Village.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MARKET AND RISK FACTORS

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

The financial and economic condition of the Village as well as the market for the Notes could be affected by a variety of factors, some of which are beyond the Village's control. There can be no assurance that adverse events in the State and in other jurisdictions, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Notes. If a significant default or other financial crisis should occur in the affairs of the State or another jurisdiction or any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the Village to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Notes could be adversely affected.

The Village is dependent in part on financial assistance from the State. However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes and revenues in order to pay State aid to municipalities and school districts in the State, including the Village, in any year, the Village may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the Village. In some years, the Village has received delayed payments of State aid which resulted from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts, and consequent delay in State borrowing to finance such appropriations. (See also "THE VILLAGE - State Aid").

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

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

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

The Tax Levy Limitation Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the Village and continuing technical and constitutional issues raised by its enactment and implementation could have an impact upon the finances and operations of the Village and hence upon the market price of the Notes. See "TAX LEVY LIMITATION LAW" herein.

Cybersecurity

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

TAX MATTERS

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

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

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

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

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

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

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

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

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

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

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

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Notes are subject to the approving legal opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Bond Counsel'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 bonds or notes or the levy and collection of taxes or assessments to pay same, or in any way contesting or affecting the validity of bonds or notes or any proceedings or authority of the Village taken with respect to the authorization, issuance or sale of bonds or notes or contesting the corporate existence or boundaries of the Village.

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 an Undertaking to provide notice of certain Material Events, the description of which is attached hereto as “APPENDIX – C”.

Historical Continuing Disclosure Compliance

The Village has complied with all previous Undertakings in all material respects pursuant to the Rule within the past five years, however, the Village’s unaudited financial statements for the fiscal year ending May 31, 2019 were not available within six months of the fiscal year end. A failure to file notice was submitted to the MSRB EMMA System on December 5, 2019. The unaudited financial statements for the fiscal year ending on May 31, 2019 were subsequently filed to the MSRB EMMA System on January 2, 2020. The Village’s audited financial statements for the fiscal year ending May 31, 2019 were not filed by the last business day of the respective succeeding fiscal year which is May 31, 2020. The audited financial statements were dated October 5, 2020 and filed to the MSRB EMMA System on November 20, 2020. A failure to file notice was submitted to the MSRB EMMA system on October 12, 2021. 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’s audited financial statement for the fiscal year ended May 31, 2022 was not filed within 30 days of its date of completion based on the dated date of the audit (September 1, 2023) to the date the audit was filed to EMMA (November 1, 2023). The Village’s Audited Financial Statements for the fiscal year ending May 31, 2023 were not filed by the last business day of the respective succeeding fiscal year which was May 31, 2024. Additionally, the Village failed to timely file a material event notice stating its failure to provide its Audited Financial Statements for the fiscal year ending May 31, 2023 by the last business day of the respective succeeding fiscal year, a failure to file notice was filed on November 14, 2024. The Village is working with their auditor to improve turnaround time in order to file audited financial statements in a timely manner.

RATINGS

The Notes are NOT rated. Pending approval of the Village, the purchaser(s) of the Notes may choose to have a rating completed after the sale at the expense of the purchaser(s), including any fees to be incurred by the Village, as such rating action may result in a material event notification to be posted to EMMA and/or the provision of a supplement to the final Official Statement.

S&P has assigned its underlying rating of “A/Stable” to the Village’s outstanding serial 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, Public Finance Ratings, 55 Water Street, 38th Floor, New York, New York 10041, Phone: (212) 553-0038, Fax: (212) 553-1390.

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

MUNICIPAL ADVISOR

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

CUSIP IDENTIFICATION NUMBERS

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

MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion or estimates in good faith, no assurance can be given that the facts will materialize as so opined or estimated. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the holders of the Notes.

Statements in this Official Statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, which are based on the 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.

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

Orrick, Herrington & Sutcliffe LLP, New York, New York Bond Counsel to the Village, expressed 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 Notes, including but not limited to, the financial or statistical information in this Official Statement.

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

Concurrently with the delivery of the Notes, the Village will furnish a certificate to the effect that as of the date of the Official Statement, the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, subject to 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 Notes by the Village and may not be reproduced or used in whole or in part for any other purpose.

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

Fiscal Advisors & Marketing, Inc. may place a copy of this Official Statement on its website at www.fiscaladvisors.com. Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Fiscal Advisors & Marketing, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the 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's contact information is as follows: Erica Russell, Village Treasurer, Village of Potsdam, PO Box 5168, Potsdam, New York 13676, Phone (315) 265-7480 Ext. 3, Fax (315) 265-3149, Email: erussell@vi.potsdam.ny.us.

This Official Statement has been duly executed and delivered by the Village Treasurer of the Village of Potsdam, St. Lawrence County, New York.

VILLAGE OF POTSDAM

Dated: August 28, 2025

ERICA RUSSELL
VILLAGE TREASURER

APPENDIX - A
Village of Potsdam

GENERAL FUND

Balance Sheets

Fiscal Years Ending May 31st:	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<u>ASSETS</u>					
Unrestricted Cash	\$ 2,452,716	\$ 3,356,186	\$ 4,012,558	\$ 4,726,585	\$ 6,234,996
Restricted Cash	247,608	271,980	278,747	259,322	201,266
Accounts Receivable	1,391	637	-	1,894	-
Other Receivables	-	-	-	-	54,344
Due from Other Funds	168,906	168,906	168,905	118,361	96,101
Due From Other Governments	396,639	362,078	481,047	442,820	149,013
Inventory	33,108	28,520	33,465	15,597	-
Miscellaneous Current Assets	-	-	-	-	-
Prepaid Expenditures	-	-	45,000	-	-
TOTAL ASSETS	<u><u>\$ 3,300,368</u></u>	<u><u>\$ 4,188,307</u></u>	<u><u>\$ 5,019,722</u></u>	<u><u>\$ 5,564,579</u></u>	<u><u>\$ 6,735,720</u></u>
<u>LIABILITIES AND FUND EQUITY</u>					
Accounts Payable	\$ 25,606	\$ 21,144	\$ 13,540	\$ 17,798	\$ 66,872
Accrued Liabilities	-	270	83,258	555,173	24,673
Notes and Loans Payable	-	-	-	-	-
Long Term Debt Payable	-	-	-	-	-
Due to Other Funds	120,431	120,431	234,273	305,085	303,770
Due to Other Governments	-	-	-	-	-
Due to Retirement Systems	-	-	-	-	130,230
Unearned Revenue	-	-	-	-	865,863
Unavailable Revenue	-	-	-	-	-
TOTAL LIABILITIES	<u><u>146,037</u></u>	<u><u>141,845</u></u>	<u><u>331,071</u></u>	<u><u>878,056</u></u>	<u><u>1,391,408</u></u>
<u>FUND EQUITY</u>					
Nonspendable	\$ 200,800	\$ 196,212	\$ 191,624	\$ 106,350	\$ -
Restricted	247,608	271,980	278,747	259,322	201,266
Assigned	131,390	300,683	273,716	310,711	373,694
Unassigned	<u>2,574,533</u>	<u>3,277,587</u>	<u>3,944,564</u>	<u>4,010,140</u>	<u>4,769,352</u>
TOTAL FUND EQUITY	<u><u>3,154,331</u></u>	<u><u>4,046,462</u></u>	<u><u>4,688,651</u></u>	<u><u>4,686,523</u></u>	<u><u>5,344,312</u></u>
TOTAL LIABILITIES and FUND EQUITY	<u><u>\$ 3,300,368</u></u>	<u><u>\$ 4,188,307</u></u>	<u><u>\$ 5,019,722</u></u>	<u><u>\$ 5,564,579</u></u>	<u><u>\$ 6,735,720</u></u>

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

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending May 31st:	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
REVENUES					
Real Property Taxes	\$ 3,825,338	\$ 3,926,752	\$ 3,958,296	\$ 3,965,218	\$ 4,227,700
Real Property Tax Items	86,343	112,693	95,263	64,210	73,023
Non-Property Tax Items	1,547,375	1,598,610	1,770,217	1,839,409	1,917,646
Departmental Income	176,434	129,592	190,909	254,891	458,741
Intergovernmental Charges	175,818	178,597	108,542	180,578	196,095
Use of Money & Property	215,608	212,911	117,039	149,376	389,210
Sale of Equipment	14,510	4,134	4,040	7,489	430,460
Licenses and Permits	345,592	249,750	69,275	86,274	489,861
Fines and Forfeitures	94,603	20,244	36,970	42,494	26,339
Gifts and Donations	34,000	134,000	34,000	66,110	-
Interfund Revenues	-	-	-	-	-
Insurance Recoveries	-	38,308	411	-	-
Revenues from State Sources	440,641	249,699	231,863	637,570	420,388
Revenues from Federal Sources	49,372	27,733	123,268	139,160	155,672
Miscellaneous	2,542	4,630	45,641	22,869	34,220
Total Revenues	<u>\$ 7,008,176</u>	<u>\$ 6,887,653</u>	<u>\$ 6,785,734</u>	<u>\$ 7,455,648</u>	<u>\$ 8,819,355</u>
EXPENDITURES					
General Government Support	\$ 633,259	\$ 605,872	\$ 719,095	\$ 880,445	\$ 1,336,596
Public Safety	1,898,328	1,866,164	1,887,639	2,139,130	2,134,372
Health	584	2,936	3,185	2,723	16
Transportation	865,672	960,015	1,000,610	1,093,377	1,024,659
Economic Assistance and Opportunity	-	-	-	-	95,923
Culture and Recreation	160,466	220,327	173,803	657,712	197,702
Home and Community Services	284,970	134,430	124,667	104,936	655
Employee Benefits	1,935,516	1,827,824	1,852,023	2,196,930	2,164,081
Debt Service	-	-	-	-	-
Total Expenditures	<u>\$ 5,778,795</u>	<u>\$ 5,617,568</u>	<u>\$ 5,761,022</u>	<u>\$ 7,075,253</u>	<u>\$ 6,954,004</u>
Excess of Revenues Over (Under) Expenditures	<u>1,229,381</u>	<u>1,270,085</u>	<u>1,024,712</u>	<u>380,395</u>	<u>1,865,351</u>
Other Financing Sources (Uses):					
Operating Transfers In	-	-	-	-	12,000
Operating Transfers Out	<u>(278,464)</u>	<u>(377,954)</u>	<u>(382,525)</u>	<u>(382,523)</u>	<u>(851,565)</u>
Total Other Financing	<u>(278,464)</u>	<u>(377,954)</u>	<u>(382,525)</u>	<u>(382,523)</u>	<u>(839,565)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>950,917</u>	<u>892,131</u>	<u>642,187</u>	<u>(2,128)</u>	<u>1,025,786</u>
FUND BALANCE					
Fund Balance - Beginning of Year	2,203,414	3,154,330	4,046,461	4,688,651	4,686,523
Prior Period Adjustments (net)	-	-	3	-	(367,997) ⁽¹⁾
Fund Balance - End of Year	<u>\$ 3,154,331</u>	<u>\$ 4,046,461</u>	<u>\$ 4,688,651</u>	<u>\$ 4,688,653</u>	<u>\$ 5,344,312</u>

(1) The Village made correction of errors to certain May 31, 2022 balances. The changes were as follows:

- Annual payments to the pension systems were recorded on the cash basis of accounting.
- Sales tax receivable was not calculated correctly.
- Loans receivable did not agree to supporting schedules, nor were they fully deferred in the funds.
- Net pension asset/liability and related deferred outflows of resources were aggregated and did not agree to the notes or supporting documentation.

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:

	2023			2024	2025	2026
	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Audited Actual</u>	<u>Adopted Budget</u>	<u>Adopted Budget</u>	<u>Adopted Budget</u>
<u>REVENUES</u>						
Real Property Taxes	\$ 4,646,105	\$ 4,646,105	\$ 4,227,700	\$ 3,822,783	\$ 3,896,392	\$ 4,647,924
Real Property Tax Items	67,000	67,000	73,023	73,000	85,000	85,000
Non-Property Tax Items	1,695,000	1,695,000	1,917,646	1,955,000	1,950,000	2,063,000
Departmental Income	178,650	178,650	458,741	291,650	296,550	309,850
Intergovernmental Charges	100,000	100,000	196,095	182,700	226,200	215,001
Use of Money & Property	136,300	136,300	389,210	435,889	441,300	431,300
Sale of Equipment	1,000	1,000	430,460	1,000	3,000	17,500
Licenses and Permits	73,150	73,150	489,861	92,150	73,150	36,150
Fines and Forfeitures	35,000	35,000	26,339	35,000	30,000	44,501
Gifts and Donations	-	-	-	34,100	34,100	1
Insurance Recoveries	-	-	-	-	-	-
Revenues from State Sources	321,864	321,864	420,388	282,000	322,000	328,000
Revenues from Federal Sources	60,000	60,000	155,672	62,000	100,000	102,292
Miscellaneous	35,150	35,150	34,220	1,050	16,075	10,100
Total Revenues	<u>\$ 7,349,219</u>	<u>\$ 7,349,219</u>	<u>\$ 8,819,355</u>	<u>\$ 7,268,322</u>	<u>\$ 7,473,767</u>	<u>\$ 8,290,619</u>
<u>EXPENDITURES</u>						
General Government Support	\$ 1,581,192	\$ 1,581,192	\$ 1,336,596	\$ 1,561,475	\$ 1,581,929	\$ 1,979,104
Public Safety	2,166,791	2,166,791	2,134,372	2,233,082	2,325,008	2,329,474
Health	-	-	16	-	-	-
Transportation	1,049,917	1,049,917	1,024,659	1,167,074	1,094,202	1,009,082
Economic Assistance and Opportunity	102,414	102,414	95,923			
Culture and Recreation	200,720	200,720	197,702	200,530	377,391	289,736
Home and Community Services	820	820	655	108,488		
Employee Benefits	1,395,800	1,395,800	2,164,081	1,403,800	1,561,232	1,787,754
Debt Service	-	-	-	-	-	-
Total Expenditures	<u>\$ 6,497,654</u>	<u>\$ 6,497,654</u>	<u>\$ 6,954,004</u>	<u>\$ 6,674,449</u>	<u>\$ 6,939,762</u>	<u>\$ 7,395,150</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 851,565</u>	<u>\$ 851,565</u>	<u>\$ 1,865,351</u>	<u>\$ 593,873</u>	<u>\$ 534,005</u>	<u>\$ 895,469</u>
Other Financing Sources (Uses):						
Operating Transfers In	-	-	12,000	250,000	300,000	-
Operating Transfers Out	(851,565)	(851,565)	(851,565)	(843,873)	(834,005)	(895,469)
Other Budgetary Uses	-	-	-			
Total Other Financing	<u>(851,565)</u>	<u>(851,565)</u>	<u>(839,565)</u>	<u>(593,873)</u>	<u>(534,005)</u>	<u>(895,469)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>-</u>	<u>-</u>	<u>1,025,786</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>FUND BALANCE</u>						
Fund Balance - Beginning of Year, as restated	-	-	4,318,526	-	-	-
Prior Period Adjustments (net)	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,344,312</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Changes In Fund Equity

Fiscal Years Ending May 31st:	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<u>SPECIAL GRANT FUND</u>					
Fund Equity - Beginning of Year	\$ 746,141	\$ 771,841	\$ 831,126	\$ 838,112	\$ 847,874
Prior Period Adjustments (net)	-	-	-	-	(89,995)
Revenues & Other Sources	82,360	64,713	119,678	104,396	27,461
Expenditures & Other Uses	56,660	5,428	112,692	94,634	39,824
Fund Equity - End of Year	\$ 771,841	\$ 831,126	\$ 838,112	\$ 847,874	\$ 745,516
<u>WATER FUND</u>					
Fund Equity - Beginning of Year	\$ 734,168	\$ 844,325	\$ 1,001,027	\$ 1,291,795	\$ 134,877
Prior Period Adjustments (net)	-	-	-	-	-
Revenues & Other Sources	1,522,726	1,557,840	1,596,113	1,591,579	1,442,111
Expenditures & Other Uses	1,412,571	1,401,138	1,305,345	2,748,497	1,371,365
Fund Equity - End of Year	\$ 844,323	\$ 1,001,027	\$ 1,291,795	\$ 134,877	\$ 205,623
<u>SEWER FUND</u>					
Fund Equity - Beginning of Year	\$ 414,076	\$ 507,076	\$ 684,993	\$ 864,013	\$ 1,509,367
Prior Period Adjustments (net)	-	-	-	-	-
Revenues & Other Sources	1,604,281	1,594,647	1,566,111	2,755,997	1,532,624
Expenditures & Other Uses	1,511,281	1,416,730	1,387,091	2,110,643	2,164,940
Fund Equity - End of Year	\$ 507,076	\$ 684,993	\$ 864,013	\$ 1,509,367	\$ 877,051
<u>HYDRO-ELECTRIC FUND</u>					
Fund Equity - Beginning of Year	\$ (115,455)	\$ (169,192)	\$ (271,130)	\$ (372,365)	\$ (455,412)
Prior Period Adjustments (net)	-	-	-	-	-
Revenues & Other Sources	296,115	290,394	266,374	277,053	455,544
Expenditures & Other Uses	349,852	392,332	367,609	360,100	533,154
Fund Equity - End of Year	\$ (169,192)	\$ (271,130)	\$ (372,365)	\$ (455,412)	\$ (533,022)
<u>DISPOSAL FUND</u>					
Fund Equity - Beginning of Year	\$ 45,666	\$ 54,765	\$ 64,615	\$ 79,713	\$ 105,643
Prior Period Adjustments (net)	-	-	-	-	-
Revenues & Other Sources	228,269	230,598	229,219	209,217	188,786
Expenditures & Other Uses	219,170	220,748	214,121	183,287	200,115
Fund Equity - End of Year	\$ 54,765	\$ 64,615	\$ 79,713	\$ 105,643	\$ 94,314

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

APPENDIX - B
Village of Potsdam

BONDED DEBT SERVICE

Fiscal Year Ending May 31st	Principal	Interest	Total
2026	\$ 808,545	\$ 106,267	\$ 914,812
2027	782,620	92,847	875,467
2028	797,620	79,319	876,939
2029	807,620	65,340	872,960
2030	552,620	56,312	608,932
2031	552,620	52,433	605,053
2032	557,620	48,445	606,065
2033	522,620	44,331	566,951
2034	522,620	41,781	564,401
2035	522,620	39,231	561,851
2036	527,620	36,628	564,248
2037	527,620	33,972	561,592
2038	532,620	31,263	563,883
2039	537,620	28,447	566,067
2040	537,620	25,578	563,198
2041	542,620	22,656	565,276
2042	542,620	19,594	562,214
2043	547,620	16,388	564,008
2044	547,620	13,034	560,654
2045	552,620	9,531	562,151
2046	557,620	5,813	563,433
2047	557,620	1,938	559,558
2048	402,620	-	402,620
2049	402,620	-	402,620
2050	402,620	-	402,620
2051	402,620	-	402,620
TOTALS	\$ 14,549,045	\$ 871,147	\$ 15,420,192

CURRENT BONDS OUSTANDING

Fiscal Year Ending May 31st	2005 Renovation of the Arena			2011 Capital Project		
	Principal	Interest	Total	Principal	Interest	Total
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
TOTALS	\$ 35,925	\$ 1,778	\$ 37,703	\$ 245,000	\$ 44,198	\$ 289,198

Fiscal Year Ending May 31st	2016 Refunding of 2008 Serial Bonds			2021 EFC Wastewater Project		
	Principal	Interest	Total	Principal	Interest	Total
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
TOTALS	\$ 980,000	\$ 78,963	\$ 1,058,963	\$ 10,468,120	\$ -	\$ 10,468,120

CURRENT BONDS OUSTANDING

Fiscal Year Ending May 31st	2021		
	Improvements to and reconstruction of the East		
	Dam Hydroelectric facility		
	Principal	Interest	Total
2026	\$ 105,000	\$ 60,276	\$ 165,276
2027	105,000	58,176	163,176
2028	110,000	56,026	166,026
2029	110,000	53,826	163,826
2030	115,000	51,576	166,576
2031	115,000	49,276	164,276
2032	120,000	46,866	166,866
2033	120,000	44,331	164,331
2034	120,000	41,781	161,781
2035	120,000	39,231	159,231
2036	125,000	36,628	161,628
2037	125,000	33,972	158,972
2038	130,000	31,263	161,263
2039	135,000	28,447	163,447
2040	135,000	25,578	160,578
2041	140,000	22,656	162,656
2042	140,000	19,594	159,594
2043	145,000	16,388	161,388
2044	145,000	13,034	158,034
2045	150,000	9,531	159,531
2046	155,000	5,813	160,813
2047	155,000	1,938	156,938
TOTALS	\$ 2,820,000	\$ 746,208	\$ 3,566,208

MATERIAL EVENT NOTICES

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

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

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

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

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

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

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

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

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

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FORM OF BOND COUNSEL'S OPINION

September 17, 2025

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

Re: Village of Potsdam, St. Lawrence County, New York
\$1,077,380 Bond Anticipation Notes, 2025 (Renewals)

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of \$1,077,380 Bond Anticipation Notes, 2025 (Renewals) (the "Obligation"), of the Village of Potsdam, St. Lawrence County, New York (the "Obligor"), dated September 17, 2025, numbered 1, of the denomination of \$1,077,380, bearing interest at the rate of ____% per annum, payable at maturity, and maturing on September 17, 2026, with prepayment reserved.

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 Obligation that the Obligor will, among other things, (i) take all actions on its part necessary to cause interest on the Obligation 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 Obligation 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 Obligation 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 Obligation 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 Obligation, including the form of the Obligation. 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 Obligation has been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitutes a valid and legally binding general obligation of the Obligor, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Obligation and interest thereon, subject to applicable statutory limitations; provided, however, that the enforceability (but not the validity) of the Obligation: (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 Obligation; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights.
- (c) Interest on the Obligation is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Interest on the Notes is not a specific preference item for purposes of the federal individual alternative minimum tax on individuals. Interest on the Obligation included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Notes.

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 Obligation) 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 Obligation 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 Obligation to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Obligation 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 Obligation 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 Obligation as the same respectively become due and payable. Reference should be made to the Official Statement prepared by the Obligor in relation to the Obligation 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 Obligation, 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, 2023

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, NEW YORK

Basic Financial Statements,
Supplementary Information and
Independent Auditors' Report

May 31, 2023

VILLAGE OF POTSDAM, NEW YORK

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INDEPENDENT AUDITORS' REPORT

The Mayor and Village Board of Trustees
Village of Potsdam, New York

Report on the Audit of the Financial Statements

Disclaimer of Opinions

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

Disclaimer of Opinions on the Governmental Activities, Each Major Fund, and the Aggregate Remaining Fund Information

We do not express an opinion on the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village. Because of the significance of the matter described in the Basis for Disclaimer of Opinions on the Governmental Activities, Each Major Fund, and the Aggregate Remaining Fund Information section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information.

Basis for Disclaimer of Opinions on the Governmental Activities, Each Major Fund, and the Aggregate Remaining Fund Information

There were numerous misstatements noted in the May 31, 2022 financial statements. We were unable to confirm or verify by alternative means the financial statements amounts for the governmental activities, each major fund, and the aggregate remaining fund information for the audit of the year ended May 31, 2022. As a result the revenue, expenses/expenditures and other financing sources/uses of the governmental activities and each major fund for the year ended May 31, 2023 could not be audited as opening balances could not be verified. Accounts receivable balances as of May 31, 2023 were not supported and could not be audited. Historical pay rates could not be verified and, therefore, compensated absence balances could not be verified as of May 31, 2023.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Auditor's Responsibilities for the Audit of the Governmental Activities, Each Major Fund, and the Aggregate Remaining Fund Information

Our responsibility is to conduct an audit of the Village's financial statements in accordance with GAAS and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinions on Governmental Activities, Each Major Fund, and the Aggregate Remaining Fund Information section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions on the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information.

We are required to be independent of the Village and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) 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. Our opinions on the basic financial statements are not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the additional information as listed in the table of contents on pages 31 through 37 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we

obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 31, 2025, on our consideration of the Village'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'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 Village's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
March 31, 2025

VILLAGE OF POTSDAM, NEW YORK
Statement of Net Position
May 31, 2023

Assets:		
Current assets:		
Cash and equivalents:		
Unrestricted	\$	6,934,909
Restricted		278,720
Receivables:		
Due from other governments		149,013
Loans		118,797
Other		336,139
Total current assets		<u>7,817,578</u>
Capital assets, net		<u>40,293,312</u>
Total assets		<u>48,110,890</u>
Deferred outflows of resources:		
ERS		1,193,234
PFRS		1,268,113
OPEB		2,339,332
Total deferred outflows of resources		<u>4,800,679</u>
Liabilities:		
Current liabilities:		
Accounts payable		103,759
Accrued liabilities		24,673
Due to retirement systems		130,230
Accrued interest		25,482
Bonds payable, current installments		758,545
Installment purchase debt, current installments		35,944
Total current liabilities		<u>1,078,633</u>
Long-term liabilities:		
Bonds payable, net of current installments		15,067,492
Installment purchase debt, net of current installments		64,448
Workers' compensation		383,043
Compensated absences		384,903
Net pension liability - ERS - proportionate share		1,803,019
Net pension liability - PFRS - proportionate share		1,951,531
Total OPEB liability		20,722,883
Total long-term liabilities		<u>40,377,319</u>
Total liabilities		<u>41,455,952</u>
Deferred inflows of resources:		
Unearned revenue		865,863
ERS		80,630
PFRS		365,982
OPEB		9,971,398
Total deferred inflows of resources		<u>11,283,873</u>
Net position:		
Net investment in capital assets		24,366,883
Restricted		211,266
Unrestricted (deficit)		<u>(24,406,405)</u>
Total net position	\$	<u>171,744</u>

See accompanying notes to financial statements.

VILLAGE OF POTSDAM, NEW YORK

Statement of Activities
Year ended May 31, 2023

		<u>Program Revenue</u>		<u>Net (Expense)</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
Functions and programs:				
General government support	\$ 1,642,309	17,732	425,161	(1,199,416)
Public safety	2,320,687	516,200	2,513	(1,801,974)
Health	16	18,500	-	18,484
Transportation	1,260,491	587,404	49,002	(624,085)
Economic assistance and opportunity	154,218	13,000	-	(141,218)
Culture and recreation	777,455	143,608	-	(633,847)
Home and community services	3,282,830	3,172,658	99,384	(10,788)
Interest	184,997	-	-	(184,997)
Depreciation - unallocated	761,005	-	-	(761,005)
Total functions and programs	<u>\$10,384,008</u>	<u>4,469,102</u>	<u>576,060</u>	<u>(5,338,846)</u>
General revenue:				
Real property taxes				4,227,700
Real property tax items				73,023
Nonproperty tax items				1,917,646
Use of money and property				407,659
Sale of property and compensation for loss				430,478
Miscellaneous				154,182
Total general revenue				<u>7,210,688</u>
Change in net position				<u>1,871,842</u>
Net position (deficit) at beginning of year, before restatement				(851,059)
Correction of errors (note 11)				<u>(849,039)</u>
Net position (deficit) at beginning of year, as restated				<u>(1,700,098)</u>
Net position at end of year				<u>\$ 171,744</u>

See accompanying notes to financial statements.

VILLAGE OF POTSDAM, NEW YORK
Balance Sheet - Governmental Funds
May 31, 2023

	General	Special Revenue Funds			Nonmajor	Total
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Governmental Funds</u>
Assets:						
Cash and equivalents:						
Unrestricted	\$ 6,234,996	25,806	12,454	-	661,653	6,934,909
Restricted	201,266	10,000	-	-	67,454	278,720
Receivables:						
Due from other governments	149,013	-	-	-	-	149,013
Due from other funds	96,101	45,019	756,947	-	198,337	1,096,404
Loans	-	-	-	-	118,797	118,797
Other	54,344	125,549	124,044	-	32,202	336,139
Total assets	<u>\$ 6,735,720</u>	<u>206,374</u>	<u>893,445</u>	<u>-</u>	<u>1,078,443</u>	<u>8,913,982</u>
Liabilities, deferred inflows of resources and fund balances:						
Liabilities:						
Accounts payable	66,872	751	16,394	-	19,742	103,759
Accrued liabilities	24,673	-	-	-	-	24,673
Due to retirement systems	130,230	-	-	-	-	130,230
Due to other funds	303,770	-	-	533,052	259,582	1,096,404
Total liabilities	<u>525,545</u>	<u>751</u>	<u>16,394</u>	<u>533,052</u>	<u>279,324</u>	<u>1,355,066</u>
Deferred inflows of resources:						
Unearned revenue	865,863	-	-	-	-	865,863
Unavailable revenue	-	-	-	-	118,797	118,797
Total deferred inflows of resources	<u>865,863</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>118,797</u>	<u>984,660</u>
Fund balances (deficit):						
Restricted	201,266	10,000	-	-	-	211,266
Assigned	373,694	195,623	877,051	-	839,830	2,286,198
Unassigned (deficit)	4,769,352	-	-	(533,052)	(159,508)	4,076,792
Total fund balances	<u>5,344,312</u>	<u>205,623</u>	<u>877,051</u>	<u>(533,052)</u>	<u>680,322</u>	<u>6,574,256</u>
Total liabilities, deferred inflows of resources and fund balances (deficit)	<u>\$ 6,735,720</u>	<u>206,374</u>	<u>893,445</u>	<u>-</u>	<u>1,078,443</u>	<u>8,913,982</u>

See accompanying notes to financial statements.

VILLAGE OF POTSDAM, NEW YORK
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position
May 31, 2023

Total governmental fund balance	\$ 6,574,256
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Historical cost	\$66,113,437	
Accumulated depreciation	<u>(25,820,125)</u>	40,293,312

Long-term real loan receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	118,797
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Long-term liabilities are reported in the statement of net position, but not in the governmental funds because they are not due and payable in the current period. Balances at year-end consist of:

Bonds payable	(15,826,037)	
Accrued interest	(25,482)	
Installment purchase debt, net of current installments	(100,392)	
Workers' compensation	(383,043)	
Compensated absences	(384,903)	
Total OPEB liability	<u>(20,722,883)</u>	(37,442,740)

Some deferred outflows of resources and deferred inflows of resources are not reported in the funds. These consist of the following:

Deferred outflows of resources - ERS	1,193,234	
Deferred outflows of resources - PFRS	1,268,113	
Deferred outflows of resources - OPEB	2,339,332	
Deferred inflows of resources - ERS	(80,630)	
Deferred inflows of resources - PFRS	(365,982)	
Deferred inflows of resources - OPEB	<u>(9,971,398)</u>	(5,617,331)

The proportionate shares of net pension systems reported in the statement of net position do not provide for or require the use of current financial resources and therefore are not reported as assets or liabilities in the governmental funds. Balances at year end consist of:

Net pension asset - ERS - proportionate share	(1,803,019)	
Net pension liability - PFRS - proportionate share	<u>(1,951,531)</u>	<u>(3,754,550)</u>

Net position of governmental activities	<u><u>\$ 171,744</u></u>
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See accompanying notes to financial statements.

VILLAGE OF POTSDAM, NEW YORK
Statement of Revenue, Expenditures and Changes in Fund Balances -
Governmental Funds
Year ended May 31, 2023

	General	Special Revenue Funds			Nonmajor	Total
	Fund	Water	Sewer	Hydro-Electric	Governmental	Governmental
		Fund	Fund	Fund	Funds	Funds
Revenue:						
Real property taxes	\$ 4,227,700	-	-	-	-	4,227,700
Real property tax items	73,023	-	-	-	-	73,023
Nonproperty tax items	1,917,646	-	-	-	-	1,917,646
Departmental income	458,741	1,441,168	1,532,210	-	303,169	3,735,288
Intergovernmental charges	196,095	-	-	-	21,519	217,614
Use of money and property	389,210	418	396	-	17,635	407,659
Sale of property and compensation for loss	430,460	-	18	-	-	430,478
Licenses and permits	489,861	-	-	-	-	489,861
Fines and forfeitures	26,339	-	-	-	-	26,339
Federal aid	155,672	-	-	-	-	155,672
State aid	420,388	-	-	-	-	420,388
Miscellaneous	34,220	525	-	-	640	35,385
Total revenue	8,819,355	1,442,111	1,532,624	-	342,963	12,137,053
Expenditures:						
General government support	1,336,596	46,337	34,072	-	-	1,417,005
Public safety	2,134,372	-	-	-	-	2,134,372
Health	16	-	-	-	-	16
Transportation	1,024,659	-	-	-	-	1,024,659
Economic assistance and opportunity	95,923	-	-	-	-	95,923
Culture and recreation	197,702	-	-	-	332,612	530,314
Home and community services	655	920,819	1,445,979	93,793	239,939	2,701,185
Employee benefits	2,164,081	284,127	249,960	13,048	102,732	2,813,948
Capital outlay	-	-	-	-	209,731	209,731
Debt service:						
Principal	-	91,620	432,332	280,000	35,925	839,877
Interest	-	3,462	2,597	146,343	7,113	159,515
Total expenditures	6,954,004	1,346,365	2,164,940	533,184	928,052	11,926,545
Excess (deficiency) of revenue over expenditures	1,865,351	95,746	(632,316)	(533,184)	(585,089)	210,508
Other financing sources (uses):						
Transfers in	12,000	-	-	455,544	409,021	876,565
Transfers out	(851,565)	(25,000)	-	-	-	(876,565)
Total other financing sources (uses)	(839,565)	(25,000)	-	455,544	409,021	-
Net change in fund balance	1,025,786	70,746	(632,316)	(77,640)	(176,068)	210,508
Fund balance (deficit) at beginning of year, before restatement	4,686,523	134,877	1,509,367	(455,412)	946,385	6,821,740
Correction of errors (note 11)	(367,997)	-	-	-	(89,995)	(457,992)
Fund balance (deficit) at beginning of year, as restated	4,318,526	134,877	1,509,367	(455,412)	856,390	6,363,748
Fund balance (deficit) at end of year	\$ 5,344,312	205,623	877,051	(533,052)	680,322	6,574,256

See accompanying notes to financial statements.

VILLAGE OF POTSDAM, NEW YORK
Reconciliation of the Statement of Revenue, Expenditures, and Changes in
Fund Balances - Governmental Funds to the Statement of Activities
Year ended May 31, 2023

Net change in fund balance \$ 210,508

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

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

Additions	\$1,067,818	
Depreciation expense	<u>(761,005)</u>	306,813

Some revenue is reported in the statement of activities that does not result in current financial resources and therefore is not reported as revenue in the governmental funds. Change in loans receivable. 118,797

Debt proceeds provide current financial resources in the governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Repayment of debt:

Bonds payable	718,545	
Installment purchase debt	<u>121,332</u>	839,877

Interest on long-term debt in the statement of activities differs from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due and requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues regardless of when it is due. (25,482)

In the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. Workers' compensation changed by this amount. 96,452

Change in proportionate shares of net pension systems and OPEB reported in the statement of activities do not provide for or require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Net pension liability - ERS - proportionate share	(343,688)	
Net pension liability - PFRS - proportionate share	(222,761)	
Total OPEB Liability	<u>891,326</u>	<u>324,877</u>

Change in net position of governmental activities		<u>\$ 1,871,842</u>
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See accompanying notes to financial statements.

VILLAGE OF POTSDAM, NEW YORK

Notes to Financial Statements

May 31, 2023

(1) Summary of Significant Accounting Policies

The financial statements of the Village of Potsdam, New York (the Village) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the Village are described below.

(a) Financial Reporting Entity

The Village, established in 1831, is governed by its charter, Village local laws, the general laws of the State of New York (the State) and various other local laws. The Village Board of Trustees (the Board) is the legislative body responsible for overall operations. The Mayor serves as Chief Executive Officer and the Clerk Treasurer is the Chief Financial Officer.

The Village provides the following basic services: general government support (administration and related functions), public safety, streets and highway maintenance, lighting, economic assistance and opportunity to the community, playground and recreation centers, youth programs, planning and zoning boards and refuse. Also provided are water and sewer utilities.

All governmental activities and functions performed for the Village 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 Statements No. 14 and No. 39.

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

(b) Government-Wide Financial Statements

The Government-Wide financial statements (i.e. the statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government as a whole. Internal activity, such as receivables and payables between funds, has been eliminated in the Government-Wide financial statements.

VILLAGE OF POTSDAM, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(b) Government-Wide Financial Statements, Continued

The statement of net position presents the financial position of the Village at the end of its fiscal year. The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods or services or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenue are reported as general revenue.

(c) Fund Financial Statements

The accounts of the Village are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenue, expenditures and other financing sources or uses. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The Village maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is presented in a separate column. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the Government-Wide financial statements, and the reconciliations to the statement of net position and statement of activities. The Village's resources are reflected in the fund financial statements in two broad fund categories in accordance with GAAP.

Fund Categories:

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

General Fund - The principal operating fund and includes all operations not required to be accounted for in other funds.

VILLAGE OF POTSDAM, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(c) Fund Financial Statements, Continued

Fund Categories, Continued

Governmental Funds, Continued

Special Revenue Funds - These funds are used to account for taxes and other revenue, which are raised to provide special services to areas that encompass less than the whole area of the Village. These funds operate within the financial limits of annual budgets adopted by the Board. The special revenue funds consist of a number of separate districts, which are administered by the Board. These funds are as follows:

Special Grant Fund - The special grant fund is used to account for loans.

Water Fund - The water fund is used to account for water services provided by the Village.

Sewer Fund - The sewer fund is used to account for sewer services provided by the Village.

Hydro-Electric Fund - The hydroelectric fund is used to account for electrical services provided by the Village.

Waste Disposal Fund - The waste disposal fund is used to account for waste disposal services provided by the Village.

Recreation Fund - The recreation fund is used to account for a recreation program sponsored by the Village.

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.

(d) Budgetary Data

(1) Budget Policies - The Village's budget policies are as follows:

- No later than March 20, the budget officer submits a tentative budget to the Board for the fiscal year commencing the following June 1. The tentative budget includes proposed expenditures and the proposed means of financing for all the funds.
- After public hearings are conducted to obtain taxpayer comments, the Board adopts the budget.
- All modifications of the budget subsequent to its adoption must be approved by the governing board (however, the Village Treasurer is authorized to transfer certain budgeted amounts within departments).

(2) Budget Basis of Accounting - The budget is adopted annually on a basis consistent with GAAP. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

VILLAGE OF POTSDAM, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(e) Measurement Focus Basis of Accounting and Financial Presentation

Accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial reports.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes associated with the current fiscal period as well as charges for services and intergovernmental revenue are considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. Fees and other similar revenue are not susceptible to accrual because they are generally not measurable until received in cash. When expenditures are the prime factor for determining eligibility, revenue from Federal and State grants is accrued when the expenditures are made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and pension costs are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(f) Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(g) Concentrations of Credit Risk

Financial instruments that potentially subject the Village to concentrations of credit risk consist principally of cash and equivalents. The Village places its cash and equivalents in financial institutions and requires the financial institution to hold collateral in the Village's name for deposits in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit.

VILLAGE OF POTSDAM, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(h) Receivables

Receivables are shown net of an allowance for uncollectibles, if any. GAAP requires the allowance method to be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

(i) Capital Assets

Capital assets are reported in the Government-Wide financial statements at actual cost or historical cost. Donated assets are reported at estimated fair market value at the time received. The cost of normal maintenance and repairs that does not add to the value of the assets or materially extend their lives is not capitalized. Major outlays for capital assets and improvements are capitalized as construction in progress until the projects are completed.

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>Depreciation Threshold</u>	<u>Estimated Method</u>	<u>Useful Life in Years</u>
Buildings	\$ 10,000	Straight-line	40
Improvements	10,000	Straight-line	40
Equipment and vehicles	10,000	Straight-line	5 - 15

(j) Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Village has three items that qualify for reporting in this category, both related to pensions. The first item represents changes in the Village's proportion of the collective net pension systems and changes in proportion and differences between Village contributions and proportionate share of contributions. The second item is Village contributions to the pension systems subsequent to the measurement date. The third item represents changes in the Village's assumptions related to other postemployment benefits (OPEB).

VILLAGE OF POTSDAM, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(j) Deferred Outflows of Resources and Deferred Inflows of Resources, Continued

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Village has four types of items that qualify for reporting. The first item occurs because governmental fund revenue is not recognized until available (collected not later than 60 days after the end of the fiscal year) under the modified accrual basis of accounting that qualifies for reporting in this category. The second item is grants received in advance of the period to be benefitted. The third item is related to pensions reported in the Village's statement of net position, and represents differences between expected and actual experience, changes of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions, related to pensions. The fourth is related to OPEB and related to differences between expected and actual experience as well as changes in assumptions.

(k) Compensated Absences

It is the Village's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick leave, which can be paid to employees upon separation from the Village's service, or can be used toward payment of future health insurance costs. The cost of sick leave is generally recognized as earned by employees. A long-term liability for accrued vacation and sick leave has been recorded in statement of net position.

(l) Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term liabilities are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

(m) Net Pension Liability

The net pension liability represents the Village's proportionate share of the net pension liability of the New York State and Local Employees' Retirement System and the New York State and Local Police and Fire Retirement System. The financial reporting of these amounts are presented in accordance with the provisions of GASB Statement No. 68 - "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71 - "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68."

VILLAGE OF POTSDAM, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(n) Postemployment Benefits

In addition to providing pension benefits, the Village provides health insurance coverage for retired employees and their dependents. Substantially all of the Village's employees may become eligible for these benefits if they reach normal retirement age and retire under the New York State and Local Employees' Retirement System while working for the Village. The cost of providing postretirement benefits is shared between the Village and the retired employee. The Village recognizes the cost of providing health insurance by recording its share of insurance premiums for retirees and their dependents, as an expenditure in the year paid.

(o) Property Taxes

Real property taxes are levied annually by the Village. Taxes are collected during the period from June 1 through May 31. The Village assumes enforcement responsibility for all taxes levied in the Village.

(p) Equity and Fund Balance Classifications

In the Government-Wide statements equity is classified as net position and displayed in three components:

(i) Net investment in capital assets - consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

(ii) Restricted - consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

(iii) Unrestricted - consists of net position without constraints.

In the fund financial statements, fund balances are broken down into five different classifications:

(i) Nonspendable - consists of assets that are inherently nonspendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments.

(ii) Restricted - consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

VILLAGE OF POTSDAM, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(p) Equity and Fund Balance Classifications, Continued

(iii) Committed - consists of amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint. The Village Board is the decision-making authority that can, by Board resolution, commit fund balance.

(iv) Assigned - consists of amounts that are subject to a purpose constraint that represents an intended use established by the government's highest level of decision-making authority, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance.

(v) Unassigned - represents the residual classification for the government's general fund, and could report a surplus or deficit. In funds other than the general fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

When resources are available from multiple classifications, the Village spends funds in the following order: nonspendable, restricted, committed, assigned, unassigned.

(q) Subsequent Events

Management has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

The Village issued a bond anticipation note (BAN) payable on September 23, 2024. This BAN has a stated interest rate of 4.375% and is set to mature on September 18, 2024. The Village also received a premium from this issuance of \$275.

(r) Deficit Fund Balances

As of May 31, 2023, the Hydro-Electric Fund, the Recreation Fund and the Capital Projects Fund have fund balance deficits. The deficits are expected to be resolved through issuance of long-term debt and fee increases.

(s) Expenditures in Excess of Budget

Certain individual budgetary expenditures exceeded their budgetary authorizations in the General Fund, the Water Fund, the Sewer Fund and the Hydro-Electric Fund.

VILLAGE OF POTSDAM, NEW YORK
Notes to Financial Statements, Continued

(2) Cash and Equivalents

The Village's investment policies are governed by State statutes. In addition, the Village has its own written investment policy. Village monies must be deposited in FDIC insured commercial banks or trust companies located within the State. The Supervisor 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.

Restricted cash and equivalents represents cash restricted by law or third parties for specific purposes and can be used only according to the purpose for which it was established.

Collateral is required for demand deposits and certificates of deposit for all deposits not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States, an agency thereof, or a United States government-sponsored corporation.

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. Underlying securities must have a market value of at least 102% of the cost of the repurchase agreement.

The carrying amount of cash and equivalents at May 31, 2023, totaled \$7,213,629 and the bank balances were \$7,436,796. These bank balances were covered by FDIC insurance or collateral as follows:

Amount insured by FDIC	\$ 250,547
Cash held by a third party	7,061,226
Collateral held by a third party	<u>125,023</u>
Total insured and collateralized	\$ <u>7,436,796</u>

(3) Capital Assets

Capital asset activity for the year ended May 31, 2023 was as follows:

	Balance at June 1, <u>2022</u>	<u>Additions</u>	Deletions/ <u>Transfers</u>	Balance at May 31, <u>2023</u>
Capital assets, not being depreciated:				
Land	\$ 799,231	-	-	799,231
Construction in progress	<u>2,486,113</u>	<u>209,731</u>	<u>-</u>	<u>2,695,844</u>
Total capital assets, not being depreciated	<u>3,285,344</u>	<u>209,731</u>	<u>-</u>	<u>3,495,075</u>

VILLAGE OF POTSDAM, NEW YORK
Notes to Financial Statements, Continued

(3) Capital Assets, Continued

	Balance at June 1, <u>2022</u>	<u>Additions</u>	Deletions/ <u>Transfers</u>	Balance at May 31, <u>2023</u>
Capital assets, being depreciated:				
Buildings	\$ 7,950,532	-	-	7,950,532
Improvements	49,064,561	113,234	-	49,177,795
Equipment and vehicles	<u>4,745,182</u>	<u>744,853</u>	-	<u>5,490,035</u>
Total capital assets, being depreciated	61,760,275	858,087	-	62,618,362
Less accumulated depreciation	<u>25,059,120</u>	<u>761,005</u>	-	<u>25,820,125</u>
Total capital assets	\$ <u>36,701,155</u>	<u>306,813</u>	-	<u>40,293,312</u>

Depreciation expense was unallocated for the year ended May 31, 2023.

(4) Interfund Activity

Interfund activity exist for cash flow purposes. The receivables and payables are short-term in nature and are expected to be repaid within the next fiscal year. The interfund balances as of and for the year ended May 31, 2023 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General fund	\$ 96,101	303,770
Water fund	45,019	-
Sewer fund	756,947	-
Hydro-electric fund	-	533,052
Special grant fund	110,491	23,597
Waste disposal fund	87,846	-
Recreation fund	-	108,687
Capital projects fund	<u>-</u>	<u>127,298</u>
Total	\$ <u>1,096,404</u>	<u>1,096,404</u>
	<u>Transfers in</u>	<u>Transfers out</u>
General fund	\$ 12,000	851,565
Water fund	-	25,000
Hydro-electric fund	455,544	-
Recreation fund	384,021	-
Capital projects	<u>25,000</u>	<u>-</u>
Total	\$ <u>876,565</u>	<u>876,565</u>

VILLAGE OF POTSDAM, NEW YORK
Notes to Financial Statements, Continued

(5) Pension Plans

(a) Plan Description and Benefits Provided

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 the New York State and Local Retirement System (the System). These are cost-sharing multiple-employer retirement systems. The Public Employees' Group Life Insurance Plan (GLIP) provides death benefits in the form of life insurance. GLIP amounts are apportioned to and included in ERS and PFRS. The System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of their funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244 or on-line at www.osc.state.ny.us/retire/publications/index.php.

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary for the first ten years of membership and employees who joined on or after January 1, 2010 and before April 1, 2012 generally contribute 3% of their salary for the entire length of service. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates used in computing the contributions required to be made by employers to the pension accumulation fund.

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

At May 31, 2023, the Village reported the following liabilities for its proportionate share of the collective net pension liability for the System. The net pension liabilities were measured as of March 31, 2023. The total pension liability used to calculate each net pension liability was determined by an actuarial valuation. The Village's proportion of each net pension liability was based on a projection of the Village's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and PFRS Systems in reports provided to the Village.

VILLAGE OF POTSDAM, NEW YORK
Notes to Financial Statements, Continued

(5) Pension Plans, Continued

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

	<u>ERS</u>	<u>PFRS</u>
Measurement date	3/31/2023	3/31/2023
Actuarial valuation date	4/1/2022	4/1/2022
Net pension liability - proportionate share	\$ 1,803,019	1,951,531
Village's proportion of the System's net pension liability	0.0084080%	0.0354149%
Change in proportionate share	0.0002000	(0.0025283)

For the year ended May 31, 2023, the Village's recognized pension expense of \$648,689 for ERS and \$507,537 for PFRS in the statement of activities.

At May 31, 2023 the Village's reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>PFRS</u>	<u>ERS</u>	<u>PFRS</u>
Differences between expected and actual experience	\$ 192,036	190,742	50,636	-
Changes of assumptions	875,662	950,976	9,678	-
Net difference between projected and actual earnings on pension plan investments	-	3,450	10,593	-
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	48,926	69,324	9,723	365,982
Village's contributions subsequent to the measurement date	<u>76,610</u>	<u>53,621</u>	<u>-</u>	<u>-</u>
Total	\$ <u>1,193,234</u>	<u>1,268,113</u>	<u>80,630</u>	<u>365,982</u>

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

<u>Year ending</u>	<u>ERS</u>	<u>PFRS</u>
2024	\$ 247,879	127,823
2025	(82,637)	(114,859)
2026	378,804	522,764
2027	491,948	301,879
2028	<u>-</u>	<u>10,903</u>
	\$ <u>1,035,994</u>	<u>848,510</u>

VILLAGE OF POTSDAM, NEW YORK
Notes to Financial Statements, Continued

(5) Pension Plans, Continued

(c) Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>PFRS</u>
Measurement date	March 31, 2023	March 31, 2023
Actuarial valuation date	April 1, 2022	April 1, 2022
Investment rate of return, (net of investment expense including inflation)	5.9%	5.9%
Salary increases	4.4%	6.2%
Cost-of-living adjustments	1.4%	1.5%
Inflation rate	2.9%	2.9%

Annuitant mortality rates are based on April 1, 2015 - March 31, 2020 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2021. The actuarial assumptions used in the April 1, 2022 valuation are based on the results of an actuarial experience study for the period April 1, 2015 - March 31, 2020.

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

VILLAGE OF POTSDAM, NEW YORK
Notes to Financial Statements, Continued

(5) Pension Plans, Continued

(c) Actuarial Assumptions, Continued

<u>Asset Class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Domestic equity	32%	4.30%
International equity	15%	6.85%
Private equity	10%	7.50%
Real estate	9%	4.60%
Opportunistic/ARS portfolio	3%	5.38%
Credit	4%	5.43%
Real assets	3%	5.84%
Fixed income	23%	1.50%
Cash	<u>1%</u>	0.00%
	<u>100%</u>	

* The real rate of return is net of the long-term inflation assumption of 2.5%.

(d) Discount Rate

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

(e) Sensitivity of the Proportionate Share of the Net Pension Liabilities to the Discount Rate

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

<u>Employer's proportionate share of the net pension asset (liability)</u>	<u>1% Decrease (4.9%)</u>	<u>Current Rate (5.9%)</u>	<u>1% Increase (6.9%)</u>
ERS	\$ <u>(4,357,124)</u>	<u>(1,803,019)</u>	<u>331,233</u>
PFRS	\$ <u>(4,068,057)</u>	<u>(1,951,531)</u>	<u>(198,920)</u>

VILLAGE OF POTSDAM, NEW YORK
Notes to Financial Statements, Continued

(5) Pension Plans, Continued

(e) Sensitivity of the Proportionate Share of the Net Pension Liabilities to the Discount Rate, Continued

The components of each current-year net pension liability of participating employers as March 31, 2023, were as follows:

	(Dollars in Millions)	
	<u>ERS</u>	<u>PFRS</u>
Employers' total pension liability	\$ (232,627)	(43,835)
Plan fiduciary net position	<u>211,183</u>	<u>38,325</u>
Employers' net pension liability	\$ <u>(21,444)</u>	<u>(5,510)</u>
Ratio of plan net position to the employers' total pension liability	90.78%	87.43%

(f) Payables to the Pension Plans

Employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of May 31, 2023 represent the projected employer contribution for the period of April 1, 2023 through March 31, 2024 based on paid wages multiplied by the employer's contribution rate, by tier. Retirement contributions to ERS and PFRS for the year ended May 31, 2023 were \$305,625 and \$286,876, respectively.

(6) Long-Term Liabilities

(a) Long-Term Debt

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

The changes in the Village's long-term indebtedness during the year ended May 31, 2023 are summarized as follows:

	Balance at June 1, <u>2022</u>	<u>Additions</u>	<u>Reductions</u>	Balance at May 31, <u>2023</u>	Amount due within <u>one year</u>
Serial bonds	\$ 16,544,582	-	718,545	15,826,037	758,545
Installment purchase debt	<u>221,724</u>	-	<u>121,332</u>	<u>100,392</u>	<u>35,944</u>
Total	\$ <u>16,766,306</u>	-	<u>839,877</u>	<u>15,926,429</u>	<u>794,489</u>

VILLAGE OF POTSDAM, NEW YORK
Notes to Financial Statements, Continued

(6) Long-Term Liabilities, Continued

(b) Serial Bonds Payable

Serial bonds payable at May 31, 2023 are as follows:

<u>Purpose</u>	<u>Original Issue Date</u>	<u>Interest Rate</u>	<u>Balance at May 31, 2023</u>	<u>Maturity Date</u>
Hydro-electric	12/15	1.00 - 4.00%	\$ 1,425,000	2029
Hydro-electric	10/21	2.00 - 2.50%	3,020,000	2047
Sewer	10/21	0.00%	11,273,262	2051
Recreation	10/05	4.95%	<u>107,775</u>	2026
			<u>\$ 15,826,037</u>	

(c) Annual Amortization Requirements

The annual requirements to for serial bonds as of May 31, 2023 is as follows:

<u>Year ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 758,545	114,224	872,769
2025	763,545	105,020	868,565
2026	773,545	95,217	868,762
2027	747,620	83,376	830,996
2028	762,620	71,426	834,046
2029-2033	2,853,100	251,076	3,104,176
2034-2038	2,633,100	182,875	2,815,975
2039-2043	2,708,100	112,663	2,820,763
2044-2048	2,618,100	30,316	2,648,416
2049-2051	<u>1,207,762</u>	<u>-</u>	<u>1,207,762</u>
	<u>\$ 15,826,037</u>	<u>1,046,193</u>	<u>16,872,230</u>

The annual requirements for installment purchase debt as of May 31, 2023 is as follows:

<u>Year ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 35,944	3,075	39,019
2025	31,713	2,075	33,788
2026	<u>32,735</u>	<u>1,053</u>	<u>33,788</u>
	<u>\$ 100,392</u>	<u>6,203</u>	<u>106,595</u>

(d) Interest Expense

Interest on serial bonds and installment purchase debt for the year ended May 31, 2023 was composed of:

Interest paid	\$ 159,515
Plus - interest accrued in the current year	<u>25,482</u>
Total expense	<u>\$ 184,997</u>

VILLAGE OF POTSDAM, NEW YORK
Notes to Financial Statements, Continued

(7) Other Postemployment Benefits

(a) Plan Description and Benefits

The Village provides certain health care benefits for retired employees. The Village administers the Retirement Benefits Plan (the retirement plan) as a single-employer defined benefit Other Postemployment Benefit Plan (OPEB). The retirement plan can be amended by action of the Village subject to applicable collective bargaining and employment agreements.

The costs of administering the retirement plan are paid by the Village. The Village currently contributes enough money to the retirement plan to satisfy current obligations on a pay-as-you-go basis to cover annual premiums.

(b) Employees Covered by Benefit Terms

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

Retired participants	59
Active participants	51
Survivors	<u>1</u>
Total participants	<u>111</u>

(c) Total OPEB Liability

The Village's total OPEB liability of \$20,722,883 was measured as of May 31, 2023 and was determined by an actuarial valuation as of June 1, 2022.

(d) Actuarial Methods and Other Inputs

The total OPEB liability in the June 1, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Discount Rate	3.96% The discount rate was based on the Fidelity General Obligation 20 year AA municipal index.
Cost Method	Entry Age Normal (Percent of Salary)
Healthcare Cost	
Trend Rates	7.00% for 2023, decreasing to an ultimate rate of 4.50%
Employer Funding Policy	Pay-as-you-go cash basis
Mortality	Pub-2010 Mortality Table using Scale MP-2021.
Plan Change	The plan structure for the Excellus Blue Cross Blue Shield Plus Gold 6 Medical plan changed to increase co-insurance percentages. In addition, the deductible and out-of-pocket maximum was increased.

VILLAGE OF POTSDAM, NEW YORK
Notes to Financial Statements, Continued

(7) Other Postemployment Benefits, Continued

(e) Changes in the Total OPEB Liability

Total OPEB liability at beginning of year	\$ 25,770,419
Changes for the year:	
Service cost	745,320
Interest	734,447
Plan change	(230,677)
Differences between expected and actual experience	(4,255,948)
Changes of assumptions	(1,238,194)
Benefit payments	<u>(802,484)</u>
Total changes	<u>(5,047,536)</u>
Total OPEB liability at of end of year	\$ <u>20,722,883</u>

(f) Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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

	1% <u>Decrease</u>	Current Discount <u>Rate</u>	1% <u>Increase</u>
Total OPEB liability	\$ <u>24,016,618</u>	<u>20,722,883</u>	<u>18,063,917</u>

(g) Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

	1% <u>Decrease</u>	Current Trend <u>Rate</u>	1% <u>Increase</u>
Total OPEB liability	\$ <u>17,727,263</u>	<u>20,722,883</u>	<u>24,556,788</u>

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

For the year ended May 31, 2023, the Village recognized OPEB expense of \$(88,842). At May 31, 2023, the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

VILLAGE OF POTSDAM, NEW YORK
Notes to Financial Statements, Continued

(7) Other Postemployment Benefits, Continued

(h) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to OPEB, Continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	5,047,018
Changes of assumptions	<u>2,339,332</u>	<u>4,924,380</u>
Total	\$ <u>2,339,332</u>	<u>9,971,398</u>

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

<u>Year ending</u>	
2024	\$ (1,370,427)
2025	(1,519,539)
2026	(1,672,657)
2027	(1,799,736)
2028	(991,521)
2029	<u>(278,186)</u>
	\$ <u>(7,632,066)</u>

(8) Contingencies

Contingencies at May 31, 2023 consist of the following:

(a) Grants

The Village has received amounts from various grantor agencies. Should these grantor agencies conduct audits, any disallowed claims, including amounts already collected, may constitute a liability of the funds in which the grant revenue was previously recognized. The amount, if any, of expenditures which may be potentially disallowed by the grant agencies cannot be determined at this time.

(b) Risk Financing and Related Insurance

The Village participates in the St. Lawrence County Pooled Workers' Compensation Fund (the 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-two 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 \$383,043 at May 31, 2023, which represents 2.5% of the pool's total liability. The percentage and amount of the Village's share of the liability is based upon the Fund's claims liability as of December 31, 2022, the most recent period for which information is available.

VILLAGE OF POTSDAM, NEW YORK
Notes to Financial Statements, Continued

(8) Contingencies, Continued

(c) Other

Subsequent to May 31, 2023, the Village placed an employee on administrative leave. The employee is currently being investigated for the potential misuse of Village funds. Until the investigation is concluded, the potential amount involved is not reasonably estimable. As a result, the potential impact on past, current and future financial statements is currently not quantifiable.

(9) Accounting Standards Issued But Not Yet Implemented

GASB has issued the following pronouncements which will be implemented in the years required. The effects of the implementation of these pronouncements are not known at this time.

Statement No. 99 - Omnibus 2022. Effective for various periods through fiscal years beginning after June 15, 2023.

Statement No. 102 - Certain Risk Disclosures. Effective for fiscal years beginning after June 15, 2024.

Statement No. 103 - Financial Reporting Models. Effective for fiscal years beginning after June 15, 2025.

Statement No. 104 - Disclosure of Certain Capital Assets. Effective for fiscal years beginning after June 15, 2025.

(10) Joint Venture

The Village and the Town of Potsdam (the Town) 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.

(11) Correction of Errors

The Village made correct of errors to certain May 31, 2022 balances. The changes were as follows:

- (1) Annual payments to the pension systems were recorded on the cash basis of accounting.
- (2) Sales tax receivable was not calculated correctly.
- (3) Loans receivable did not agree to supporting schedules, nor were they fully deferred in the funds.
- (4) Net pension asset/liability and related deferred outflows of resources were aggregated and did not agree to the notes or supporting documentation.

VILLAGE OF POTSDAM, NEW YORK
Notes to Financial Statements, Continued

(11) Correction of Errors, Continued

The following is a summary of the correction of errors:

	May 31, 2022 <u>as restated</u>	May 31, 2022 as previously <u>stated</u>	<u>Change</u>
Due to retirement systems	\$ (91,854)	-	(91,854)
Due from other governments	166,677	442,820	<u>(276,143)</u>
General fund			<u>(367,997)</u>
Loans receivable	86,277	297,474	(211,197)
Unavailable revenue	(86,277)	(207,479)	<u>121,202</u>
Special grant fund			<u>(89,995)</u>
Deferred outflows of resources - pensions	2,823,689	3,721,438	(897,749)
Net pension asset - ERS	670,942	-	670,942
Net pension liability - PFRS	(215,534)	-	(215,534)
Net pension liabilities	-	(51,294)	<u>51,294</u>
Government-wide items			(391,047)
Fund level above			<u>(457,992)</u>
Governmental activities			\$ <u>(849,039)</u>

VILLAGE OF POTSDAM, NEW YORK
Required Supplementary Information
Statement of Revenue, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
Year ended May 31, 2023

	Original Budget	Final Budget	Actual	Encumbrances	Variance
Revenue:					
Real property taxes	\$4,646,105	4,646,105	4,227,700	-	(418,405)
Real property tax items	67,000	67,000	73,023	-	6,023
Nonproperty tax items	1,695,000	1,695,000	1,917,646	-	222,646
Departmental income	178,650	178,650	458,741	-	280,091
Intergovernmental charges	100,000	100,000	196,095	-	96,095
Use of money and property	136,300	136,300	389,210	-	252,910
Sale of property and compensation for loss	1,000	1,000	430,460	-	429,460
Licenses and permits	73,150	73,150	489,861	-	416,711
Fines and forfeitures	35,000	35,000	26,339	-	(8,661)
Federal aid	60,000	60,000	155,672	-	95,672
State aid	321,864	321,864	420,388	-	98,524
Miscellaneous	35,150	35,150	34,220	-	(930)
Total revenue	<u>7,349,219</u>	<u>7,349,219</u>	<u>8,819,355</u>	<u>-</u>	<u>1,470,136</u>
Expenditures:					
General government support	1,581,192	1,581,192	1,336,596	66,017	178,579
Public safety	2,166,791	2,166,791	2,134,372	32,419	-
Health	-	-	16	-	(16)
Transportation	1,049,917	1,049,917	1,024,659	25,258	-
Economic assistance and opportunity	102,414	102,414	95,923	-	6,491
Culture and recreation	200,720	200,720	197,702	-	3,018
Home and community services	820	820	655	-	165
Employee benefits	1,395,800	1,395,800	2,164,081	-	(768,281)
Total expenditures	<u>6,497,654</u>	<u>6,497,654</u>	<u>6,954,004</u>	<u>123,694</u>	<u>(580,044)</u>
Excess (deficiency) of revenue over expenditures	<u>851,565</u>	<u>851,565</u>	<u>1,865,351</u>	<u>(123,694)</u>	<u>890,092</u>
Other financing sources (uses):					
Transfers in	-	-	12,000	-	(12,000)
Transfers out	<u>(851,565)</u>	<u>(851,565)</u>	<u>(851,565)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(851,565)</u>	<u>(851,565)</u>	<u>(839,565)</u>	<u>-</u>	<u>(12,000)</u>
Change in fund balance	<u>\$ -</u>	<u>-</u>	<u>1,025,786</u>	<u>(123,694)</u>	<u>902,092</u>
Fund balance at beginning of year, as restated			<u>4,318,526</u>		
Fund balance at end of year			<u>\$5,344,312</u>		

VILLAGE OF POTSDAM, NEW YORK
Required Supplementary Information
Statement of Revenue, Expenditures and Changes in Fund Balance
Budget and Actual - Water Fund
Year ended May 31, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance</u>
Revenue:					
Departmental income	\$1,610,931	1,610,931	1,441,168	-	(169,763)
Use of money and property	500	500	418	-	(82)
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>525</u>	<u>-</u>	<u>(475)</u>
Total revenue	<u>1,612,431</u>	<u>1,612,431</u>	<u>1,442,111</u>	<u>-</u>	<u>(170,320)</u>
Expenditures:					
General government support	188,299	188,299	46,337	-	141,962
Home and community services	1,041,598	1,041,598	920,819	61,560	59,219
Employee benefits	261,297	261,297	284,127	-	(22,830)
Debt service:					
Principal	92,772	92,772	91,620	-	1,152
Interest	<u>3,465</u>	<u>3,465</u>	<u>3,462</u>	<u>-</u>	<u>3</u>
Total expenditures	<u>1,587,431</u>	<u>1,587,431</u>	<u>1,346,365</u>	<u>61,560</u>	<u>179,506</u>
Excess (deficiency) of revenue over expenditures	25,000	25,000	95,746	(61,560)	9,186
Other financing uses - interfund transfers out	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>	<u>-</u>
Change in fund balance	<u>\$ -</u>	<u>-</u>	<u>70,746</u>	<u>(61,560)</u>	<u>9,186</u>
Fund balance at beginning of year			<u>134,877</u>		
Fund balance at end of year			<u>\$ 205,623</u>		

VILLAGE OF POTSDAM, NEW YORK
Required Supplementary Information
Statement of Revenue, Expenditures and Changes in Fund Balance
Budget and Actual - Sewer Fund
Year ended May 31, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenue:				
Departmental income	\$1,663,191	1,663,191	1,532,210	(130,981)
Use of money and property	20	20	396	376
Sale of property and compensation for loss	<u>1,310</u>	<u>1,310</u>	<u>18</u>	<u>(1,292)</u>
Total revenue	<u>1,664,521</u>	<u>1,664,521</u>	<u>1,532,624</u>	<u>(131,897)</u>
Expenditures:				
General government support	118,982	118,982	34,072	84,910
Home and community services	855,561	855,561	1,445,979	(590,418)
Employee benefits	254,758	254,758	249,960	4,798
Debt service:				-
Principal	432,620	432,620	432,332	288
Interest	<u>2,600</u>	<u>2,600</u>	<u>2,597</u>	<u>3</u>
Total expenditures	<u>1,664,521</u>	<u>1,664,521</u>	<u>2,164,940</u>	<u>(500,419)</u>
Change in fund balance	<u>\$ -</u>	<u>-</u>	(632,316)	<u>(632,316)</u>
Fund balance at beginning of year			<u>1,509,367</u>	
Fund balance at end of year			<u>\$ 877,051</u>	

VILLAGE OF POTSDAM, NEW YORK
Required Supplementary Information
Statement of Revenue, Expenditures and Changes in Fund Balance
Budget and Actual - Hydro-Electric Fund
Year ended May 31, 2023

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenue - departmental income	\$ 105,000	105,000	-	(105,000)
Expenditures:				
General government support	24,000	24,000	-	24,000
Home and community services	88,494	88,494	93,793	(5,299)
Employee benefits	27,600	27,600	13,048	14,552
Debt service:				
Principal	275,000	275,000	280,000	(5,000)
Interest	145,450	145,450	146,343	(893)
Total expenditures	<u>560,544</u>	<u>560,544</u>	<u>533,184</u>	<u>27,360</u>
Other financing sources - interfund transfers in	<u>455,544</u>	<u>455,544</u>	<u>455,544</u>	-
Change in fund balance	<u>\$ -</u>	<u>-</u>	(77,640)	<u>(77,640)</u>
Fund balance (deficit) at beginning of year			(455,412)	
Fund balance (deficit) at end of year			<u>\$(533,052)</u>	

VILLAGE OF POTSDAM, NEW YORK
Required Supplemental Information
Schedule of Village's Proportionate Share of the Net Pension Asset/(Liabilities)
Year ended May 31, 2023

<u>ERS System</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
The Village's proportion of the net pension asset (liability)	0.0084080%	0.0082080%	0.0075970%	0.0075070%	0.0075980%	0.0073850%	0.0082100%	0.0084560%
The Village's proportionate share of the net pension asset (liability)	\$ (1,803,019)	670,942	(7,564)	(1,987,979)	(538,305)	(238,359)	(771,384)	(1,357,144)
The Village's covered payroll	2,460,149	2,300,147	2,194,583	2,097,117	2,211,025	2,173,877	2,303,371	2,300,570
The Village's proportionate share of the net pension asset (liability) as a percentage of covered payroll	73.29%	29.17%	0.34%	94.80%	24.35%	10.96%	33.49%	58.99%
Plan fiduciary net position as a percentage of the total pension liability	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%
<u>PFRS System</u>								
The Village's proportion of the net pension liability	0.0354149%	0.0379432%	0.0397371%	0.0334767%	0.0340661%	0.0363574%	0.0349400%	0.0365088%
The Village's proportionate share of the net pension liability	\$ (1,951,531)	(215,534)	(689,946)	(1,789,308)	(571,310)	(367,485)	(724,185)	(1,080,947)
The Village's covered payroll	1,125,973	973,378	981,726	880,766	901,550	888,503	906,863	866,116
The Village's proportionate share of the net pension liability as a percentage of covered payroll	173.32%	22.14%	70.28%	203.15%	63.37%	41.36%	79.86%	124.80%
Plan fiduciary net position as a percentage of the total pension liability	87.43%	98.66%	95.79%	84.86%	95.09%	96.93%	93.50%	90.20%

The amounts presented for each fiscal year were determined as of each system's measurement date.

VILLAGE OF POTSDAM, NEW YORK
Required Supplemental Information
Schedule of Village's Pension Contributions
Year ended May 31, 2023

<u>ERS System</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 305,625	359,890	312,053	292,703	314,121	308,473	363,941	427,883
Contribution in relation to the contractually required contribution	<u>305,625</u>	<u>359,890</u>	<u>312,053</u>	<u>292,703</u>	<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>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	2,460,149	2,300,147	2,194,583	2,097,117	2,211,025	2,173,877	2,303,371	2,300,570
Contribution as a percentage of covered payroll	12.42%	15.65%	14.22%	13.96%	14.21%	14.19%	15.80%	18.60%
<u>PFRS System</u>								
Contractually required contribution	\$ 286,876	279,423	235,475	210,013	214,219	235,755	223,710	201,550
Contribution in relation to the contractually required contribution	<u>286,876</u>	<u>279,423</u>	<u>235,475</u>	<u>210,013</u>	<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>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	1,125,973	973,378	981,726	880,766	901,550	888,503	906,863	866,116
Contribution as a percentage of covered payroll	25.48%	28.71%	23.99%	23.84%	23.76%	26.53%	24.67%	23.27%

This schedule is presented to illustrate the requirement to show information for 10 years. However, information is presented for those years that are available.

VILLAGE OF POTSDAM, NEW YORK
Required Supplementary Information
Schedule of Changes in the Village's Total OPEB Liability and Related Ratios
May 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total OPEB liability					
Service cost	\$ 745,320	1,153,345	930,206	797,976	730,279
Interest	734,447	624,351	684,957	858,255	927,968
Change of benefit terms	(230,677)	-	-	-	-
Differences between expected and actual experience	(4,255,948)	-	(1,995,342)	(1,508,023)	-
Changes of assumptions or other inputs	(1,238,194)	(5,762,057)	2,824,785	2,709,911	717,331
Benefit payments	<u>(802,484)</u>	<u>(932,551)</u>	<u>(883,279)</u>	<u>(884,627)</u>	<u>(827,403)</u>
Net change in total OPEB liability	(5,047,536)	(4,916,912)	1,561,327	1,973,492	1,548,175
Total OPEB liability - beginning	<u>25,770,419</u>	<u>30,687,331</u>	<u>29,126,004</u>	<u>27,152,512</u>	<u>25,604,337</u>
Total OPEB liability - ending	<u>\$ 20,722,883</u>	<u>25,770,419</u>	<u>30,687,331</u>	<u>29,126,004</u>	<u>27,152,512</u>
Covered payroll	2,638,768	2,662,586	2,417,341	2,397,616	2,263,871
Total OPEB liability as a percentage of covered payroll	785.3%	967.9%	1269.5%	1214.8%	1199.4%

Notes to schedule:

Changes of assumptions - Changes of 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:

<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
3.90%	3.36%	1.99%	2.48%	3.12%

This schedule is presented to illustrate the requirement to show information for 10 years. However, information is presented for those years that are available.

VILLAGE OF POTSDAM, NEW YORK
Other Supplementary Information
Combining Balance Sheet - Nonmajor Governmental Funds
May 31, 2023

	<u>Special Revenue Funds</u>			<u>Capital</u>	<u>Total</u>
	<u>Special Grant</u>	<u>Waste Disposal</u>	<u>Recreation</u>	<u>Projects</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
Assets:					
Cash and equivalents:					
Unrestricted	\$ 658,622	3,031	-	-	661,653
Restricted	-	-	-	67,454	67,454
Receivables:					
Due from other funds	110,491	87,846	-	-	198,337
Loans	118,797	-	-	-	118,797
Other	-	21,558	10,644	-	32,202
Total assets	<u>\$ 887,910</u>	<u>112,435</u>	<u>10,644</u>	<u>67,454</u>	<u>1,078,443</u>
Liabilities, deferred inflows of resources and fund balances:					
Liabilities:					
Accounts payable	-	18,121	1,621	-	19,742
Due to other funds	<u>23,597</u>	<u>-</u>	<u>108,687</u>	<u>127,298</u>	<u>259,582</u>
Total liabilities	<u>23,597</u>	<u>18,121</u>	<u>110,308</u>	<u>127,298</u>	<u>279,324</u>
Deferred inflows of resources - unavailable revenue	<u>118,797</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>118,797</u>
Fund balances (deficit):					
Assigned	745,516	94,314	-		839,830
Unassigned (deficit)	<u>-</u>	<u>-</u>	<u>(99,664)</u>	<u>(59,844)</u>	<u>(159,508)</u>
Total fund balances	<u>745,516</u>	<u>94,314</u>	<u>(99,664)</u>	<u>(59,844)</u>	<u>680,322</u>
Total liabilities, deferred inflows of resources and fund balances (deficit)	<u>\$ 887,910</u>	<u>112,435</u>	<u>10,644</u>	<u>67,454</u>	<u>1,078,443</u>

VILLAGE OF POTSDAM, NEW YORK
Other Supplementary Information
Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
Year ended May 31, 2023

	Special Revenue Funds			Capital	Total
	Special Grant	Waste Disposal	Recreation	Projects	Governmental
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
Revenue:					
Departmental income	\$ 10,591	188,689	103,889	-	303,169
Intergovernmental charges	-	-	21,519	-	21,519
Use of money and property	16,870	97	-	668	17,635
Miscellaneous	-	-	640	-	640
Total revenue	<u>27,461</u>	<u>188,786</u>	<u>126,048</u>	<u>668</u>	<u>342,963</u>
Expenditures:					
Culture and recreation	-	-	332,612	-	332,612
Home and community services	39,824	200,115	-	-	239,939
Employee benefits	-	-	102,732	-	102,732
Capital outlay	-	-	-	209,731	209,731
Debt service:					
Principal	-	-	35,925	-	35,925
Interest	-	-	7,113	-	7,113
Total expenditures	<u>39,824</u>	<u>200,115</u>	<u>478,382</u>	<u>209,731</u>	<u>928,052</u>
Excess (deficiency) of revenue over expenditures	<u>(12,363)</u>	<u>(11,329)</u>	<u>(352,334)</u>	<u>(209,063)</u>	<u>(585,089)</u>
Other financing sources - transfers in	-	-	384,021	25,000	409,021
Net change in fund balance	<u>(12,363)</u>	<u>(11,329)</u>	<u>31,687</u>	<u>(184,063)</u>	<u>(176,068)</u>
Fund balance (deficit) at beginning of year, before restatement	847,874	105,643	(131,351)	124,219	946,385
Correction of errors (note 11)	<u>(89,995)</u>	-	-	-	<u>(89,995)</u>
Fund balance (deficit) at beginning of year, as restated	<u>757,879</u>	<u>105,643</u>	<u>(131,351)</u>	<u>124,219</u>	<u>856,390</u>
Fund balance (deficit) at end of year	<u>\$ 745,516</u>	<u>94,314</u>	<u>(99,664)</u>	<u>(59,844)</u>	<u>680,322</u>

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

The Mayor and Village 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 and each major fund of the Village of Potsdam, New York (the Village), as of and for the year ended May 31, 2023, and the related notes to financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated March 31, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 for deficiencies, in internal control that is less severe, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-001, 2023-002, 2023-003 and 2023-004 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and responses as item 2023-005.

Village of Potsdam's Response to Findings

Governmental Auditing Standards requires the auditor to perform limited procedures on the Village's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Village's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

EFPR Group, CPAs, PLLC

Williamsville, New York
March 31, 2025

VILLAGE OF POTSDAM, NEW YORK

Schedule of Findings and Responses

May 31, 2023

(2023-001) Significant Audit Adjusting Journal Entries

Criteria - Management is responsible for maintaining accounting records that are accurate and can be audited.

Condition - The accounting records did not accurately reflect appropriate balances for several of the balance sheet accounts.

Cause - A significant number of balance sheet accounts were not reconciled before being presented for the year-end audit.

Effect of Condition - There were significant adjusting journal entries which were proposed and accepted by management to correct the financial reporting of the Village which are considered beyond ordinary audit adjusting journal entries.

Recommendation - We recommend that significant balance sheet accounts be reconciled at year-end and ensure that the records have proper supporting documentation.

View of Responsible Officials and Planned Corrective Actions - See corrective action plan on pages 45 through 46 provided by the Village.

(2023-002) Accounts Receivable

Criteria - Management is responsible for maintaining detailed accounts receivable listings.

Condition - There are material accounts receivable balances at year-end which do have a listing of what is contained in these balances.

Cause - The accounting software is not maintaining a listing of accounts receivable.

Effect of Condition - It is unknown if the year-end accounts receivable balances are correct.

Recommendation - We recommend that management contact the accounting software vendor and request assistance with establishing these records.

View of Responsible Officials and Planned Corrective Actions - See corrective action plan on pages 45 through 46 provided by the Village.

VILLAGE OF POTSDAM, NEW YORK
Schedule of Findings and Responses, Continued

(2023-003) Time Sheet Approval

Criteria - Review and approval of time sheets by Village Treasurer should be performed for each payroll period.

Condition - Our testing revealed that time sheets did not contain approval from the Village Treasurer.

Cause - Established internal controls for time sheet approvals are not being followed.

Effect of Condition - The Village is not in compliance with its established payroll internal controls.

Recommendation - We recommend that the Village monitor policies and procedures for verifying that all time sheets have been approved by the Village Treasurer prior to being issued. Department head time sheets should be reviewed and signed off by the Village Treasurer.

View of Responsible Officials and Planned Corrective Actions - See corrective action plan on pages 45 through 46.

(2023-004) Cash Receipts

Criteria - The Village should have effective internal controls in place regarding the cash receipts process.

Condition - Our testing revealed that the Village had no formal, documented internal controls regarding the cash receipts process during the year ended May 31, 2023.

Cause - The Village lacks formalized policies and procedures regarding the cash receipts process.

Effect of Condition - The Village is at risk for mismanagement of cash, fraud, theft and financial discrepancies due to the lack of effective internal controls regarding the cash receipts process.

Recommendation - We recommend that the Village establish and follow formal policies and procedures to mitigate risks surrounding the cash receipts process. Such controls should include processes to properly document receipts of cash, control the physical handling of cash, ensure cash is deposited timely, bank accounts are reconciled, and proper accounting records are maintained.

View of Responsible Officials and Planned Corrective Actions - See corrective action plan on pages 45 through 46.

VILLAGE OF POTSDAM, NEW YORK
Schedule of Findings and Responses, Continued

(2023-005) Budgetary Practices

Criteria - Section 5-520 of the New York State (NYS) Consolidated Laws for Villages requires that whenever during a fiscal year it shall appear probable to the budget officer (Village Treasurer) that the funds available for such year will be insufficient to meet the amounts appropriated, the budget officer (Village Treasurer) shall notify the Board of Trustees of such fact, stating the probable amount of such deficiency. The Board of Trustees may make additional appropriations or increase existing appropriations so as to prevent the making of expenditures in excess of budgeted appropriations.

Condition - The Village's expenditures in the General Fund and the Sewer fund exceeded the authorized appropriations for the year ended May 31, 2023.

Cause - The Village did not amend its budget during the year ended May 31, 2023 to increase appropriations as necessary to comply with NYS Consolidated Laws Section 5-520.

Effect of Condition - The Village is not in compliance with NYS Consolidated Laws Section 5-520.

Recommendation - The Village should implement a policy to regularly monitor its actual expenditures to the amount appropriated in the budget.

View of Responsible Officials and Planned Corrective Actions - See corrective action plan on pages 45 through 46 provided by the Village.

VILLAGE OF POTSDAM, NEW YORK

Corrective Action Plan

May 31, 2023

Name of Auditee: Village of Potsdam, New York

Name of Audit Firm: EFPR Group , CPAs, PLLC

Period Covered by the Audit: Year ended May 31, 2023

CAP Prepared by: Erica Russell, Village Treasurer

Phone: (315) 265-7480

Current Findings on the Schedule of Findings and Responses

(1) Finding 2023-001 - The Village had significant audit adjustments to its accounting records.

- (a) Implementation Plan of Actions - The Village will reconcile significant balance sheet accounts at year-end and ensure there is supporting documentation.
- (b) Implementation Date - The Village expects to have this completed by May 31, 2025.
- (c) Persons Responsible for Implementation - The Board of Trustees and the Village Treasurer.

(2) Finding 2023-002 - The Village does not maintain detailed accounts receivable listings.

- (a) Implementation Plan of Actions - The Village will work with its accounting software vendor to establish detailed accounts receivable listings.
- (b) Implementation Date - The Village expects to have this completed by May 31, 2025.
- (c) Persons Responsible for Implementation - The Board of Trustees and the Village Treasurer.

(3) Finding 2023-003 - The Village is not approving time sheets in accordance with its payroll internal control process.

- (a) Implementation of Plan of Action - The Village will review and approve time sheets prior to disbursing payroll.
- (b) Implementation Date - The Village expects to have this completed by May 31, 2025.
- (c) Persons Responsible for Implementation - The Board of Trustees and the Village Treasurer.

VILLAGE OF POTSDAM, NEW YORK
Corrective Action Plan, Continued

Current Findings on the Schedule of Findings and Responses, Continued

(4) Finding 2023-004 - The Village has not implemented internal controls over cash receipts.

- (a) Implementation of Plan of Action - The Village will document and establish internal controls over cash receipts.
- (b) Implementation Date - The Village expects to have this completed by May 31, 2025.
- (c) Persons Responsible for Implementation - The Board of Trustees and the Village Treasurer.

(5) Finding 2023-005 - The Village is not in compliance with NYS Consolidated Laws Section 5-520.

- (a) Implementation of Plan of Action - Management is currently working to establish a budget monitoring process.
- (b) Implementation Date - The Village expects to have this completed by May 31, 2025.
- (c) Persons Responsible for Implementation - The Board of Trustees and the Village Treasurer.