

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 9, 2024

RENEWAL/NEW ISSUE

BOND ANTICIPATION NOTES

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Village, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code, however, interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In addition, in the opinion of Bond Counsel, under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York. See "Tax Matters" herein.

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

VILLAGE OF HIGHLAND FALLS ORANGE COUNTY, NEW YORK (the "Village")

\$9,645,000

BOND ANTICIPATION NOTES – 2024 SERIES C (the "Notes")

Dated Date: September 26, 2024

Maturity Date: September 26, 2025

Security and Sources of Payment: The Notes are general obligations of the Village of Highland Falls, Orange County, New York (the "Village"), and will contain a pledge of the faith and credit of the Village for the payment of the principal thereof and interest thereon and, unless paid from other sources, the Notes are payable from ad valorem taxes which may be levied upon all the taxable real property within the Village, subject to certain statutory limitations imposed by Chapter 97 of the New York Laws of 2011, as amended (the "Tax Levy Limit Law"). (See "Tax Levy Limit Law," herein).

Prior Redemption: The Notes will not be subject to redemption prior to their maturity.

Form and Denomination: At the option of the purchaser, the Notes may be either (i) registered in the name of the purchaser or (ii) registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC") as book-entry notes. A single note certificate shall be delivered to the purchaser for those Notes issued in non-book-entry form as bearing the same rate of interest in the aggregate principal amount awarded to such purchaser at such interest rate. Those Notes issued in book-entry form will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as the Securities Depository for the Notes. Individual purchases of any Notes issued in book-entry form may be made only in book-entry form in denominations of \$5,000 or integral multiples thereof. Holders of book-entry Notes will not receive certificates representing their respective ownership interests in any Notes issued in book-entry form. (See "Description of Book-Entry System" herein).

Payment: Payment of the principal of and interest on the Notes registered to the Purchaser will be payable in lawful money of the United States of America (Federal Funds) at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder. Payment of the principal of and interest on any Notes issued in book-entry form 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 Participants or Indirect Participants and not of DTC or the Village, subject to any statutory and regulatory requirements as may be in effect from time to time. Principal and interest payments on any book-entry Notes shall be payable at the office of the Village Clerk. (See "Description of Book-Entry System" herein).

Proposals for the Notes will be received at 11:00 A.M. (Prevailing Time) on September 17, 2024 at the offices of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776.

The Notes are offered subject to the final approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel, and certain other conditions. It is expected that delivery of the Notes will be made on or about September 26, 2024 in New York, New York, or as otherwise agreed to by the Village and the purchaser.

THIS PRELIMINARY OFFICIAL STATEMENT IS IN A FORM "DEEMED FINAL" BY THE VILLAGE FOR THE PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"). FOR A DESCRIPTION OF THE VILLAGE'S AGREEMENT TO PROVIDE NOTICES OF EVENTS FOR THE NOTES, AS DESCRIBED IN THE RULE, SEE "DISCLOSURE UNDERTAKING" HEREIN.



Village of Highland Falls

**VILLAGE OF HIGHLAND FALLS
ORANGE COUNTY, NEW YORK**

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Alyse Terhune
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* * *

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* * *

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No dealer, broker, salesman or other person has been authorized by the Village 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. 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 from sources which are believed to be reliable but it 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 since the date hereof.

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OFFICIAL STATEMENT

Relating to

VILLAGE OF HIGHLAND FALLS ORANGE COUNTY, NEW YORK

\$9,645,000 BOND ANTICIPATION NOTES – 2024 SERIES C (the “Notes”)

This Official Statement, including the cover page and appendices thereto, has been prepared by the Village of Highland Falls (the “Village”) and presents certain information relating to the Village’s \$9,645,000 Bond Anticipation Notes – 2024 Series C (the “Notes”). All quotations from and summaries and explanations of provisions of the Constitution and laws of the State of New York (the “State”) and acts and proceedings of the Village contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof and all references to the Notes and the proceedings of the Village relating thereto are qualified in their entirety by reference to the definitive form of the Notes and such proceedings.

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

THE NOTES

Description of the Notes

The Notes are general obligations of the Village. The Village has pledged its faith and credit for the payment of the principal of and interest on the Notes and, unless paid from other sources, the Notes are payable from ad valorem taxes which may be levied upon all the taxable real property within the Village, subject to certain statutory limitations imposed by the Tax Levy Limit Law. (See “*Tax Levy Limit Law*” herein.)

The Notes will be dated and will mature, without the option of prior redemption, as indicated on the cover page hereof.

The Village Clerk will act as Fiscal Agent for the Notes. Paying agent fees, if any, will be paid by the purchaser(s). The Village’s contact information is as follows: Gabrielle Ferrier, Village Treasurer, Village of Highland Falls, 303 Main Street, Highland Falls, NY 10928, Phone (845) 446-3400, Fax (845) 446-2952, email: gferrier@highlandfallsny.org.

Optional Redemption

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

Description of Book-Entry System

In the event the Notes are issued as book-entry Notes, DTC will act as securities depository for any Notes. Such Notes will be issued as fully-registered securities, in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered note certificate will be issued for each book-entry Note bearing the same rate of interest and CUSIP number and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of certificates.

Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). Standard & Poor’s assigns a rating of “AA+” to DTC. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the 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 the Notes with DTC and their registration in the name of Cede & Co., or such other DTC nominee do not affect 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 accounts of their holdings on behalf of their customers.

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

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

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

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 upon DTC’s receipt of funds and corresponding detail information from the Village on the payable date, in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC (nor its nominee) or the Village, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Village, disbursement of such payments to Direct Participants will be the responsibility of DTC), and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the Village. Under such circumstances, in the event that a successor depository is not obtained, note certificates are required to be printed and delivered to the Noteowners. The Village may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In such event, note certificates will be printed and delivered to the Noteowners.

The information contained in the above section concerning DTC and DTC's book-entry system has been obtained from sample offering document language supplied by DTC, but the Village takes no responsibility for the accuracy thereof. In addition, the Village will not have any responsibility or obligation to participants, to indirect participants or to any beneficial owner with respect to: (i) the accuracy of any records maintained by DTC, any participant or any indirect participant; (ii) the payments by DTC or any participant or any indirect participant of any amount with respect to the principal of, or premium, if any, or interest on the Notes or (iii) any notice which is permitted or required to be given to Noteowners.

Source: The Depository Trust Company, New York, New York.

Authorization and Purpose

The Notes are being issued pursuant to the Constitution and statutes of the State of New York, including among others, the Village Law and the Local Finance Law, and various bond resolutions duly adopted by the Board of Trustees of the Village as follows:

| Date of Authorization | Purpose | Amount Outstanding | Amount to be Paid | Additional Amount to be Issued | Total Amount to be Issued |
|-----------------------|--|--------------------|-------------------|--------------------------------|---------------------------|
| 09/17/2019 | Drainage Improvements | \$ 46,250 | \$ 46,250 | | \$ - |
| 07/06/2020 | Road Improvements | 200,000 | 200,000 | | 0 |
| 08/07/2023 | Improvements to Curbs, Sidewalks and Roads | 1,000,000 | 20,000 | \$1,000,000 | 1,980,000 |
| 08/07/2023 | Improvements to Village Water System | 500,000 | 25,000 | 1,000,000 | 1,475,000 |
| | Improvements to Village Wastewater/Sewer System | 500,000 | 25,000 | 1,000,000 | 1,475,000 |
| 09/05/2023 | | | | | |
| 05/07/2018 | Construction of Improvements to Village WTP | 430,000 | 15,000 | | 415,000 |
| 04/18/2022 | Construction of Sewer System Improvements | 2,000,000 | 50,000 | | 1,950,000 |
| | Improvements to the Village Stormwater Drainage System | 2,400,000 | 50,000 | | 2,350,000 |
| | Totals: | <u>\$7,076,250</u> | <u>\$ 431,250</u> | <u>\$3,000,000</u> | <u>\$9,645,000</u> |

Security and Source of Payment

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

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. For the payment of such principal of and interest on the Notes, the Village has the power and statutory authorization to levy ad valorem taxes on all taxable real property in the Village, subject to certain statutory limitations imposed by the Tax Levy Limit Law. (See "Tax Levy Limit Law," herein).

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 the State is specifically precluded from restricting the power of the Village to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limit Law imposes a statutory limitation on the Village's power to increase its annual tax levy, unless the Village complies with certain procedural requirements to permit the Village to levy certain year-to-year increases in real property taxes. (See "Tax Levy Limit Law," herein).

RISK FACTORS

There are certain potential risks associated with an investment in the Notes, and investors should be thoroughly familiar with this Official Statement, including its appendices, in order to make an informed investment decision. Investors should consider, in particular, the following factors:

The Village's credit rating could be affected by circumstances beyond the Village's control. Economic conditions such as the rate of unemployment and inflation, termination of commercial operations by corporate taxpayers and employers, as well as natural catastrophes, could adversely affect the assessed valuation of Village property and its ability to maintain fund balances and other statistical indices commensurate with its current credit rating. As a consequence, a decline in the Village's credit rating could adversely affect the market value of the Notes.

If and when an owner of any of the Notes should elect to sell a Note prior to its maturity, there can be no assurance that a market will have been established, maintained and continue in existence for the purchase and sale of any of those Notes. The market value of the Notes is dependent upon the ability of holder to potentially incur a capital loss if such Note is sold prior to its maturity.

There can be no assurance that adverse events including, for example, the seeking by another municipality in the State or elsewhere of remedies pursuant to the Federal Bankruptcy Act or otherwise, will not occur which might affect the market price of and the market for the Notes. In particular, if a significant default or other financial crisis should occur in the affairs of the State or any of its municipalities, public authorities or other political subdivisions thereby possibly further impairing the acceptability of obligations issued by those entities, both the ability of the Village to arrange for additional borrowing(s) as well as the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

The Village is dependent in part upon financial assistance from the State in the form of State aid as well as grants and loans to be received ("State Aid"). The availability of such monies and the timeliness of such payment may be affected by a delay in the adoption of the State budget, the impact to the State's economy and financial condition due to the COVID-19 outbreak and other circumstances, including State fiscal stress. State aid appropriated and apportioned to the Village can be paid only if the State has such monies available therefor. Should the Village fail to receive all or a portion of the amounts of State Aid expected to be received from the State in the amounts and at the times anticipated, occasioned by a delay in the payment of such moneys, the Village is authorized pursuant to the Local Finance Law ("LFL") to provide operating funds by borrowing in anticipation of the receipt of such uncollected State Aid, however, there can be no assurance that, in such event, the Village will have market access for any such borrowing on a cost effective basis. (See also "*State Aid*" herein.)

Future amendments to applicable statutes whether enacted by the State or the United States of America affecting the treatment of interest paid on municipal obligations, including the Notes, for income taxation purposes could have an adverse effect on the market value of the Notes (see "*Tax Matters*" herein).

The enactment of the Tax Levy Limit Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the Village, without providing exclusion for debt service on obligations issued by municipalities and fire districts, including the Village, may affect the market price and/or marketability for the Notes. (See "*Tax Levy Limit Law*" herein.)

Federal or State legislation imposing new or increased mandatory expenditures by municipalities, school districts and fire districts in the State, including the Village, could impair the financial condition of such entities, including the Village, and the ability of such entities, including the Village, to pay debt service on the Notes.

An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on the Village's financial condition and operating results by potentially delaying the receipt of real property taxes or resulting in a delay or reduction by the State in the payment of State aid. The outbreak of COVID-19 and the steps taken by the State to address it could negatively impact the State's economy and financial condition. The degree of the impact to the Village's operations and finances is extremely difficult to predict. (See "*State Aid*" herein) (See "*Impact of COVID-19*" herein).

REMEDIES UPON DEFAULT

Neither the Notes, nor the proceedings with respect thereto, specifically provide any remedies which would be available to owners of the Notes should the Village default in the payment of principal of or interest on the Notes, nor do they contain any provisions for the appointment of a trustee to enforce the interests of the owners of the Notes upon the occurrence of any such default. Each Note is a general obligation contract between the Village and the owners for which the faith and credit of the Village are pledged and while remedies for enforcement of payment are not expressly included in the Village's contract with such owners, any permanent repeal by statute or constitutional amendment of a bond or note holder's remedial right to judicial enforcement of the contract should, in the opinion of Bond Counsel, be held unconstitutional.

Upon default in the payment of principal of or interest on the Notes, at the suit of the owner, a Court has the power, in proper and appropriate proceedings, to render judgment against the Village. The present statute limits interest on the amount adjudged due to contract creditors to nine per centum per annum from the date due to the date of payment. 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. A Court also has the power, in proper and appropriate proceedings, to order payment of a judgment on such Notes from funds lawfully available therefor or, in the absence thereof, to order the Village to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising its discretion as to whether to issue such an order, the Court may take into account all relevant factors, including the current operating needs of the Village and the availability and adequacy of other remedies. Upon any default in the payment of the principal of or interest on a Note, the owner of such Note could, among other remedies, seek to obtain a writ of mandamus from a Court ordering the governing body of the Village to assess, levy and collect an *ad valorem* tax, upon all taxable property of the Village subject to taxation by the Village, sufficient to pay the

principal of and interest on the Notes as the same shall come due and payable (and interest from the due date to date of payment) and otherwise to observe the covenants contained in the Notes and the proceedings with respect thereto all of which are included in the contract with the owners of the Notes. The mandamus remedy, however, may be impracticable and difficult to enforce. Further, the right to enforce payment of the principal of or interest on the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

In 1976, the New York Court of Appeals, the State's highest court, held in *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), that the New York State legislation purporting to postpone the payment of debt service on New York City obligations was an unconstitutional moratorium in violation of the New York State constitutional faith and credit mandate included in all municipal debt obligations. While that case can be viewed as a precedent for protecting the remedies of holders of bonds or notes of the Village, there can be no assurance as to what a Court may determine with respect to future events, including financial crises as they may occur in the State and in municipalities of the State, that require the exercise by the State of its emergency and police powers to assure the continuation of essential public services. (See also, *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 1088 (1977), where the Court of Appeals described the pledge as a direct Constitutional mandate.)

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

Pursuant to Article VIII, Section 2 of the State Constitution, the Village is required to provide an annual appropriation of monies for the payment of due and payable principal of and interest on indebtedness. Specifically, this constitutional provision states: "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. In *Quirk v. Municipal Assistance Corp.*, 41 N.Y.2d 644 (1977), 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 the 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 or may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues. The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

While the courts in the 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.

In prior years, certain events and legislation affecting a holder's remedies upon default have resulted in litigation. While courts of final jurisdiction have generally upheld and sustained the rights of holders of bonds or notes, such courts might hold that future events, including a financial crisis as such may occur in the State or in political subdivisions of the State, may 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.

MUNICIPAL BANKRUPTCY

The undertakings of the Village should be considered with reference, specifically, to Chapter IX of the Bankruptcy Act, 11 U.S.C. §401, et seq., as amended ("Chapter IX") and, in general, to other bankruptcy laws affecting creditors' rights and municipalities. Chapter IX permits any political subdivision, public agency or instrumentality that is insolvent or unable to meet its debts (i) to file a petition in a Court of Bankruptcy for the purpose of effecting a plan to adjust its debts provided such entity is authorized to do so by applicable state law; (ii) directs such a petitioner to file with the court a list of a petitioner's creditors; (iii) provides that a petition filed under such chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; (iv) grants priority to debt owed for services or material actually provided within three (3) months of the filing of the petition; (v) directs a petitioner to file a plan for the adjustment of its debts; and (vi) provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds (2/3) in amount or more than one-half (1/2) in number of the listed creditors.

Bankruptcy proceedings by the Village could have adverse effects on holders of bonds or notes including (a) delay in the enforcement of their remedies, (b) subordination of their claims to those supplying goods and services to the Village after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (c) imposition without their consent of a reorganization plan reducing or delaying payment of the Notes. The Bankruptcy Code contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors such as the holders of general obligation bonds, such creditors will have the benefit of their original claim or the “indubitable equivalent”. The effect of these and other provisions of the Bankruptcy Code cannot be predicted and may be significantly affected by judicial interpretation.

Accordingly, enforceability of the rights and remedies of the owners of the Notes, and the obligations incurred by the Village, may become subject to Chapter IX and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor’s rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against public agencies in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Notes to judicial discretion, interpretation and of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

The State has consented (see Title 6-A of the Local Finance Law) that any municipality in the State may file a petition with any 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. However, it is noted that there is no record of any recent filings by a New York municipality. Since the New York City fiscal crisis in 1975, the State has legislated a finance control or review board and assistance corporations to monitor and restructure finance matters in addition to New York City, for the Cities of Yonkers, Troy and Buffalo and for the Counties of Nassau and Erie. Similar active intervention pursuant to State legislation to relieve fiscal stress for the Village in the future cannot be assured.

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 above references to the Bankruptcy Act are not to be construed as an indication that the Village is currently considering or expects to resort to the provisions of the Bankruptcy Act.

Financial Control Boards

Pursuant to Article IX Section 2(b)(2) of the State Constitution, any municipality 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 in certain cases approve or disapprove collective bargaining agreements. Implementation is generally 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, upon the issuance of a certificate of necessity of the Governor reciting facts which in the judgment of the 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 a 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 in the finances and operations of entities such as the public benefit corporations established by special acts as described above.

Several municipalities in the State may be presently working with the FRB. The Village has not applied to the FRB and does not reasonably anticipate submission of a request to the FRB for a comprehensive review of its finances and operations. School districts and fire districts are not eligible for FRB assistance.

No Past Due Debt

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

THE VILLAGE OF HIGHLAND FALLS

The Village, with a population of 3,720 (2022 U.S. Census) is located in the east-central portion of Orange County on the Hudson River about 45 miles north of New York City and 15 miles south of the City of Newburgh. On a valuation basis, it comprises about 61% of both the Town of Highlands and the Highland Falls -Fort Montgomery Central School District. The Village is primarily commercial and residential in nature, providing shopping facilities and services to the surrounding suburban population.

Employment opportunities are available at the commercial or governmental operations in the Village and its surrounding area; residents also commute to New York City, Newburgh, Kingston or other areas both in and out of Orange County, such as the Sterling Forest Industrial Park and Research Center at Tuxedo. Institutions of higher education located nearby include the Orange County Community College; U.S. Military Academy at West Point; Mount Saint Mary College in Newburgh; and New York University Medical Center's Institute of Environmental Medicine at Sterling Forest. Recreational facilities within close proximity to the Village include Bear Mountain State Park and Harriman State Park.

Rail commuter service is provided by MetroNorth and this commuter transportation is supplemented by bus service. Highways include U.S. Route 9W, and air travel is available at Orange County Airport, Stewart International Airport or the major New York City airports.

Electricity and natural gas service are supplied to the Village by Orange and Rockland Utilities Corp. and Central Hudson Gas and Electric, respectively. The Village is the supplier of water and is responsible for the distribution and maintenance of the necessary facilities. Sanitary sewer services are provided by the Village to substantially all of the Village residents. Police and fire protection are provided by the Village.

Government

The Village was incorporated in 1906. One independently governed school district is partially located within the Village which relies on its own taxing powers granted by the State to raise revenues. The school district uses the Town of Highlands assessment roll as its basis for taxation of property located within the Village.

Subject to the provisions of the State Constitution, the Village operates pursuant to Village Law, the Local Finance Law, other laws generally applicable to the Village, and any special laws generally applicable to the Village. Under such laws, there is no authority for the Village to have a charter, but pursuant to the Village Law and other laws generally applicable to home rule, the Village may from time to time adopt local laws.

The legislative power of the Village is vested in the Village Board of Trustees (the "Board of Trustees"), which consists of five members, including the Mayor, who is the chief executive officer of the Village, elected to a term of four years. The four other members of the Board of Trustees are elected to four-year terms, which terms are staggered such that two Trustees are elected every other year. All the Trustees are elected at large and there is no limit to the number of terms each may serve.

The Village Clerk and the Village Treasurer are appointed to two-year terms and the Village Attorney to a one-year term.

Employees

The Village provides services through approximately 24 full-time employees and 19 part-time employees.

The Highland Falls Patrolmen's Benevolent Association, Inc. represents 16 employees whose contract expired on May 31, 2024 and are currently in negotiations.

The Department of Public Works Employee Association represents 7 employees whose contract expires on May 31, 2026.

Impacts of Recent Storm

In July of 2023 a storm caused extensive damage to the Village and the Town of Highlands. The storm caused extreme flooding which caused damage to buildings, roads, water wells and other Village infrastructure. The State of New York and the County of Orange both declared a state of emergency and assisted in search and rescue for those residents trapped in their homes. Many residents stayed in Red Cross shelters like hotels and motels because of structural damage to their homes, and were unable to use gas, electricity or water.

The Village estimates that the cost of the damage is approximately \$35,000,000 and expects the Federal Emergency Management Agency (FEMA) to aid in a portion of that cost. As the exact cost of the damage is not know right now, the Village has issued bond anticipation notes to repair the damage caused by the storm in the amount of \$2,000,000. (See “*Authorized But Unissued Indebtedness,*” herein).

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population Characteristics

Since 1990, the Village has had a population trend, as compared to the County and the State, as indicated below:

| <u>Year</u> | <u>Village</u> | <u>Orange County</u> | <u>New York State</u> |
|-------------|----------------|----------------------|-----------------------|
| 1990 | 4,008 | 307,647 | 17,990,455 |
| 2000 | 3,678 | 341,367 | 18,976,457 |
| 2010 | 3,900 | 372,813 | 19,378,102 |
| 2020 | 3,826 | 382,077 | 19,514,849 |
| 2022 | 3,720 | 405,941 | 19,677,152 |

Source: U.S. Bureau of the Census

Per Capita Money Income

| | <u>Per Capita Money Income</u> | | | |
|---------------------------|--------------------------------|-------------|-------------|--------------------------|
| | <u>2000</u> | <u>2010</u> | <u>2020</u> | <u>2022 ^a</u> |
| Village of Highland Falls | \$24,100 | \$29,006 | \$40,051 | \$45,662 |
| County of Orange | 21,597 | 27,862 | 35,616 | 39,507 |
| State of New York | 23,389 | 30,948 | 40,898 | 47,421 |

Median Family Income

| | <u>Median Household Income</u> | | | |
|---------------------------|--------------------------------|-------------|-------------|--------------------------|
| | <u>2000</u> | <u>2010</u> | <u>2020</u> | <u>2022 ^a</u> |
| Village of Highland Falls | \$45,833 | \$65,192 | \$78,137 | \$94,223 |
| County of Orange | 60,355 | 82,480 | 89,543 | 91,806 |
| State of New York | 51,691 | 67,405 | 70,435 | 81,386 |

Source: U.S. Department of Commerce, Bureau of the Census.

a. Based on American Community Survey 5-Year Estimates (2018-2022)

Unemployment Rate Statistics

| <u>Annual Averages:</u> | <u>Orange County (%)</u> | <u>New York State (%)</u> |
|-------------------------|--------------------------|---------------------------|
| 2019 | 3.8 | 4.0 |
| 2020 | 8.4 | 10.0 |
| 2021 | 5.0 | 7.2 |
| 2022 | 3.2 | 4.4 |
| 2023 | 3.3 | 4.2 |
| 2024 (YTD) | 3.8 | 4.2 |

Source: Department of Labor, State of New York

INDEBTEDNESS OF THE VILLAGE

Constitutional Requirements

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

Purpose and Pledge. The Village shall not give or loan any money or property to or in aid of any individual or private corporation or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The Village may contract indebtedness only for a Village purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes, or to be paid in one of the two fiscal years immediately succeeding the fiscal year in which such indebtedness was contracted, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose determined by statute or, in the alternative, the weighted average period of probable usefulness of the several objects or purposes for which such indebtedness is to be contracted; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the Village has authorized the issuance of indebtedness having substantially level or declining annual debt service. The Village is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds, bond anticipation notes and capital notes.

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

Statutory Procedure

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

Pursuant to the Local Finance Law, the Village authorizes the incurrence of indebtedness by the adoption of a bond resolution approved by at least two-thirds of the members of the Board of Trustees, except in the event that the Village determines to subject the bond resolution to voter approval by mandatory referendum, in which case only a three-fifths vote is required.

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

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

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

In addition, under each bond resolution, the Board of Trustees may delegate, and has delegated, power to issue and sell bonds and notes, to the Village Treasurer, the chief fiscal officer of the Village.

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

Debt Limit. The Village has the power to contract indebtedness for any Village purpose so long as the aggregate outstanding principal amount thereof shall not exceed seven per centum of the average full valuation of taxable real estate of the Village and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional and statutory method for determining the full valuation is by dividing the assessed valuation of taxable real estate by the respective equalization rates assigned to each assessment roll. Such equalization rates are the ratios which each of such assessed valuations bear to the respective full valuation of such year, as assigned by the New York State Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratios shall be determined. Average full valuation is determined by adding the full valuations for the most recently completed assessment roll and the four immediately preceding assessments rolls and dividing the resulting sum of such addition by five.

There is no constitutional limitation on the amount that may be raised by the Village by tax on real estate in any fiscal year to pay principal and interest on all indebtedness. However, the Tax Levy Limit Law, imposes a statutory limitation on the power of the Village to increase its annual tax levy. The amount of such increases is limited by the formulas set forth in the Tax Levy Limit Law. (See "*Tax Levy Limit Law*," herein).

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The following pages set forth certain details with respect to the indebtedness of the Village.

Computation of Debt Limit and Calculation of Net Debt Contracting Margin
(As of September 9, 2024)

| Fiscal Year Ending May 31: | Assessed Valuation | State Equal. Rate (%) | Full Valuation |
|--|--------------------|--------------------------|---------------------|
| 2021 | \$291,293,250 | 93.00 | \$ 313,218,548 |
| 2022 | 302,258,715 | 96.00 | 314,852,828 |
| 2023 | 303,774,461 | 78.30 | 387,962,275 |
| 2024 | 303,996,326 | 69.35 | 438,350,867 |
| 2025 | 306,275,107 | 65.60 | 466,882,785 |
| Total Five Year Full Valuation | | | \$1,921,267,303 |
| Average Five Year Full Valuation | | | 384,253,461 |
| Debt Limit - 7% of Average Full Valuation | | | 26,897,742 |
| Inclusions: | | | |
| General Purpose Bonds | | | 2,440,000 |
| Water Purpose Bonds | | | 270,000 |
| Bond Anticipation Notes | | | 11,520,745 |
| Total Inclusions | | | <u>14,230,745</u> |
| Exclusions: | | | |
| Excluded Water Debt | | | 270,000 |
| Note Appropriations | | | 431,250 |
| Bond Appropriations | | | 25,000 |
| Total Exclusions | | | <u>726,250</u> |
| Total Net Indebtedness Before Issuing the Notes | | | <u>13,504,495</u> |
| The Notes | | | 9,645,000 |
| Less: BANs Being Redeemed by the Notes | | | <u>6,645,000</u> |
| Total Net Effect of the Notes | | | <u>3,000,000</u> |
| Total Net Indebtedness After Issuing the Notes | | | <u>16,504,495</u> |
| Net Debt Contracting Margin | | | <u>\$13,393,247</u> |
| Percent of Debt Contracting Margin Exhausted (%) | | | 50.21 |

Debt Service Requirements – Outstanding Bonds ^a

| Fiscal Year Ending May 31: | Principal | Interest | Total |
|-------------------------------|-------------|-----------|-------------|
| 2025 | \$320,000 | \$88,590 | \$408,590 |
| 2026 | 295,000 | 79,371 | 374,371 |
| 2027 | 315,000 | 70,070 | 385,070 |
| 2028 | 325,000 | 59,874 | 384,874 |
| 2029 | 335,000 | 49,387 | 384,387 |
| 2030 | 225,000 | 40,116 | 265,116 |
| 2031 | 235,000 | 32,577 | 267,577 |
| 2032 | 240,000 | 25,521 | 265,521 |
| 2033 | 245,000 | 18,159 | 263,159 |
| 2034 | 220,000 | 10,850 | 230,850 |
| 2035 | 225,000 | 3,675 | 228,675 |
| Totals: | \$2,980,000 | \$478,189 | \$3,458,189 |

a. Does not reflect payments made to date.

Details of Short-Term Indebtedness Outstanding

As of the date of this Official Statement, the Village has bond anticipation notes outstanding for the following purposes:

| Date Due | Purpose | Amount |
|------------|--|--------------|
| 09/27/2024 | Stormwater Drainage Improvements | \$ 2,400,000 |
| 09/27/2024 | Wastewater Facility and Sewer System Improvements | 2,430,000 |
| 09/27/2024 | Drainage and Road Improvements and Wastewater/Sewer Improvements | 2,246,250 |
| 03/12/2025 | Curbs & Water System Improvements | 4,444,495 |
| | Totals: | \$11,520,745 |

Authorized But Unissued Indebtedness

As of the date of this Official Statement, the Village has authorized but unissued indebtedness in the amount of \$3,444,495 for improvements to the water system, \$1,200,000 for improvements to the Wastewater Treatment Plant, \$1,000,000 for improvements to the wastewater/sewer system which will be financed the Notes, \$2,000,000 for improvements to curbs, sidewalks and roads of which \$1,000,000 will be financed by the Notes, and \$1,000,000 for improvements to the water system which will be financed the Notes. (See “*Impact of Recent Storm*” herein)

Capital Project Plans

The Village is generally responsible for providing services as required to the citizens on a Village-wide basis. The Village maintains a road system necessitating road resurfacing and improvements and the acquisition of machinery and, from time to time, equipment. Additionally, although not a capital expense, such road system requires annual expenditures for snow removal as well as regular general operating maintenance expenses. In addition, the Village owns, operates, maintains, and improves recreation, water, and sewer facilities. It is expected that the Village will issue short-term debt in 2024 in greater amounts than in recent years, due to the need for capital improvements necessitated by recent storm damage. However, it is expected that a significant portion of such debt will be redeemed from grant funds or other state or federal assistance. (See “*Impact of Recent Storm*”, herein)

Trend of Outstanding Debt

| | Fiscal Year Ending May 31: | | | | |
|-------------------------------|----------------------------|--------------------|--------------------|--------------------|---------------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 |
| Bonds | \$4,110,000 | \$3,840,000 | \$3,560,000 | \$3,295,000 | \$2,980,000 |
| BAN's | 735,000 | 585,000 | 958,750 | 6,044,500 | 11,603,745 |
| Other Debt | 0 | 0 | 0 | 0 | 0 |
| Total Debt Outstanding | \$4,845,000 | \$4,425,000 | \$4,518,750 | \$9,339,500 | \$14,583,745 |

Calculation of Estimated Overlapping and Underlying Indebtedness

| Overlapping Units | Date of Report | Percentage Applicable (%) | Applicable Total Indebtedness | Applicable Net Indebtedness |
|--------------------------------------|----------------|---------------------------|-------------------------------|-----------------------------|
| Orange County | 02/15/24 | 1.05 | \$2,235,247 | \$1,927,800 |
| Town of Highlands | 08/31/23 | 59.71 | 2,059,961 | 1,674,832 |
| Highland Falls - Fort Montgomery CSD | 12/21/22 | 60.73 | 9,209,705 | 2,302,426 |
| Totals: | | | \$13,504,913 | \$5,905,058 |

Debt Ratios

(As of September 9, 2024)

| | Amount | Per Capita ^a | Percentage Of Full Value (%) ^b |
|--|--------------|-------------------------|---|
| Total Direct Debt | \$14,230,745 | \$3,825 | 3.048 |
| Net Direct Debt | 13,504,495 | 3,630 | 2.892 |
| Total Direct & Applicable Total Overlapping Debt | 27,735,658 | 7,456 | 5.941 |
| Net Direct & Applicable Net Overlapping Debt | 19,409,553 | 5,218 | 4.157 |

a. The current estimated population of the village is 3,720.

b. The full valuation of taxable real property in the Village for 2024-25 is \$466,882,785.

FINANCES OF THE VILLAGE

Independent Audit Procedures

The financial statements of the Village are audited each year by an independent public accountant. The latest year for which an Audited Financial Report is available is the fiscal year ended May 31, 2023, and is attached hereto as Appendix B. The financial affairs of the Village are subject to periodic compliance review by the Office of the State Comptroller to ascertain whether the Village has complied with the requirements of various State and Federal statutes. As required by law, the Village also prepares an Annual Financial Report Update Document for submission to the Comptroller. A summary of the operating results for the past five fiscal years is attached as Appendix A hereto.

Fund Structure and Accounts

The Village utilizes fund accounting to record and report its various service activities. A fund represents both a legal and an accounting entity which segregates the transactions of specific programs in accordance with special regulations, restrictions or limitations.

There are three basic fund types: (1) governmental funds that are used to account for basic services and capital projects; (2) proprietary funds that account for operations of a commercial nature; and, (3) fiduciary funds that account for assets held in a trustee capacity. Account groups, which do not represent funds, are used to record fixed assets and long-term obligations that are not accounted for in a specific fund.

The Village presently maintains the following governmental funds: General Fund, Water Fund, Sewer Fund, and the Capital Projects Fund. Fiduciary funds consist of a Trust and Agency Fund. There are no proprietary funds. Account groups are maintained for fixed assets and long-term debt.

Basis of Accounting

The Village's governmental funds are accounted for on a modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become susceptible to accrual - that is, when they become "measurable" and "available" to finance expenditures to the current period. Revenues which are susceptible to accrual include real property taxes, intergovernmental revenues (State and Federal aid) and operating transfers.

Expenditures are generally recognized under the modified accrual basis of accounting, that is when the related fund liability is incurred. Exceptions to this general rule are (1) payments to employee retirement systems which are recorded in the General Long-Term Debt Account Group and recognized as an expenditure when due, and, (2) unmatured interest on general long-term debt which is recognized when due.

Investment Policy

Pursuant to State law, including Sections 10 and 11 of the General Municipal Law (the "GML"), the Village is generally permitted to deposit moneys in banks or trust companies located and authorized to do business in the State. All such deposits, including special time deposit accounts and certificates of deposit, in excess of the amount insured under the Federal Deposit Insurance Act, are required to be secured in accordance with the provisions of and subject to the limitations of Section 10 of the GML.

The Village may also temporarily invest moneys in: (1) obligations of the United States of America; (2) 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; (3) obligations of the State of New York; (4) with the approval of the New York State Comptroller, in tax anticipation notes or revenue anticipation notes issued by any municipality, school district, or district corporation, other than those notes issued by the Village, itself; (5) certificates of participation issued in connection with installment purchase agreements entered into by political subdivisions of the State pursuant to Section 109-b(10) of the GML; (6) obligations of a New York public benefit corporation which are made lawful investments for municipalities pursuant to the enabling statute of such public benefit corporation; or (7) in the case of moneys held in certain reserve funds established by the Village pursuant to law, in obligations of the Village.

All of the foregoing investments are required to be payable or redeemable at the option of the owner within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable in any event, at the option of the owner, within two years of the date of purchase. Unless registered or inscribed in the name of the Village, such instruments and investments must be purchased through, delivered to and held in custody of a bank or trust company in the State pursuant to a written custodial agreement as provided by Section 10 of the GML.

The Board of Trustees of the Village has adopted an investment policy and such policy conforms with applicable laws of the State governing the deposit and investment of public moneys. All deposits and investments of the Village are made in accordance with such policy.

Budgetary Procedures

The Village Board, with the assistance of the Village Treasurer, prepares a preliminary budget in the Spring of each year and holds a public hearing thereon by April 15. Subsequent to the budget hearing, revisions, of any, are made and the budget is then adopted by the Board of Trustees as its final budget for the coming fiscal year by May 1. The budget is not subject to voter approval.

Financial Operations

The Village Treasurer functions as the chief fiscal officer as provided in Section 2.00 of the Local Finance Law; in this role, the Village Treasurer is responsible for the Village's accounting and financial reporting activities. In addition, the Treasurer is also the Village's budget officer and prepares the annual tentative budget for submission to the Board of Trustees. Budgetary control during the year is the responsibility of the Village Treasurer. Pursuant to Section 30.00 of the Local Finance Law, the Village Treasurer has been authorized to issue or renew certain specific types of notes. As required by law, the Village Treasurer must execute an authorizing certificate which then becomes a matter of public record.

The Board of Trustees, as a whole, serves as the finance board of the Village and is responsible for authorizing, by resolution, all material financial transactions such as operating and capital budgets and bonded debt.

Revenues

The Village receives most of its revenues from a real property tax on all non-exempt real property situated within the Village. A summary of such revenues for the five most recently completed fiscal years and estimated revenues for the current fiscal year may be found in Appendix A.

Real Property Taxes

See "Tax Information", herein.

State Aid

The Village receives financial assistance from the State. If the State should not adopt its budget in a timely manner, municipalities, and school districts in the State, including the Village, may be affected by a delay in the payment of State aid. Additionally, 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 this year or future years, 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.

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. In 2020, due to the outbreak of COVID-19, the State declared a state of emergency and the Governor took steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. On March 11, 2021 the Federal American Rescue Plan Act (ARPA) was enacted. The ARPA is a \$1.9 trillion economic stimulus bill intended to contain the COVID-19 pandemic and accelerate the nation's economic recovery. The ARPA provides the State with \$12.6 billion in general aid ("recovery aid"), as well as \$17.2 billion in categorical aid for schools, universities, childcare, housing and other purposes. (See "*Impact of COVID-19*", herein). The enacted 2021-22 State budget provided for an increase in All Funds spending of 9.7% over 2020-21, relying on a combination of the new federal funding and revenue-raising initiatives to avoid cuts and support additional investments. According to the State, the budget deployed the first \$5.5 billion of the \$12.6 billion provided for under ARPA.

The 2023 enacted budget continued the support of the pandemic recovery with over \$2 billion in one-time investments, including : \$800 million for the Emergency Rental Assistance Program (ERAP), \$800 million for hospitals, \$250 million in utility arrear assistance, \$125 million in homeowner and landlord assistance and \$25 million in other one-time, non-recurring investments.

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

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

The following table sets forth the percentage of the Village’s General Fund revenue comprised of State aid for each of the fiscal years 2019 through 2023 and the 2024 and 2025 budgeted amounts.

| Fiscal Year Ending May 31: | Total Revenue | State Aid | State Aid To Revenues (%) |
|-------------------------------|------------------|-----------|------------------------------|
| 2019 | \$ 4,669,954 | \$ 83,123 | 1.78 |
| 2020 | 5,882,641 | 790,083 | 13.43 |
| 2021 | 5,180,015 | 263,222 | 5.08 |
| 2022 | 5,354,145 | 220,838 | 4.12 |
| 2023 | 5,389,462 | 282,085 | 5.23 |
| 2024 (Budgeted) | 5,915,142 | 121,000 | 2.05 |
| 2025 (Budgeted) | 6,232,339 | 105,000 | 1.68 |

Source: Audited Financial Statements (2019-2023) and Adopted Budget for fiscal years ended May 31, 2024, and 2025.

Expenditures

The major categories of expenditure for the Village are General Government Support, Public Safety, Culture and Recreation, Home & Community Services and Employee Benefits. A summary of the expenditures for the five most recently completed fiscal years and the estimated expenditures for the current fiscal year may be found in Appendix A.

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 most current applicable report of the State Comptroller designates the Village as “No Designation”. (Fiscal Score: 6.7%; Environmental Score: 3.3%). See the State Comptroller’s official website for more information on FSMS.

In addition, the Office of the State Comptroller assists local government officials manage government resources efficiently and effectively. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through its audits, which identify opportunities for improving operations and governance. There have been no audits in the five most recent fiscal years.

See the State Comptroller’s official website for more information on FSMS. Reference to this website implies no warranty of accuracy of information therein.

Employee Pension System

Substantially all employees of the Village are members of the New York State and Local Employees' Retirement System (the "Retirement System" or "ERS"). The Retirement System is a cost-sharing multiple public employer retirement system. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement System and Social Security Law (the "Retirement System Law"). The Retirement System offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service, except for Tier 6 employees. The Retirement System Law generally provides that all participating employers in the Retirement System are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement System. The Retirement System are non-contributory with respect to members hired prior to July 27, 1976. Generally, all members hired on or after July 27, 1976 through and including December 31, 2009 must contribute three percent of their gross annual salary towards the costs of retirement programs until they attain ten years in the Retirement Systems, at such time contributions become voluntary. On December 10, 2009, the Governor signed into law the creation of a new Tier 5, which is effective for ERS employees hired on or after January 1, 2010 through March 31, 2012. Tier 5 employees contribute 3% of their salaries and there is no provision for these contributions to cease for Tier 5 employees after a certain period of service. Additionally, on March 16, 2012, the Governor signed into law the new Tier 6 pension program, effective for ERS employees hired on or after April 1, 2012. The Tier 6 legislation provides for increased employee contribution rates of between 3% and 6%, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for final average salary calculation from 3 years to 5 years. Tier 6 employees will vest in the system after five years of employment and will continue to make employee contributions throughout employment.

As a result of significant capital market declines at certain times, in certain years the State's Retirement System portfolio has experienced negative investment performance and severe downward trends in market earnings. As a result of the foregoing, it is anticipated that the employer contribution rate for the State's Retirement System in future years may be higher than the minimum contribution rate established under applicable law. Since 2010, various forms of legislation have been enacted to allow local governments and school districts the option of amortizing required contributions to the Retirement System. However, although these options reduce near term payments, it will require higher than normal contributions in later years.

The Village has decided not to amortize any pension contributions.

The following table sets forth the required contributions for the five most recently completed fiscal years and the budgeted amounts for the current fiscal year.

| Payments to the Retirement Systems | |
|---|--|
| Fiscal Year Ending May 31: | Retirement Contributions ^a |
| 2020 | \$326,686 |
| 2021 | 327,875 |
| 2022 | 388,049 |
| 2023 | 291,126 |
| 2024 | 334,346 |
| 2025 (Budgeted) | 373,000 |

a. Total amounts contributed for ERS and PFRS.

Other Post-Employment Benefits

The Village provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. Accounting rules now require governmental entities, such as the Village, to account for post-retirement health care benefits as its accounts for vested pension benefits. GASB Statement No. 75 ("GASB 75") described below requires such accounting.

GASB Statement No. 75 of the Governmental Accounting Standards Board (“GASB”), requires state and local governments to account for and report their costs associated with post-retirement healthcare benefits and other non-pension benefits (“OPEB”). GASB 75 generally requires that employers account for and report the annual cost of the OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Under previous rules, 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. Only current payments to existing retirees were recorded as an expense.

GASB 75 requires that state and local governments adopt the actuarial methodologies to determine annual OPEB costs. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due.

Beginning after June 15, 2017, the Village adopted GASB 75, which supersedes and eliminates GASB 45. Under GASB 75, based on actuarial valuation, an annual required contribution (“ARC”) will be determined for each state or local government. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 75 establishes new standards for recognizing and measuring OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures to provide more transparent reporting and useful information about the liability and cost of benefits. Municipalities and school districts are required to account for OPEB within the financial statements rather than only noted in the footnotes as previously required by GASB 45. It is measured as of a date no earlier than the end of the employer’s prior fiscal year and no later than the employer’s current fiscal year. The discount rate is based on 20-year, tax exempt general obligation municipal bonds. There is no amortization of prior service cost.

The Village’s total OPEB liability at May 31, 2023 is as follows:

| <u>Changes in the Total OPEB Liability</u> | <u>Fiscal Year Ending May 31, 2023:</u> |
|---|---|
| Total OPEB liability as of May 31, 2022 | \$14,130,529 |
| Changes for the year: | |
| Service Cost | 436,907 |
| Interest | 515,312 |
| Changes in Benefit Terms | |
| Differences between actual and expected experience | (1,077,061) |
| Changes in Assumptions and Other Inputs | (1,163,541) |
| Benefit payments | <u>(406,373)</u> |
| Total Changes | <u>(\$1,694,756)</u> |
| Total OPEB liability as of May 31, 2023 | <u><u>\$12,435,773</u></u> |

Length of Service Award Program

The Village established a defined contribution Service Award Program (referred to as a “LOSAP” - length of service award program - under Section 457(e) (11) of the Internal Revenue Code) effective January 1, 2001, for the active volunteer firefighter members of the Village of Highland Falls Fire Department. The program was established pursuant to Article 11-A of the New York State General Municipal Law. The program provides municipally-funded deferred compensation to volunteer firefighters to facilitate the recruitment and retention of active volunteer firefighters. The Village is the sponsor of the program and the program administrator

In a defined contribution LOSAP, each participant has an individual program account. The program account balance of a participating volunteer is credited with a “service award” contribution as of the end of each year during which the volunteer was active enough to earn a year of Service Award Program service credit. The participant is paid his or her account balance upon attainment of the “entitlement age”. The amount paid will vary depending upon the number of years of service credit earned by the volunteer and the investment income (less administrative and/or investment expenses not paid by the Village) earned by the Program assets and allocated to the participant’s program account.

Active volunteer firefighters who have reached the age of 18 and who have completed one year of firefighting service are eligible to participate in the program. Participants acquire a nonforfeitable right to be paid their program account balance after being credited with five (5) years of firefighting service or upon attaining the program’s entitlement age while an active volunteer. The program’s entitlement age is age 62. An active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the program in which he or she accumulates fifty points. Points are granted for the performance of certain firefighter activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. A participant may also receive credit for five (5) years of active volunteer firefighting service rendered prior to the establishment of the program as an active volunteer firefighter member of the Highland Falls Volunteer Fire Department.

A participant’s benefit under the program is his or her program account balance paid upon attainment of the entitlement age in a lump sum to the participant. The maximum number of years of service credit a participant may earn is 20 years under the program. Currently, there are no other forms of payment of a volunteer’s earned service award under the Program. Except in the case of death or total and permanent disablement, service awards are paid when a participant attains the entitlement ages.

As of May 31, 2023, the Village’s LOSAP is fully funded.

TAX INFORMATION

Real Property Taxes

The Village derives its power to levy an ad valorem real property tax from the Constitution of the State. The Village’s power to levy real property taxes, other than for debt service and certain other purposes, is limited by the State Constitution to two percent of the five-year average full valuation of taxable property of the Village. (See “Tax Limit” herein.) The State Board of Real Property Services annually establishes State Equalization Rates for all localities in the State, which are determined by statistical sampling of market sales/assessment studies. The equalization rates are used in the calculation and distribution of certain State aids and are used by many localities in the calculation or debt contracting and real property taxing limitations.

Sales Tax

Most counties in the State share some portion of the proceeds from their sales tax with cities, towns, villages or school districts. These sales tax distributions are done in accordance with sharing agreements based on population, real property valuation and/or other factors, some of which are required by statute under certain circumstances and others of which are left to the discretion of the county. All of the sharing agreements must be approved by the county legislature, and any agreement between cities and counties that does not allocate revenues solely in proportion to population must also be approved by the State Comptroller.

The County presently imposes a sale and use tax of 3 ¾%, in addition to the 4% tax imposed by the State and a 3/8% levied by the Metropolitan Transportation Authority, for a countywide sales tax rate of 8 1/8%. Such sales and use tax collections are administered by the State Tax Commission and paid at least monthly to the County. The County, pursuant to a Sales Tax Sharing Agreement, shares the proceeds of the County’s 3 ¾% sales and use tax with the three cities, twenty towns and nineteen villages within the County. Under the terms of the Agreement, the County retains 73.616% of the sales tax revenues with the balance disbursed quarterly to the municipalities on a formula basis.

Tax Collection Procedure

Taxes are payable during the month of June without penalty. Penalties thereafter are imposed at an annual rate determined by the New York State Commissioner of Taxation and Finance. On November 1, uncollected taxes are turned over to the County Commissioner of Finance and are payable to the County until November 20 with an additional penalty. After November 20, uncollected taxes and penalties are relieved as part of the County tax levy. The County guarantees to pay the Village the full amount of such uncollected taxes prior to the end of the Village fiscal year.

The following table sets forth the percentage of the Village’s General Fund revenue (excluding other financing sources) comprised of real property taxes for each of the fiscal years 2019 through 2023 and the budgeted amounts for 2024 and 2025.

| Fiscal Year Ending May 31: | Total Revenue | Property Taxes | Property Taxes To Revenues (%) | Sales Tax | Sales Tax To Revenues (%) |
|-------------------------------|------------------|-------------------|-----------------------------------|--------------|------------------------------|
| 2019 | \$4,669,954 | \$3,149,999 | 67.45 | \$1,324,591 | 28.36 |
| 2020 | 5,882,641 | 3,186,170 | 54.16 | 1,383,745 | 23.52 |
| 2021 | 5,180,015 | 3,201,485 | 61.80 | 1,282,177 | 24.75 |
| 2022 | 5,354,145 | 3,177,865 | 59.35 | 1,572,039 | 29.36 |
| 2023 | 5,389,462 | 3,288,905 | 61.02 | 1,644,645 | 30.52 |
| 2024 (Budgeted) | 5,915,142 | 3,354,668 | 56.71 | 1,475,000 | 24.94 |
| 2025 (Budgeted) | 6,232,339 | 3,541,789 | 56.83 | 1,367,050 | 21.93 |

Source: Audited Financial Statements (2019-2023) and Adopted Budget for fiscal years ended May 31, 2024, and 2025.

Tax Levy Limit Law

Prior to the enactment of Chapter 97 of the New York Laws of 2011 (the “Tax Levy Limit Law”) on June 24, 2011, all the taxable real property within the Village had been subject to the levy of ad valorem taxes to pay the bonds and notes of the Village and interest thereon without limitation as to rate or amount. However, the Tax Levy Limit Law, as amended, imposes a tax levy limitation upon the Village for any fiscal year commencing after January 1, 2012 or later as provided in the Tax Levy Limit Law, without providing an exclusion for debt service on obligations issued by the Village. As a result, the power of the Village to levy real estate taxes on all the taxable real property within the Village to pay the bonds and notes of the Village and interest thereon is subject to statutory limitations set forth in Tax Levy Limit Law.

The following is a brief summary of certain relevant provisions of Tax Levy Limit Law. The summary is not complete and the full text of the Tax Levy Limit Law should be read in order to understand the details and implications thereof. The Tax Levy Limit Law imposes a limitation on increases in the real property tax levy of the Village, subject to certain exceptions. The Tax Levy Limit Law permits the Village to increase its overall real property tax levy over the tax levy of the prior year by no more than the “Allowable Levy Growth Factor”, which is the lesser of one and two-one hundredths or the sum of one plus the Inflation Factor; provided, however that in no case shall the levy growth factor be less than one. The "Inflation Factor" is the quotient of: (i) the average of the 20 National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the coming fiscal year minus the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, divided by: (ii) the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, with the result expressed as a decimal to four places. The Village is required to calculate its tax levy limit for the upcoming year in accordance with the provision above and provide all relevant information to the New York State Comptroller prior to adopting its budget. The Tax Levy Limit Law sets forth certain exclusions to the real property tax levy limitation of the Village, including exclusions for certain portions of the expenditures for retirement system contributions and tort judgments payable by the Village. The Village Board is authorized to adopt a budget that exceeds the tax levy limit for the coming fiscal year, only if the Village Board first enacts, by a vote of at least sixty percent of the total voting power of the governing board of the Village, a local law to override such limit for such coming fiscal year.

The Tax Levy Limit Law does not contain an exception from the levy limitation for the payment of debt service on either outstanding general obligation bonds or notes of the Village or such indebtedness incurred after the effective date of the Tax Levy Limit Law. As such, there can be no assurances that the Tax Levy Limit Law will not come under legal challenge for violating (i) Article VIII, Section 12 of the State Constitution for not providing an exception for debt service on obligations issued prior to the enactment of the Tax Levy Limit Law, (ii) Article VIII, Section 10 of the State Constitution by effectively eliminating the exception for debt service to general real estate tax limitations, and (iii) Article VIII, Section 2 of the State Constitution by limiting the pledge of its faith and credit by a municipality or school district for the payment of debt service on obligations issued by such municipality or school district.

Tax Limit

The Constitution limits the amount that may be raised by the Village ad valorem tax levy on real estate in any fiscal year to two per centum (2%) of the five-year average full valuation of taxable real estate of the Village plus (1) the amounts required for principal and interest on all capital indebtedness, and (2) current appropriations for certain capital purposes. The tax limit for the Village for the 2023-2024 fiscal year is as follows:

| | |
|---------------------------------------|-----------------|
| Five-year Average Full Valuation | \$324,254,394 |
| Tax Limit - 2% thereof | 6,485,088 |
| Tax Levy for General Village Purposes | 3,288,905 |
| Less: Exclusions | 384,139 |
| Tax Levy Subject to Tax Limit | \$2,904,766 |
| Constitutional Tax Margin | \$3,580,322 |

Tax Levies and Rates

| | Fiscal Year Ending May 31: | | | | |
|--|----------------------------|-------------|-------------|-------------|-------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 |
| Tax Levy | \$3,202,885 | \$3,175,960 | \$3,288,905 | \$3,354,668 | \$3,576,789 |
| Taxes Rate per \$1,000 of Assessed Valuation | \$10.61 | \$10.51 | \$10.83 | \$11.03 | \$11.56 |

Selected Listing of Large Taxable Properties 2023-2024 Assessment Roll ^a

| Name | Type | Assessed Valuation |
|-----------------------------|--------------------|--------------------|
| Sidamon-Eristoff | Various | \$7,669,300 |
| Quaker Hill Housing | Apartments | 3,925,000 |
| Wabno Hotels | Motel/Commercial | 2,149,700 |
| Orange & Rockland Utilities | Utility | 3,575,346 |
| Regency Arms | Apartments | 2,610,000 |
| Koutsourades/WP Motel | Motel/Commercial | 1,850,000 |
| Piepenkotter Living Trust | Building | 1,675,000 |
| The Sea Partnership | Residential | 1,573,200 |
| NY Central Lines | Railroad | 1,969,626 |
| Putnam Apartments | Apartments | 1,430,000 |
| Fatsis, George & Soula | Various | 848,500 |
| Peregrine Realty | Commercial | 990,600 |
| McDonalds | Motel/Commercial | 861,700 |
| | Total ^b | \$31,127,972 |

a. Assessment Roll established in 2023 for Levy and Collection of Taxes during 2024 Fiscal Year.

b. Represents 10.16% of the total taxable assessed valuation for 2024-25.

LITIGATION

In common with other municipalities, 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.

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. To mitigate the risk of business operations impact and/or damage from cyber incidents or cyber-attacks, the Village invests in various forms of cybersecurity and operational controls; however, no assurances can be given that such security and operational control measures will 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.

IMPACT OF COVID-19

An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on the Village's financial condition and operating results. The full impact of COVID-19 upon the State is not expected to be known for some time. Similarly, the degree of the impact to the Village's operations and finances is extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions may be taken by governmental and other health care authorities, including the State, to contain or mitigate its impact. The Village is monitoring the situation and will take such proactive measures as may be required to maintain its operations and meet its obligations.

The American Rescue Plan Act ("ARPA") is a \$1.9 trillion COVID-19 relief package that includes \$350 billion to state, local and territorial governments to keep their frontline workers employed, distribute the vaccine, increase testing, reopen schools and maintain vital services was signed into law on March 11, 2021. The American Rescue Plan also includes an additional \$1,400 payment to eligible individuals and families, enhanced unemployment aid, rental and utility assistance to low and moderate income households, an increase in food stamp benefits, additional funding for child care and an increase in child care tax credits. (See "*State Aid*" herein).

Although ARPA provides for funds to be paid to the State, it is not possible to predict whether any future federal legislation will contain reduction in other federal aid to the State. Any reduction in Federal funding levels could have a materially adverse impact on the State budget. In addition to the potential fiscal impact of policies that may be proposed and adopted by the new administration and Congress, the State budget may be adversely affected by other actions taken by the federal government, including audits, disallowances, and changes to federal participation rates or other Medicaid rules. The Village will continue to monitor closely the 2024 economic environment and the global COVID-19 pandemic situation, and take the proactive measures as required to ensure the strong financial condition of the Village.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Village, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code, however, interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. The Tax Certificate of the Village (the "Tax Certificate"), which will be delivered concurrently with the delivery of the Notes will contain provisions and procedures relating to compliance with applicable requirements of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Village in connection with the Notes, and Bond Counsel has assumed compliance by the Village with certain ongoing provisions and procedures set forth in the Tax Certificate relating to compliance with applicable requirements of the Code to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the Village, under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

Bond Counsel expresses no opinion as to any other federal, state or local tax consequences arising with respect to the Notes, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Notes.

Certain Ongoing Federal Tax Requirements and Certifications

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Notes, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Notes to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Village, in executing the Tax Certificate, will certify to the effect that the Village will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Notes. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Note. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Notes.

Prospective owners of the Notes should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Notes may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Note (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity (a note with the same maturity date, interest rate, and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the Notes. In general, the issue price for each maturity of Notes is expected to be the initial public offering price set forth in this Official Statement. Bond Counsel further is of the opinion that, for any Notes having OID (a “Discount Note”), OID that has accrued and is properly allocable to the owners of the Discount Notes under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Notes.

In general, under Section 1288 of the Code, OID on a Discount Note accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Note. An owner’s adjusted basis in a Discount Note is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Note. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Note even though there will not be a corresponding cash payment.

Owners of Discount Notes should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Notes.

Note Premium

In general, if an owner acquires a note for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the note after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “note premium” on that note (a “Premium Note”). In general, under Section 171 of the Code, an owner of a Premium Note must amortize the note premium over the remaining term of the Premium Note, based on the owner’s yield over the remaining term of the Premium Note, determined based on constant yield principles (in certain cases involving a Premium Note callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such note). An owner of a Premium Note must amortize the note premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the note premium allocable to that period. In the case of a tax-exempt Premium Note, if the note premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Note may realize a taxable gain upon disposition of the Premium Note even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Note should consult their own tax advisors regarding the treatment of note premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of note premium on, sale, exchange, or other disposition of Premium Notes.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest on tax-exempt obligations, including the Notes. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Note through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Notes from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Notes under federal or state law or otherwise prevent beneficial owners of the Notes from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Notes.

Prospective purchasers of the Notes should consult their own tax advisors regarding the foregoing matters.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Notes will be subject to the final approving opinion of the law firm of Hawkins Delafield & Wood LLP, Bond Counsel to the Village with respect to the Notes, which will be available at the time of delivery of the Notes, substantially in the form set forth in Appendix C.

DISCLOSURE UNDERTAKING

At the time of the delivery of the Notes, the Village will provide an executed copy of its Undertaking to Provide Notices of Events with respect to the Notes substantially in the form set forth in Appendix D.

Compliance History

On July 13, 2019, the Village filed a material event notice for the failure to file an updated list of Largest Employers in its Statement of Financial and Operating Information.

On June 8, 2020 the Village filed a material event notice for the failure to file its 2019 audited financial statement in a timely manner.

On June 3, 2022, the Village filed a material event notice for the failure to file its 2021 audited financial statements in a timely manner.

On December 1, 2022, the Village filed a material event notice for the failure to file its 2022 unaudited financial report update document.

RATING

The Notes are not rated. S&P Global Ratings (S&P) assigned a rating of “AA-” to the outstanding bonds of the Village. This rating reflects only the view of such rating agency and an explanation of the significance of such rating should be obtained from S&P. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigation, studies and assumptions by the 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 such ratings could have an adverse affect on the market price of the Notes or the availability of a secondary market for such Notes.

MUNICIPAL ADVISOR

Munistat Services, Inc. (the “Municipal Advisor”), is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent municipal advisor to the Village on matters relating to debt management. The Municipal Advisor is a municipal advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has 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.

ADDITIONAL INFORMATION

Additional information may be obtained upon request from the Village Treasurer’s office, Gabrielle Ferrier, Village Treasurer, Village of Highland Falls, 303 Main Street, Highland Falls, NY 10928, Phone (845) 446-3400, Fax (845) 446-2952, email: gferrier@highlandfallsny.org or from the office of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number (631) 331-8888 and website: <https://www.munistat.com>.

Statements in the Official Statement, and the documents included by specific reference, that are not historical facts are “forward-looking statements”, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the Private Securities Litigation Reform Act of 1995, which involve a number of risks and uncertainties, and which are based on the Village’s 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’s documents or oral presentation, the words “anticipate”, “believe”, “intend”, “plan”, “foresee”, “likely”, “estimate”, “expect”, “objective”, “projection”, “forecast”, “goal”, “will”, or “should”, or similar words or phrases are intended to identify forward-looking statements.

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

Munistat Services, Inc. may place a copy of this Official Statement on its website at www.munistat.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. Munistat Services, 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 Munistat Services, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Munistat Services, 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. Munistat Services, Inc. and the Village also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be, in fact, realized. This Official Statement is not to be construed as a contract or agreement between the Village and the original purchasers or owners of any of the Notes.

The preparation and distribution of this Official Statement has been authorized by various resolutions of the Village which delegate to the Village Treasurer the power to sell and issue the Notes.

By: s/s GABRIELLE FERRIER
Village Treasurer and Chief Fiscal Officer
Village of Highland Falls
Highland Falls, New York

September , 2024

APPENDIX A

FINANCIAL INFORMATION

Balance Sheet
General, Water, and Sewer Funds

| | Fiscal Year Ending May, 31, 2023 | | |
|-------------------------------------|----------------------------------|---------------|---------------|
| | General Fund | Water Fund | Sewer Fund |
| Assets: | | | |
| Unrestricted Cash | \$ 1,444,747 | \$ | \$ |
| Restricted Cash | 626,416 | 838,339 | 654,895 |
| Accounts Receivable | 900 | 92,817 | 75,188 |
| Due from Other Funds | 107,538 | 30,319 | 74,952 |
| Due from Other Governments | | | |
| Total Assets | \$ 2,179,601 | \$ 961,475 | \$ 805,035 |
| Liabilities | | | |
| Accounts Payable | \$ 233,271 | \$ 30,502 | \$ 1,094 |
| Due to Other Funds | 105,271 | 76,836 | 23,303 |
| Due to Other Governments | 48,626 | 3,105 | 3,993 |
| Accrued Liabilities | | | |
| Other Liabilities | | | |
| Total Liabilities | 387,168 | 110,443 | 28,390 |
| Fund Balance: | | | |
| Restricted | 626,416 | 674,703 | 623,131 |
| Assigned | 785,974 | 176,329 | 153,514 |
| Unassigned | 380,043 | | |
| Total Fund Balance | 1,792,433 | 851,032 | 776,645 |
| Total Liabilities and Fund Balances | \$ 2,179,601 | \$ 961,475 | \$ 805,035 |

Source: Audited Financial Statements (2023).

NOTE: This Schedule is NOT audited.

Balance Sheet
General, Water, and Sewer Funds

| | Fiscal Year Ending May, 31, 2022 | | |
|-----------------------------------|----------------------------------|---------------|---------------|
| | General Fund | Water Fund | Sewer Fund |
| Assets: | | | |
| Unrestricted Cash | \$ 1,080,100 | \$ | \$ |
| Restricted Cash | 419,325 | 799,478 | 687,107 |
| Accounts Receivable | 7,050 | 80,297 | 74,952 |
| Due from Other Funds | 443,175 | 318,457 | 250,433 |
| Due from Other Governments | | | |
| Total Assets | \$ 1,949,650 | \$ 1,198,232 | \$ 1,012,492 |
| Liabilities | | | |
| Accounts Payable | \$ 72,593 | \$ 22,070 | \$ 12,446 |
| Due to Other Funds | 191,839 | 213,300 | 63,807 |
| Due to Other Governments | 42,466 | 2,728 | 3,508 |
| Accrued Liabilities | | | |
| Other Liabilities | | | |
| Total Liabilities | 306,898 | 238,098 | 79,761 |
| Fund Equity: | | | |
| Restricted | 419,325 | 960,134 | 932,731 |
| Assigned | 552,293 | | |
| Unassigned | 671,134 | | |
| Total Fund Equity | 1,642,752 | 960,134 | 932,731 |
| Total Liabilities and Fund Equity | \$ 1,949,650 | \$ 1,198,232 | \$ 1,012,492 |

Source: Audited Financial Statements (2022).

NOTE: This Schedule is NOT audited.

Statement of Revenues, Expenditures and Fund Balances
General Fund

Fiscal Year Ending May 31:

| | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Revenues: | | | | | |
| Real Property Taxes | \$ 3,149,999 | \$ 3,186,170 | \$ 3,201,485 | \$ 3,177,865 | \$ 3,288,905 |
| Real Property Tax Items | 22,197 | 20,138 | 40,783 | 23,846 | 15,286 |
| Non-Property Tax Items | 1,324,592 | 1,383,745 | 1,282,177 | 1,572,039 | 1,644,645 |
| Departmental Income | 22,315 | 28,121 | 116,444 | 17,692 | 21,386 |
| Use of Money and Property | 3,996 | 4,430 | 682 | 676 | 23,321 |
| Licenses & Permits | 7,850 | 34,950 | 188,900 | 272,450 | 1,400 |
| Fines & Forfeitures | 12,602 | 11,023 | 3,745 | 1,515 | 10,630 |
| Sale of Property & Compensation for Loss | 931 | 2,066 | 16,781 | 31,872 | 40,451 |
| Miscellaneous | 16,349 | 395,915 | 39,796 | 9,352 | 35,353 |
| Interfund Revenues | 26,000 | 26,000 | 263,222 | 26,000 | 26,000 |
| State & Federal Aid | 83,123 | 790,083 | 26,000 | 220,838 | 282,085 |
| Total Revenues | <u>4,669,954</u> | <u>5,882,641</u> | <u>5,180,015</u> | <u>5,354,145</u> | <u>5,389,462</u> |
| Expenditures: | | | | | |
| General Government Support | 788,091 | 1,148,882 | 875,291 | 1,039,900 | 1,057,211 |
| Public Safety | 1,212,823 | 1,497,331 | 1,422,693 | 1,377,705 | 1,668,158 |
| Health | 50 | | 2,240 | | |
| Transportation | 549,764 | 1,092,290 | 1,243,123 | 1,320,820 | 447,805 |
| Culture and Recreation | 104,939 | 98,106 | 119,826 | 63,726 | 229,651 |
| Home and Community Services | 31,257 | 15,063 | 43,578 | 7,675 | 18,139 |
| Employee Benefits | 1,402,043 | 1,420,934 | 1,386,182 | 1,411,983 | 1,392,215 |
| Debt Service | 362,679 | 353,427 | 303,633 | 350,761 | 526,602 |
| Total Expenditures | <u>4,451,646</u> | <u>5,626,033</u> | <u>5,396,566</u> | <u>5,572,570</u> | <u>5,339,781</u> |
| Other Financing Sources (Uses): | | | | | |
| Proceeds from Advanced Refunding | | | | 1,145,000 | |
| Payments to Escrow Agent | | | | (1,120,311) | |
| Operating Transfers In | 100,000 | 162,278 | 100,000 | 100,000 | 100,000 |
| Operating Transfers Out | | | | | |
| Total Other Financing Sources (Uses) | <u>100,000</u> | <u>162,278</u> | <u>100,000</u> | <u>124,689</u> | <u>100,000</u> |
| Excess (Deficiency) of Revenues & Other Financing Sources Over Expenditures & Other Uses | <u>318,308</u> | <u>418,886</u> | <u>(116,551)</u> | <u>(93,736)</u> | <u>149,681</u> |
| Fund Balance Beginning of Year | <u>1,292,765</u> | <u>1,611,073</u> | <u>1,853,039</u> | <u>1,736,488</u> | <u>1,642,752</u> |
| Prior Period Adjustment | | <u>(176,920)</u> | | | |
| Fund Balance End of Year | <u>\$ 1,611,073</u> | <u>\$ 1,853,039</u> | <u>\$ 1,736,488</u> | <u>\$ 1,642,752</u> | <u>\$ 1,792,433</u> |

Source: Audited Financial Statements (2019-2023).

NOTE: This Schedule is NOT audited.

Statement of Revenues, Expenditures and Fund Balances
Water Fund

Fiscal Year Ending May 31:

| | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Revenues: | | | | | |
| Departmental Income | \$ 576,632 | \$ 552,540 | \$ 595,369 | \$ 531,763 | \$ 554,790 |
| Intergovernmental Charges | 304,880 | 300,433 | 293,857 | 328,775 | 390,834 |
| Use of Money and Property | 898 | 813 | 62 | 70 | 1,410 |
| Sale of Property & Compensation for Loss | 1,700 | 1,540 | 5,055 | 1,795 | 2,030 |
| State & Federal Aid | | | | | |
| Miscellaneous | 225 | 1,471 | 150 | 25 | 101 |
| Total Revenues | <u>884,335</u> | <u>856,797</u> | <u>894,493</u> | <u>862,428</u> | <u>949,165</u> |
| Expenditures: | | | | | |
| General Government Support | 43,540 | 45,769 | 170,415 | 92,936 | 127,312 |
| Home and Community Services | 338,383 | 416,511 | 368,306 | 366,867 | 560,564 |
| Employee Benefits | 87,317 | 82,957 | 87,219 | 86,726 | 117,505 |
| Debt Service | 241,278 | 239,416 | 230,092 | 81,876 | 77,886 |
| Total Expenditures | <u>710,518</u> | <u>784,653</u> | <u>856,032</u> | <u>628,405</u> | <u>883,267</u> |
| Other Financing Sources (Uses): | | | | | |
| Proceeds From: | | | | | |
| Proceeds from Obligations | | | | | |
| Operating Transfers In | | 25,000 | 25,000 | 25,000 | 25,000 |
| Operating Transfers Out | (50,000) | (50,000) | (50,000) | (200,000) | (200,000) |
| Total Other Financing Sources (Uses) | <u>(50,000)</u> | <u>(25,000)</u> | <u>(25,000)</u> | <u>(175,000)</u> | <u>(175,000)</u> |
| Excess (Deficiency) of Revenues & Other Financing Sources Over Expenditures & Other Uses | | | | | |
| | <u>123,817</u> | <u>47,144</u> | <u>13,461</u> | <u>59,023</u> | <u>(109,102)</u> |
| Fund Balance Beginning of Year | <u>716,689</u> | <u>840,506</u> | <u>887,650</u> | <u>901,111</u> | <u>960,134</u> |
| Prior Period Adjustment | | | | | |
| Fund Balance End of Year | <u>\$ 840,506</u> | <u>\$ 887,650</u> | <u>\$ 901,111</u> | <u>\$ 960,134</u> | <u>\$ 851,032</u> |

Source: Audited Financial Statements (2019-2023).

NOTE: This Schedule is NOT audited.

Statement of Revenues, Expenditures and Fund Balances
Sewer Fund

| | Fiscal Year Ending May 31: | | | | |
|---|----------------------------|--------------|--------------|--------------|------------|
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| Revenues: | | | | | |
| Departmental Income | \$ 1,141,161 | \$ 1,084,520 | \$ 1,090,983 | \$ 1,055,702 | \$ 962,246 |
| Intergovernmental Charges | 1,258 | 1,493 | 1,687 | 1,292 | 1,209 |
| Use of Money and Property | 899 | 811 | 62 | 70 | 2,724 |
| Sale of Property & Compensation for Loss | | | 5,792 | | |
| Federal Aid | | | | | |
| Miscellaneous | 51 | 25 | | 5,374 | |
| Total Revenues | 1,143,369 | 1,086,849 | 1,098,524 | 1,062,438 | 966,179 |
| Expenditures: | | | | | |
| General Government Support | | 7,610 | | | |
| Home and Community Services | 430,363 | 520,184 | 567,395 | 567,489 | 754,698 |
| Employee Benefits | 145,141 | 145,403 | 143,903 | 150,864 | 167,169 |
| Debt Service | 169,038 | 32,140 | 31,622 | 31,124 | 30,398 |
| Total Expenditures | 744,542 | 705,337 | 742,920 | 749,477 | 952,265 |
| Other Financing Sources (Uses): | | | | | |
| Proceeds From: | | | | | |
| Proceeds from Obligations | | | | | |
| Operating Transfers In | | | | | |
| Operating Transfers Out | (200,000) | (335,000) | (335,000) | (335,000) | (170,000) |
| Total Other Financing Sources (Uses) | (200,000) | (335,000) | (335,000) | (335,000) | (170,000) |
| Excess (Deficiency) of Revenues & Other Financing Sources Over Expenditures & Other Uses | | | | | |
| Excess (Deficiency) of Revenues & Other Financing Sources Over Expenditures & Other Uses | 198,827 | 46,512 | 20,604 | (22,039) | (156,086) |
| Fund Balance Beginning of Year | 688,827 | 887,654 | 934,166 | 954,770 | 932,731 |
| Prior Period Adjustment | | | | | |
| Fund Balance End of Year | \$ 887,654 | \$ 934,166 | \$ 954,770 | \$ 932,731 | \$ 776,645 |

Source: Audited Financial Statements (2019-2023).

NOTE: This Schedule is NOT audited.

Budget Summaries

| | Fiscal Year Ending May 31, 2025 | | |
|-----------------------------|---------------------------------|---------------|---------------|
| | General Fund | Water Fund | Sewer Fund |
| Revenues: | | | |
| Real Property Taxes | \$ 3,541,789 | \$ | \$ |
| Real Property Tax Items | 25,000 | | |
| Non Property Tax Items | 1,507,050 | | |
| Departmental Income | 21,000 | 1,025,279 | 982,000 |
| Use of Money and Property | 66,500 | 1,500 | |
| Licenses & Permits | 25,000 | | |
| Fines & Forfeitures | 10,000 | | |
| State Aid | 131,000 | | |
| Interfund Transfers | 230,000 | 37,000 | 34,150 |
| Appropriated Fund Balance | 675,000 | 155,241 | 235,000 |
| Total Revenues | \$ 6,232,339 | \$ 1,219,020 | \$ 1,251,150 |
| Expenditures: | | | |
| General Government Support | \$ 1,135,394 | \$ 129,000 | \$ 45,000 |
| Public Safety | 1,960,343 | | |
| Health | 1,000 | | |
| Transportation | 628,852 | | |
| Culture and Recreation | 123,000 | | |
| Home and Community Services | 44,700 | 611,020 | 673,850 |
| Employee Benefits | 1,448,250 | 80,000 | 185,300 |
| Debt Service | 820,800 | 334,000 | 267,000 |
| Reserve Funds | 70,000 | | |
| Interfund Transfers | _____ | 65,000 | 80,000 |
| Total Expenditures | \$ 6,232,339 | \$ 1,219,020 | \$ 1,251,150 |

Source: 2024-2025 Budget Adopted by the Village of Highland Falls

Budget Summaries

| | Fiscal Year Ending May 31, 2024 | | |
|-----------------------------|---------------------------------|---------------|---------------|
| | General Fund | Water Fund | Sewer Fund |
| Revenues: | | | |
| Real Property Taxes | \$ 3,354,668 | \$ | \$ |
| Real Property Tax Items | 20,000 | | |
| Non Property Tax Items | 1,493,000 | | |
| Departmental Income | | 871,502 | 969,900 |
| Use of Money and Property | 5,500 | 1,000 | |
| Licenses & Permits | 25,000 | | |
| Fines & Forfeitures | 10,000 | | |
| State Aid | 121,000 | | |
| Interfund Transfers | | 8,249 | |
| Operating Transfers | 100,000 | | |
| Appropriated Fund Balance | 785,974 | 176,329 | 153,514 |
| Total Revenues | \$ 5,915,142 | \$ 1,057,080 | \$ 1,123,414 |
| Expenditures: | | | |
| General Government Support | \$ 1,126,655 | \$ 126,000 | \$ 35,000 |
| Public Safety | 1,831,091 | | |
| Health | 1,000 | | |
| Transportation | 592,802 | | |
| Culture and Recreation | 129,500 | | |
| Home and Community Services | 31,700 | 529,275 | 621,970 |
| Employee Benefits | 1,393,126 | 123,450 | 167,640 |
| Debt Service | 654,268 | 78,355 | 128,804 |
| Reserve Funds | 155,000 | | |
| Interfund Transfers | | 200,000 | 170,000 |
| Total Expenditures | \$ 5,915,142 | \$ 1,057,080 | \$ 1,123,414 |

Source: 2023-2024 Budget Adopted by the Village of Highland Falls

VILLAGE OF HIGHLAND FALLS
APPENDIX B
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MAY 31, 2023

[▶ Click Here For 2023 AUDIT](#)

NOTE: SUCH FINANCIAL REPORT AND OPINIONS WERE PREPARED AS OF THE DATE THEREOF AND HAVE NOT BEEN REVIEWED AND /OR UPDATED BY THE DISTRICT'S AUDITORS IN CONNECTION WITH THE PREPARATION AND DISSEMINATION OF THIS OFFICIAL STATEMENT. CONSENT OF THE AUDITORS FOR INCLUSION OF THE AUDITED FINANCIAL REPORT IN THIS OFFICIAL STATEMENT HAS NOT BEEN REQUESTED NOR OBTAINED.

APPENDIX C

FORM OF BOND COUNSEL OPINION

FORM OF OPINION OF BOND COUNSEL

Hawkins Delafield & Wood LLP
7 World Trade Center
250 Greenwich Street
New York, New York 10007

September , 2024

The Board of Trustees of the
Village of Highland Falls, in the
County of Orange, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to the Village of Highland Falls (the “Village”), in the County of Orange, a municipal corporation of the State of New York, and have examined a record of proceedings relating to the authorization, sale and issuance of the \$9,645,000 Bond Anticipation Notes – 2024 Series C (the “Notes”) of the Village, dated and delivered on the date hereof.

In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof. Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Notes are valid and legally binding general obligations of the Village for which the Village has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the Village is subject to the levy of ad valorem real estate taxes to pay the Notes and interest thereon, subject to certain statutory limitations imposed by Chapter 97 of the New York Laws of 2011, as amended. The enforceability of rights or remedies with respect to such Notes may be limited by bankruptcy, insolvency, or other laws affecting creditors’ rights or remedies heretofore or hereafter enacted.

2. Under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code, however, interest on the Note is included in the “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code.

The Code establishes certain requirements that must be met subsequent to the issuance of the Notes in order that the interest on the Notes be and remain excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Notes, restrictions on the investment of proceeds of the Notes prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause the interest on the Notes to become subject to federal income taxation retroactive to the date of issuance thereof, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of issuance of the Notes, the Village will execute a Tax Certificate relating to the Notes containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the Village represents that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that the interest on the Notes will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph 2, we have relied upon and assumed (i) the material accuracy of the Village's certifications, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of the interest on the Notes, and (ii) compliance by the Village with the procedures and certifications set forth in the Tax Certificate as to such tax matters.

3. Under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Notes, or the ownership or disposition thereof, except as stated in paragraphs 2 and 3 above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Notes.

We give no assurances as to the accuracy, sufficiency or completeness of the Preliminary or Final Official Statement or any proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the Village which have been or may hereafter be furnished or disclosed to purchasers of said Notes.

Very truly yours,

APPENDIX D

FORM OF UNDERTAKING TO PROVIDE NOTICES OF EVENTS

UNDERTAKING TO PROVIDE NOTICES OF EVENTS

Section 1. Definitions

“EMMA” shall mean the Electronic Municipal Market Access System implemented by the MSRB.

“Financial Obligation” shall mean “financial obligation” as such term is defined in the Rule.

“GAAP” shall mean generally accepted accounting principles as in effect from time to time in the United States.

“Holder” shall mean any registered owner of the Securities and any beneficial owner of Securities within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934.

“Issuer” shall mean the Village of Highland Falls, in the County of Orange, a municipal corporation of the State of New York.

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Purchaser” shall mean the financial institution referred to in the Certificate of Determination, executed by the Village Treasurer as of September 26, 2024.

“Rule 15c2-12” shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended through the date of this Undertaking, including any official interpretations thereof.

“Securities” shall mean the Issuer’s **\$9,645,000 Bond Anticipation Notes-2024 Series C**, dated September 26, 2024, maturing September 26, 2025, and delivered on the date hereof.

Section 2. Obligation to Provide Notices of Events. (a) The Issuer hereby undertakes, for the benefit of Holders of the Securities, to provide or cause to be provided either directly or through Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776 to the Electronic Municipal Market Access (“EMMA”) System implemented by the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of such Board contemplated by the Undertaking, in a timely manner, not in excess of ten (10) business days after the occurrence of any such event, notice of any of the following events with respect to the Securities:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;

- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Securities, or other material events affecting the tax status of the Securities;
- (vii) modifications to rights of Securities holders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Securities, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Issuer;

Note to clause (12): For the purposes of the event identified in clause (12) 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 Issuer 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 Issuer, 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 Issuer;

- (xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, 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;

- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) incurrence of a financial obligation, as defined in Rule 15c2-12, 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 Issuer, any of which affect security holders, if material; and
- (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.

(b) Nothing herein shall be deemed to prevent the Issuer from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the Issuer disseminates any such additional information, the Issuer shall have no obligation to update such information or include it in any future materials disseminated hereunder.

(c) Nothing herein shall be deemed to prevent the Issuer from providing notice of the occurrence of certain other events, in addition to those listed above, if the Issuer determines that any such other event is material with respect to the Securities; but the Issuer does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above.

Section 3. Remedies. If the Issuer shall fail to comply with any provision of this Undertaking, then any Holder of Securities may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Undertaking against the Issuer and any of the officers, agents and employees of the Issuer, and may compel the Issuer or any such officers, agents or employees to perform and carry out their duties under this Undertaking; provided that the sole and exclusive remedy for breach of this Undertaking shall be an action to compel specific performance of the obligations of the Issuer hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances. Failure to comply with any provision of this Undertaking shall not constitute an event of default on the Securities.

Section 4. Parties in Interest. This Undertaking is executed to assist the Purchaser to comply with (b)(5) of the Rule and is delivered for the benefit of the Holders. No other person shall have any right to enforce the provisions hereof or any other rights hereunder.

Section 5. Amendments. Without the consent of any holders of Securities, the Issuer at any time and from time to time may enter into any amendments or changes to this Undertaking for any of the following purposes:

- (a) to comply with or conform to any changes in Rule 15c2-12 (whether required or optional);
- (b) to add a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;

- (c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;
- (d) to add to the duties of the Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the Issuer;
- (e) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change;

provided that no such action pursuant to this Section 5 shall adversely affect the interests of the Holders in any material respect. In making such determination, the Issuer shall rely upon an opinion of nationally recognized bond counsel.

Section 6. Termination. This Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Securities shall have been paid in full or the Securities shall have otherwise been paid or legally defeased in accordance with their terms. Upon any such legal defeasance, the Issuer shall provide notice of such defeasance to the EMMA System. Such notice shall state whether the Securities have been defeased to maturity or to redemption and the timing of such maturity or redemption.

Section 7. Undertaking to Constitute Written Agreement or Contract. This Undertaking shall constitute the written agreement or contract for the benefit of Holders of Securities, as contemplated under Rule 15c2-12.

Section 8. Governing Law. This Undertaking shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Undertaking as of **September 26, 2024**.

VILLAGE OF HIGHLAND FALLS, NEW YORK

By: _____
Village Treasurer