

**STATEMENT OF SELECTED FINANCIAL
AND OPERATING INFORMATION**

**VILLAGE OF CARTHAGE
JEFFERSON COUNTY, NEW YORK**

DATED: FEBRUARY 9, 2010

Prepared with the assistance of:

Municipal Solutions, Inc.

**VILLAGE OF CARTHAGE
JEFFERSON COUNTY, NEW YORK**

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**STATEMENT OF FINANCIAL
AND OPERATING INFORMATION**

**VILLAGE OF CARTHAGE
JEFFERSON COUNTY, NEW YORK**

THE VILLAGE

Description

The Village, which was chartered in 1869, is located between the 1000 Islands, the St. Lawrence River, and the foot hills of the Adirondack Mountains. The Village of Carthage offers a rural setting but with all the necessities and conveniences of modern life, accentuated by the positive growth of the Fort Drum U.S. Army Post.

In the main Village park residents can enjoy a newly renovated recreation building, Riders Edge Skateboarders Park, multiple walking trails, baseball fields, Kid's World wooden playground and summer recreation programs. In addition to the main park, there is Turning Point Park and Long Falls Park/Guyot's Island that overlook the scenic Black River.

Water and sewer services are provided by the Village. Electricity is provided by National Grid; telephone service is provided by Verizon, WestelCom and Time Warner; several wireless communication choices are available and high speed internet service is also available in the Village. Police protection is provided by the Village of Carthage Police Department, the Jefferson County Sheriff's Department and New York State Police. Fire protection and ambulance services are provided by the Carthage Volunteer Fire Department and the Carthage Area Rescue Squad.

Bus service is available through the Wilna-Champion Transportation Association Inc., a senior shuttle bus. Bus service is also available in the City of Watertown. Air transportation is available at the Watertown and Syracuse airports. The Carthage Central School District provides public education for grades K-12 and the Augustine Academy provides parochial education for grades K-8. Opportunities for higher education are provided by Jefferson Community College and the many colleges and universities in and around the northern and central New York area.

Fort Drum

Fort Drum, home to the U.S. Army's 10th Mountain Division (light Infantry-LI) employs some 16,082 soldiers. Family members of these soldiers add another 15,000+ residents to the County's population. In addition, the post employs some 4,200 civilian workers.

Most of the growth associated with the growth of the 10th Mountain Division LI has occurred. The post will see the addition of some tenant units related to logistics, engineering, and MP's over the next few years and is expected to house more of the military families on post or as near to post as possible. As deployed troops return home additional soldiers may be in these units as they are built through 2010 and later.

As a result, the Army has authorized a Residential Communities Initiative at Fort Drum, which will bring at least 845 new housing units on post over the next five years and a supplemental project expected to generate an additional 554 units after that. These units are expected to be built on post. These units are expected to be exempt from property taxes under a PILOT agreement. In addition, the Army's housing market study and an independent study commissioned by the Fort Drum Regional Liaison Organization (FDRLO), a not-for-profit organization devoted to strengthening ties between the military and civilian populations and promoting the Fort, shows a significant need for off-post (market) housing for soldiers of approximately 1,700 units. The Army is also implementing an extended tour of duty for its soldiers (from an average of 2 years to 7 years) which will stabilize the population and increase the likelihood of soldiers opting for home ownership. It is expected that housing values will rise as a result of this increased demand.

The Fort also receives millions of dollars in federal funding for construction projects annually. The current Military Construction program (MILCON) calls the following spending projects over the next few years: 2009 - \$203 million, 2010 - \$212 million and 2011 and beyond - upwards of \$900 million. For 2006 approximately \$260 million was

spent in construction projects, in 2007 approximately \$310 million was spent and over \$200 million was spent in 2008. These projects are designed to provide for the administrative, training and single soldier billeting needs to accommodate the Fort Drum growth. Privatized housing impacts from 2005-2008 have been \$21.2 million, \$60.9 million, \$111.3 million and \$74.4 million respectively. Army housing impacts from 2005 – 2008 have been \$22.6 million, \$24.9 million, \$23.9 million and \$10.8 million respectively.

The Base Realignment and Closure Commission made recommendations to the President in the fall of 2005 which expanded the role of Fort Drum as a power projection platform and made an additional 3rd brigade permanent. FDRLO continues to advocate for issues that affect the Fort. The County has provided \$600,000 to the FDRLO and is committed to assist in the FDRLO’s promotion efforts. The State of New York has also pledged substantial resources toward this effort.

The community is confident about the continuing positive impact of Fort Drum on the local economy.

Actual numbers of troops on base generally fluctuate depending on deployment of soldiers stationed at the base.

More information is available on the Fort Drum website at <http://drumcountry.com>

Government

One independent governed school district is located partially within the Village, which relies on its own taxing powers granted by the State to raise revenues. The school district uses the Town of Wilna’s assessment roll as its basis for taxation of property 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 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 Board of Trustees, which consists of five members, including the Mayor, who is the chief executive officer of the Village, elected for a term of four years. The four other members of the Village Board are elected to two year-terms, which are staggered; all Board members are elected at large and there is no limitation to the number of terms each may serve. The Mayor, with the approval of the Village Board, appoints the Village Clerk-Treasurer for a one-year term.

Employees

The Village provides services to approximately 25 full-time, four part-time employees and seven part-time seasonal employees, some of whom are represented by the following units of organized labor:

<u>Unions</u>	<u>No. of Members</u>	<u>Contract Expiration Date</u>
Teamsters Local 687 (Village’s of Carthage & West Carthage Water Pollution Control Facility)	6	March 31, 2013
Teamsters Local 687 (Department of Public Works)	8	March 31, 2011
Police Benevolent Association	3	May 31, 2010

Source: Village Officials

DEMOGRAPHIC AND STATISTICAL INFORMATION

The following tables present certain comparative demographic and statistical information regarding the Village, the County, the State and the United States.

Population

<u>Year</u>	<u>Village</u>	<u>Jefferson County</u>	<u>New York State</u>	<u>United States</u>
1990	4,344	110,943	17,990,455	249,632,692
2000	3,721	111,738	18,976,457	281,421,906

Source: US Census Bureau

Median Household Income

<u>Year</u>	<u>Village</u>	<u>Jefferson County</u>	<u>New York State</u>	<u>United States</u>
1990	\$21,964	\$25,929	\$32,965	\$30,056
2000	24,583	34,006	43,393	41,994

Source: US Census Bureau

Per Capita Income

<u>Year</u>	<u>Village</u>	<u>Jefferson County</u>	<u>New York State</u>	<u>United States</u>
1990	\$10,039	\$11,160	\$16,501	\$14,420
2000	13,029	16,202	23,389	21,587

Source: US Census Bureau

Unemployment Rate Statistics

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

<u>Annual Averages:</u>	<u>Jefferson County</u>	<u>New York State</u>	<u>United States</u>
2004	6.9%	5.8%	5.5%
2005	6.2	5.0	5.1
2006	5.6	4.6	4.6
2007	5.5	4.5	4.6
2008	6.9	5.4	5.8

Unemployment Rate Statistics - Continued

<u>2009 Monthly Rates:</u>	<u>Jefferson County</u>	<u>New York State</u>	<u>United States</u>
January	10.3%	7.6%	8.5%
February	11.1	8.4	8.9
March	10.5	8.1	9.0
April	8.9	7.5	8.6
May	8.0	7.9	9.1
June	8.3	8.6	9.7
July	7.8	8.6	9.7
August	7.6	8.8	9.6
September	7.8	8.8	9.5
October	8.5	8.7	9.5
November	8.8	8.4	10.0
December	9.6	8.8	9.7

Source: Department of Labor, State of New York, Bureau of Labor Statistics. Information not seasonally adjusted.

Selected Listing of Larger Employers ¹

<u>Name</u>	<u>Type</u>	<u>Estimated No. of Employees</u>
Fort Drum ²	Military Installation	16,082 Military 4,200 Civilian
Carthage Central School District	Education	564
Carthage Area Hospital	Hospital	342
Country Manor	Nursing Home	110
Metro Paper	Manufacturing	85
Slack Chemical Co. Inc.	Chemical Warehousing Redistribution & Packaging	71

Source: Village Officials

Note: ¹ Larger employers located in and in close proximity to the Village.

² Actual number employed at any time is dependent on the number of personnel deployed.

INDEBTEDNESS OF THE VILLAGE

Details of Short-Term Indebtedness Outstanding

<u>Type</u>	<u>Maturity</u>	<u>Purpose</u>	<u>Amount</u>
RAN	3/31/2010	Collection of Water Rents	\$100,000
BAN	12/22/2010	Water Meters	61,498
BAN	11/22/2010	DPW Equipment	49,672
BAN	3/4/2010	Room & Rec. Facility	900,000 *
Total			<u>\$1,111,170</u>

Source: Village Officials

Note: * To be paid in full with proceeds of this issue and \$197,000 cash on hand.

Status of Outstanding Bond Issues

Year of Issue:	1991 D		1998 A		2003 F	
Amount Issued:	\$1,853,799		\$2,168,100		\$237,859	
Last Maturity:	9/15/2021		1/15/2016		7/20/2023	
Interest Rate:	6.60%		Various		Various	
Purpose:	Water Plant Improvements		Water Filtration Plant		Sewer	
Balance Principal 05/31/09:	\$658,000		\$900,000		\$190,000	
<u>Fiscal Year Ending 5/31</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$44,000 *	\$19,379	\$120,000 *	\$44,100	\$10,000 *	\$4,465
2011	44,000	18,615	125,000	39,000	10,000	4,860
2012	44,000	18,102	125,000	33,077	10,000	4,964
2013	43,000	16,875	130,000	27,030	10,000	4,784
2014	44,000	15,669	130,000	20,600	10,000	4,755
2015	46,000	14,225	135,000	14,040	10,000	4,780
2016	48,000	12,958	135,000	7,020	10,000	4,609
2017	51,000	11,601			15,000	4,454
2018	53,000	10,137			15,000	4,019
2019	56,000	8,567			15,000	3,528
2020	59,000	6,887			15,000	3,147
2021	61,000	5,080			15,000	2,589
2022	65,000	4,239			15,000	1,976
2023					15,000	1,336
2024					15,000	675
Totals:	<u>\$658,000</u>	<u>\$162,334</u>	<u>\$900,000</u>	<u>\$184,867</u>	<u>\$190,000</u>	<u>\$54,941</u>

Source: Village Bond Records

Note: * Principal payments made prior to Statement dated February 9, 2010.

Status of Outstanding Bond Issues

Year of Issue:	2004	
Amount Issued:	\$333,300	
Last Maturity:	9/15/2017	
Interest Rate:	4.30%	
Purpose:	Water Tanks	
Balance Principal 05/31/09:	\$226,644	
<u>Fiscal Year Ending 5/31</u>	<u>Principal</u>	<u>Interest</u>
2010	\$26,664 *	\$8,532
2011	26,664	7,466
2012	26,664	6,399
2013	26,664	5,333
2014	29,997	4,200
2015	29,997	3,000
2016	29,997	1,800
2017	29,997	600
Totals:	<u>\$226,644</u>	<u>\$37,330</u>

Source: Village Bond Records

Note: * Principal payments made prior to Statement dated February 9, 2010.

Total Annual Bond Principal and Interest Due

<u>Fiscal Year Ending 5/31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>% Paid</u>
2010	\$200,664	\$76,476	\$277,140	10.16%
2011	205,664	69,941	275,605	20.58%
2012	205,664	62,542	268,206	30.99%
2013	209,664	54,022	263,686	41.61%
2014	213,997	45,224	259,221	52.45%
2015	220,997	36,045	257,042	63.64%
2016	222,997	26,386	249,383	74.93%
2017	95,997	16,655	112,652	79.79%
2018	68,000	14,156	82,156	83.24%
2019	71,000	12,095	83,095	86.83%
2020	74,000	10,034	84,034	90.58%
2021	76,000	7,669	83,669	94.43%
2022	80,000	6,215	86,215	98.48%
2023	15,000	1,336	16,336	99.24%
2024	15,000	675	15,675	100.00%
Totals:	<u><u>\$1,974,644</u></u>	<u><u>\$439,472</u></u>	<u><u>\$2,414,116</u></u>	

Source: Village Bond Records

Computation of Debt Limit and Calculation of Net Indebtedness

(As of February 9, 2010)

<u>Fiscal Year Ending May 31:</u>	<u>Assessed Valuation</u>	<u>State Equalization Rate ¹</u>	<u>Full Valuation</u>
2006	\$71,869,689	100.00%	\$71,869,689
2007	69,919,169	98.00%	71,346,091
2008	74,832,893	83.00%	90,160,112
2009	74,240,905	70.00%	106,058,436
2010	124,643,304	100.00%	124,643,304
Total (2009-10)	<u><u>\$415,505,960</u></u>		<u><u>\$464,077,632</u></u>
Average Five Year Full Valuation			\$92,815,526
Debt Limit: 7% of Average Full Valuation			6,497,087
Inclusions:			
Bonds			\$1,773,980
Bond Anticipation Notes			1,011,170
Revenue Anticipation Notes			100,000
Gross Indebtedness Outstanding			<u><u>\$2,885,150</u></u>
Exclusions: ²			
Revenue Anticipation Notes			\$100,000
Water Indebtedness			1,665,478
Appropriations			207,000
Total Exclusions			<u><u>\$1,972,478</u></u>
Total Net Indebtedness ³			<u><u>\$912,672</u></u>
Net Debt-Contracting Margin			<u><u>\$5,584,415</u></u>

Notes: ¹ Equalization rates are established by the New York State Office of Real Property Services.

² RANs, water indebtedness and budgeted appropriations are automatically excluded pursuant to the provisions of the New York State Constitution and Sections 136.00 of the Local Finance Law.

³ Represents 14.05% of the Debt Limit of the Village.

Other Obligations

As of the date of this Statement, the Village has no other obligations.

Trend of Outstanding Debt

	Fiscal Year Ending May 31:				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Bond Anticipation Notes	\$266,800	\$633,410	\$445,688	\$1,234,016	\$1,231,832
Serial Bonds	2,569,859	2,394,859	2,222,000	2,295,308	2,094,644
Total Debt Outstanding	<u>\$2,836,659</u>	<u>\$3,028,269</u>	<u>\$2,667,688</u>	<u>\$3,529,324</u>	<u>\$3,326,476</u>

Source: 2005-2007 Annual Audit Reports, 2008-2009 Annual Update Documents of the Village and Village Debt Records

Authorized and Unissued Indebtedness

As of the date of this Statement, the Village has no authorized but unissued debt.

FINANCES OF THE VILLAGE

Financial Statements and Accounting Procedures

The Village maintains its financial records in accordance with the Uniform System of Accounts for Villages prescribed by the State Comptroller. 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.

The Statements of Revenues, Expenditures and Changes in Fund Balances presented in Appendix A of this Official Statement are based on the 2005-2007 Annual Audit Reports and 2008-2009 Annual Update Documents of the Village.

In June, 1999, the Governmental Accounting Standards Board ("GASB") issued Statement 34, "Basic Financial Statements and Management's Discussions and Analysis for State and Local Governments". This Statement established new financial reporting requirements for state and local governments throughout the United States. Statement 34 required new information and restructured much of the information that governments had presented in the past. Comparability with reports issued in all prior years have been affected. GASB required the Village to implement this standard for the fiscal year ending May 31, 2005. The Village has elected not to adopt GASB Statement 34.

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 two basic fund types: (1) governmental funds that are used to account for basic services and capital projects; and, (2) fiduciary funds that account for assets held in 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, Sewer Fund, Water Fund, and Capital Projects Fund. Fiduciary funds consist of a Trust and Agency Fund. 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 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. An exception to this general rule is un-matured interest on general long-term debt which is recognized when due.

Investment Policy

The primary objectives of the Village's investment policy are, in priority order, as follows:

- To conform to all applicable federal, state and other legal requirements.
- To adequately safeguard principal.
- To provide sufficient liquidity to meet all operating requirements.
- To obtain a reasonable rate of return on invested funds.

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 of the State of New York; (3) In Repurchase Agreements involving the purchase and sale of direct obligations of the United States; (4) certificates of Deposit issued by a bank or trust company authorized to do business in New York State; (5) Time Deposit Accounts in a bank or trust company authorized to do business in New York State; (6) in the case of moneys held in certain reserve funds established by the Village pursuant to law, in obligations of the Village.

All funds may be invested in: (1) 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; (2) 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.

Only reserve funds may be invested in: (1) Obligations of the Village.

All other Village officials receiving money in their official capacity must turn over such funds to the Chief Fiscal Officer 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 Village Board 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 operates on a fiscal year beginning June 1 and ending May 31. The Village Board, with the assistance of the Village Treasurer, prepares a tentative budget no later than March 20th of each fiscal year for the fiscal year commencing the following June 1 and holds a public hearing thereon by April 15th. Subsequent to the budget hearing, revisions, if any, are made and the budget is then adopted by the Village Board as its final budget for the coming fiscal year by May 1. The chief fiscal officer files a certified copy of the budget with the State Comptroller's office within thirty (30) days of adoption. The budget of the Village is not subject to voter approval.

Financial Operations

The Village Treasurer, who is appointed by the Mayor, functions as the chief fiscal officer of the Village as provided by Section 2 of the Local Finance Law: in this role, the Clerk/Treasurer is responsible for the Village's accounting and financial reporting activities. In addition, the Village Clerk/Treasurer is the Village's budget officer and tax collector and must therefore prepare the annual tentative budget for submission to the Village Board. The Clerk/Treasurer has the following duties: accounting, bank deposits, signing checks, paying out of Village funds and preparing Annual Financial Statements. Budgetary control during the year is the responsibility of the Clerk/Treasurer. Pursuant to Section 30 of the Local Finance Law, the Clerk/Treasurer must execute an authorizing certificate which then becomes a matter of public record.

The Village Board, 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.

Village finances are operated primarily through the General Fund. All real property taxes and most of the other Village revenues are credited to this fund. Current operating expenditures are paid from this fund subject to available appropriations.

Revenues

The Village receives most of its revenues from real property taxes, and assessments and sales tax proceeds. For the year ending May 31, 2009, real property taxes and assessments accounted for 54.92% and non-property tax revenues represented 25.16% of all general fund revenue.

A summary of such revenues and other financing sources for the last five completed fiscal years ending May 31, 2009 and the budget for the fiscal year ending 2010 may be found in Appendix A – Financial Information.

Real Property Taxes

See "Real Property Tax Information", herein.

State Aid

The Village received approximately 8.41% of its total General Fund operating revenue from State aid in 2009. There is no assurance, however, that State appropriations for aid to municipalities will continue, either pursuant to existing formulas or in any form whatsoever. The State is not constitutionally obligated to maintain or continue such aid and, in fact, the State has in the past reduced funding to municipalities and school districts in the last several years in order to balance its own budget.

For 2009, the Village received \$147,858 in its General fund from all sources of State aid. The Village estimates State aid for fiscal year 2009-10 will be \$96,700, including \$20,000 from the mortgage tax. Based upon State aid allotments provided for in the current State budget adopted for the year commencing April 1, 2009, Village officials expect to receive the amount of State aid included in the fiscal year 2009-10 budget.

The subprime mortgage crisis and various economic events growing out of it have created massive disruptions in the U.S. and global credit and securities markets, and the health of those markets has been impaired to the point where significant governmental intervention has been deemed necessary. These developments are projected to have significant

adverse effects on the finances of New York State, on which the Village depends for State aid. The exact impact on the Village cannot be predicted, but it will in all likelihood be negative and could persist for a significant period of time.

Expenditures

The major categories of expenditure for the Village are General Government Support, Public Safety, Transportation, Home and Community Services, Employee Benefits and Debt Service. A summary of the expenditures for the five most recently completed fiscal years ending May 31, 2009 and the estimated expenditures for the 2010 fiscal year may be found in Appendix A – Financial Information.

Pension System

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

Generally, all employees, except certain part-time employees, participate in the Retirement Systems. The Retirement Systems are non-contributory with respect to members hired prior to July 27, 1976. All members of the ERS hired on or after July 27, 1976 must contribute 3% of gross annual salary, for the first ten years of service, toward the cost of retirement programs.

The following schedule reflects the Village's contribution to the ERS for the last four fiscal years and the amount budgeted for Fiscal Year 2010:

	<u>ERS</u>	<u>PFRS</u>
Budgeted 2010	\$83,400	\$40,000
2009	43,903	51,861
2008	39,527	38,543
2007	67,583	27,036
2006	57,707	37,650

Legislation enacted in 2003 changed the cycle of billing to better match budget cycles of the Village and other governmental employers. Under the previous method, the Village was unsure of how much it would be required to pay to the system until after its budget was implemented. The contribution for a given fiscal year is now based on the value of the pension fund on the prior April 1 instead of the following April 1, so the Village is now able to more accurately include the cost of the contribution into its budget. The Village is required to a minimum contribution of 4.50% of payroll every year, including years in which the investment performance of the fund would make a lower contribution possible.

On July 20, 2004 the New York State Legislature passed a bill amending the General Municipal Law, Local Finance Law and the Retirement and Social Security Law. On July 30, 2004, the governor signed the new retirement system legislation into Law as Chapter 260 of the Laws of 2004. The bill moves the annual payment date for contributions from December 15th to February 1st, effective December 15, 2004. It increased, from five to ten years, the maximum amortization period of the portion of employer contributions that exceeded certain percentages of payroll for certain designated years. It also allowed employers to bond for their 2005-2006 and 2006-2007 fiscal year contributions in excess of 9.5% and 10.5% respectively. This amortization may be made with the Retirement System or the Village

could issue a maximum of 10 year general obligation bonds, the interest on which would be set at prevailing bond market rates on the date of the sale and would be taxable for federal income tax purposes.

Due to significant capital market declines in the recent past, the State's Retirement System portfolio has experienced negative investment performance and severe downward trends in market earnings. As a result of the foregoing, New York State Comptroller Thomas DiNapoli has announced that the employer contribution rate for the State's Retirement System in 2011 year and subsequent years will be higher than the minimum contribution rate established by Chapter 49. For the year 2011 ERS contributions will be 11.90% and PFRS will be 18.20% of payroll. To mitigate the expected increases in the employer contribution rate, Comptroller DiNapoli has proposed legislation that would permit local governments and schools districts to issue bonds to fund the required increased contribution.

While the Village is aware of the potential negative impact on its budget and will take appropriate steps to budget accordingly for the increase, there can be no assurance that its financial position will not be negatively impacted.

On December 10, 2009, Governor Paterson signed into law pension reform legislation that will provide (according to a Division of the Budget analysis) more than \$35 billion in long-term savings to State taxpayers over the next thirty years. The legislation creates a new Tier V pension level, the most significant reform of the State's pension system in more than a quarter-century. Key components of Tier V include:

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

In accordance with constitutional requirements, these new pension reforms will apply only to public employees hired on or after January 1, 2010.

The investment of monies, and assumptions underlying same, of the Retirement Systems covering the Village's employees is not subject to the direction of the Village. Thus, it is not possible to predict, control or prepare for future unfunded accrued actuarial liabilities of the Retirement Systems ("UAALs"). The UAAL is the difference between total actuarially accrued liabilities and actuarially calculated assets available for the payment of such benefits. The UAAL is based on assumptions as to retirement age, mortality, projected salary increases attributed to inflation, across-the-board raises and merit raises, increases in retirement benefits, cost-of-living adjustments, valuation of current assets, investment return and other matters. Such UAALs could be substantial in the future, requiring significantly increased contributions from the Village which could affect other budgetary matters. Concerned investors should contact the Retirement Systems administrative staff for further information on the latest actuarial valuations of the Retirement Systems.

Other Post-Employment Benefits

It should also be noted that the Village does not provide post-employment healthcare benefits to retired employees. Retired employees have the option to continue coverage provided 100% of the premium is paid by the employee. There is no direct Village expenditure for healthcare benefits to retired employees.

GASB and OPEB. OPEB refers to "other post-employment benefits," and refers to benefits other than pension benefits. OPEB consists primarily of health care benefits, and may include other benefits such as disability benefits and life insurance. Before GASB 45, OPEB costs were generally accounted for and managed.

Recently enacted accounting rule, GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB"), requires state and local governments to account for and report their costs associated with

post-retirement benefits and other non-pension benefits (“OPEC”), as it accounts for vested pension benefits. OPEB consists primarily of health care benefits, and may include other benefits such as disability benefits and life insurance.

GASB 45 requires municipalities and school districts to account for OPEB liabilities in the same manner as they already account for pension liabilities. It will require them to adopt the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside any funds against this liability. Unlike GASB Statement No. 27, which covers accounting for pensions, GASB 45 does not require municipalities or school districts to report a net OPEB obligation at the start.

Under GASB 45, based on actuarial valuation, an annual required contribution (“ARC”) will be determined for each municipality or school district. 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 or school district 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 45 does not require that the unfunded liability actually be amortized nor that it be advance funded, only that the municipality or school district account for its unfunded accrued liability and its compliance in meeting its ARC.

Actuarial valuation will be required every two years for OPEB plans with more than two hundred members, every three years if there are less than two hundred members.

Additional information about GASB 45 and other accounting rules applicable to municipalities and school districts may be obtained from GASB.

REAL PROPERTY TAX INFORMATION

Real Property Taxes

The Village derives a significant portion of its annual revenue through a direct real property tax. The following table presents the total tax levy tax rates and collection performance for each of the last five fiscal years and the 2010 fiscal year.

	Tax Collection Record				
	Fiscal Year Ending May 31				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Taxes on Roll/Net Tax Levy	\$883,997	\$860,006	\$917,730	\$913,163	\$997,146
Taxes Collected Prior to Return to County	822,433	824,225	887,906	878,916	950,878
Uncollected Taxes Turned Over to the County	61,564	35,781	29,824	34,247	46,268
Percent Collected Prior to Return to County	93.04%	95.84%	96.75%	96.25%	95.36%

Source: Village Officials

Tax Collection Procedure

Taxes are payable to June 30 without penalty. Penalties thereafter are imposed at an annual interest rate determined by the NYS Commissioner of Taxation and Finance. On November 1, uncollected taxes are turned over to the County Treasurer’s Office and 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 in which the tax was levied.

Constitutional 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 2009-10 fiscal year is as follows:

Five Year Total Full Valuation	\$410,958,730
Five Year Average Full Valuation	82,191,746
Constitutional Tax Limit: (2%)	1,643,835
Tax Levy General Village Purposes	997,146
Less: Exclusions for Debt and Capital Purposes	263,223
Tax Levy Subject to Tax Limit	733,923
Percentage of Tax Limit Exhausted	44.65%
<u>Constitutional Tax Margin</u>	<u>\$909,912</u>

Source: Village Constitutional Tax Limit dated April 15, 2009 as reported to the
NYS Office of the State Comptroller.

Ten Largest Taxpayers

2009-10 Assessment Roll ¹

<u>Name</u>	<u>Type</u>	<u>Estimated Full Valuation</u>
Carthage Industrial Dev Corp	Industrial	\$4,651,000
National Grid	Utility	3,108,578
West Street Carthage LLC	Nursing Home	2,800,000
Slack Chemical Co. Inc.	Chemical Warehousing, Redistribution & Packaging	2,023,100
Federal Savings & Loan of Carthage	Bank	1,419,400
Tannery Island Power Corporation	Electric-Hydro Facility	1,206,100
Blue Heron Development LLC (Kinney's)	Retail	1,011,738
CEM Machine Inc.	Manufacturing	925,000
DKR Investments LLC	Retail	835,000
Carthage Apartments Co #1	Apartments	552,000
		<u>\$18,531,916</u> ¹

Note: ¹ Represents 14.87% of the Village's 2009-10 Full Valuation of \$124,643,304.

LITIGATION

In common with other local governments, the Village from time to time receives notices of claim and is party to litigation. In the opinion of the Village, after consultation with its 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.

FINANCIAL ADVISOR

Municipal Solutions, Inc. has assisted the Village as financial advisor in certain matters with respect to the sale and issuance of the Notes.

ADDITIONAL INFORMATION

Additional information may be obtained upon request from the office of the Clerk/Treasurer, 120 Mechanic Street, Carthage, NY 13619, Telephone: 315-493-1060 or from the office of Municipal Solutions, Inc., 2528 State Route 21, Canandaigua, New York 14424, telephone number 585-394-4090, fax number 585-394-4092, and website at: <http://www.municipalsolution.com>.

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

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

So far as any statements made in this Official Statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, which are based on the Village’s management’s beliefs as well as assumptions made by, and information available to, the Village 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 files with the repositories. When used in Village documents or oral presentations, the words “anticipate”, “estimate”, “expect”, “objective”, “projection”, “forecast”, “goal”, or similar words are intended to identify forward-looking statements.

Municipal Solutions, Inc. will place a copy of this Official Statement on its website: <http://www.municipalsolution.com>. Unless the Official Statement specifically indicated otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Municipal Solutions, 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 Municipal Solutions, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Municipal Solutions, 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.

Municipal Solutions, Inc. and the Village also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

VILLAGE OF CARTHAGE

February 9, 2010
Carthage, New York

By: s/s Sherry Sears
Village Treasurer and Chief Fiscal Officer

Additional copies of the Notice of Sale and Official Statement may be obtained upon request from the Office of Municipal Solutions, Inc., 2528 State Route 21, Canandaigua, New York 14424, telephone (585) 394-4090. Website: www.municipalsolution.com

APPENDIX A

FINANCIAL INFORMATION

Statement of Revenues, Expenditures and Fund Balances
General Fund - Village of Carthage

	Fiscal Year Ending May 31:				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenues:					
Real Property Taxes	\$873,592	\$884,294	\$863,710	\$919,078	\$914,331
Real Property Tax Items	114,858	123,464	289,205	52,595	51,064
Non-Property Tax Items	404,094	431,987	432,733	447,885	442,328
Departmental Income	9,089	9,914	15,304	19,281	33,464
Intergovernmental Charges	44,366	39,882	41,105	47,413	84,719
Use of Money and Property	25,916	39,506	45,983	28,688	7,205
Licenses and Permits	3,951	4,687	3,039	10,211	4,051
Fines and Forfeitures	59,934	60,914	51,410	42,941	43,360
Sale of Property & Comp. For Loss	3,627	4,525	1,752	14,432	1,881
Miscellaneous	32,503	31,515	32,186	17,534	7,544
State Aid	97,553	107,544	65,674	95,010	147,858
Federal Aid	0	0	0	0	0
Interfund Transfers	23,627	42,168	20,000	20,000	20,000
Proceeds of BAN's	0	248,360	0	0	0
Total Revenues	<u>\$1,693,110</u>	<u>\$2,028,760</u>	<u>\$1,862,101</u>	<u>\$1,715,068</u>	<u>\$1,757,805</u>
Expenditures:					
General Government Support	\$218,063	\$215,423	\$254,596	\$348,510	\$251,338
Public Safety	394,157	371,683	376,697	447,043	337,904
Health	4,470	4,080	4,632	4,242	3,780
Transportation	354,511	367,641	343,531	401,931	449,825
Economic Asst. & Opportunity	0	0	0	0	0
Culture & Recreation	67,474	69,691	68,413	106,743	79,471
Home and Community Service	189,378	442,096	228,763	273,855	308,252
Employee Benefits	267,039	263,200	306,828	339,079	328,365
Interfund Transfers	23,627	42,168	20,000	20,000	20,000
Debt Service	109,426	101,954	120,823	57,660	75,706
Total Expenditures	<u>\$1,628,145</u>	<u>\$1,877,936</u>	<u>\$1,724,283</u>	<u>\$1,999,063</u>	<u>\$1,854,641</u>
Fund Balance Beginning of Year	\$384,907	\$449,872	\$600,696	\$738,514	\$454,519
Prior Year Adjustments	0	0	0	0	0
Restated Fund Equity	384,907	449,872	600,696	738,514	454,519
ADD- Revenues & Other Sources	1,693,110	2,028,760	1,862,101	1,715,068	1,757,805
DEDUCT - Expend. & Other Uses	<u>1,628,145</u>	<u>1,877,936</u>	<u>1,724,283</u>	<u>1,999,063</u>	<u>1,854,641</u>
Fund Balance End of Year	<u>\$449,872</u>	<u>\$600,696</u>	<u>\$738,514</u>	<u>\$454,519</u>	<u>\$357,683</u>

Source: 2005-2007 Annual Audit Reports and 2008-2009 Annual Update Documents of the Village.

This table NOT audited

Balance Sheet
General Fund - Village of Carthage
Fiscal Year Ended May 31, 2009

Assets:	
Cash	\$419,656
Other Receivables	58,772
Due from Other Funds	1,264
Due from Other Governments	0
Restricted Assets	<u>97,280</u>
Total	<u><u>\$576,972</u></u>
Liabilities:	
Accounts Payable	\$7,442
Accrued Liabilities	17,946
Due to Other Funds	<u>193,900</u>
Total	<u>\$219,288</u>
Fund Balances:	
Special Reserves	\$97,280
Unreserved Fund Balance - Appropriated	<u>260,404</u>
Total	<u><u>\$357,684</u></u>
Total Liabilities and Fund Equity	<u><u>\$576,972</u></u>

Source: Annual Update Document of the Village
This table NOT audited

Budget Summary
General Fund - Village of Carthage
Fiscal Year Ending May 31, 2010

Revenues:	
Real Property Taxes	\$997,146
Real Property Tax Items	48,000
Non Property Tax Items	380,000
Departmental Income	18,200
Intergovernmental Charges	89,000
Use of Money and Property	10,000
Licenses and Permits	4,500
Fines and Forfeitures	40,000
Sale of Prop. & Comp. for Loss	0
Miscellaneous Local Sources	31,500
Interfund Transfers	0
State Aid	96,700
Federal Aid	0
Appropriated Fund Balance	429,300
Total Revenues	\$2,144,346
Expenditures:	
General Support	\$312,083
Public Safety	376,525
Health	4,000
Transportation	554,850
Culture and Recreation	68,748
Home and Community Services	239,365
Employee Benefits	374,325
Debt Service	148,700
Interfund Transfers	65,750
Total Expenditures	\$2,144,346

Source: Adopted Budget of the Village