

OFFICIAL STATEMENT DATED SEPTEMBER 26, 2011

NEW ISSUE

BOND ANTICIPATION NOTES

In the opinion of Hodgson Russ LLP, of Buffalo, New York, Bond Counsel, subject to continuing compliance by the Village of Silver Creek, Chautauqua County, New York (the "Village") with its covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Notes is (A) excluded from gross income of the owners thereof for federal income tax purposes under existing law, and (B) exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Moreover, interest on the Notes is not an "item of tax preference" for purposes of the individual and corporate alternative minimum taxes. (See the caption "TAX EXEMPTION" herein for a discussion of certain federal taxes applicable to corporate owners of the Notes.)

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

VILLAGE OF SILVER CREEK CHAUTAUQUA COUNTY, NEW YORK

(the "Village")

\$1,300,000

BOND ANTICIPATION NOTES, 2011A

(the "Notes")

(Designated/Bank Qualified)

Notes Dated: October 13, 2011

Maturity Date: October 11, 2012

Security and Sources of Payment: The Notes will constitute general obligations of the Village and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Notes. Unless paid from other sources, all the taxable real property within the Village will be subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for such purpose (subject to certain statutory limitations imposed by Chapter 97 of the 2011 Laws of New York [the "Tax Levy Limit Law"]; see "REAL PROPERTY TAX INFORMATION—Tax Levy Limit Law," herein).

Prior Redemption: The Notes will NOT be subject to redemption, in whole or in part, prior to maturity.

Form and Denomination: The Notes will be issued as registered notes, and at the option of the initial purchaser(s), may be registered to the Depository Trust Company ("DTC" or the "Securities Depository"), or may be registered in the name of the initial purchaser(s).

If the Notes will be issued through DTC, the Notes will be registered in the name of Cede & Co., as nominee of DTC in New York, New York, which will act as Securities Depository for the Notes. Individual purchases will be made in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof, as may be determined by such successful bidder(s). Initial purchasers of the Notes will not receive certificates representing their ownership interest in the Notes. Payments of principal of and interest on the Notes will be made by the Village to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Notes. See "Book-Entry-Only System" herein.

If the Notes are registered in the name of the initial purchaser(s), principal of and interest on the Notes will be payable in 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. In such case, the Notes will be issued in registered form in denominations of \$5,000, or integral multiples thereof, as may be determined by such successful bidder(s).

Interest will be calculated on a 30 day month and a 360 day year basis, payable at maturity.

The Notes are offered when, as and if issued and received by the initial purchaser(s) and subject to the receipt of the legal opinion as to the validity of the Notes of Hodgson Russ LLP, Bond Counsel, of Buffalo, New York, and certain other conditions. It is anticipated that the Notes will be available for delivery in New York, New York or at such other place as may be agreed with the initial purchaser(s) on or about October 13, 2011.

THE VILLAGE DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15C2-12 (THE "RULE"), EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH THE RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE NOTES. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER(S) AS MORE FULLY DESCRIBED IN THE NOTICE OF SALE WITH RESPECT TO THE NOTES. IN ADDITION, THE VILLAGE WILL ENTER INTO AN UNDERTAKING TO PROVIDE NOTICE OF CERTAIN MATERIAL EVENTS (AS DEFINED IN THE RULE) AS REQUIRED BY THE RULE (SEE "DISCLOSURE UNDERTAKING," HEREIN).

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CHAUTAUQUA COUNTY, NEW YORK**

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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 not 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, estimates and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Village since the date hereof.

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OFFICIAL STATEMENT

**VILLAGE OF SILVER CREEK
CHAUTAUQUA COUNTY, NEW YORK
(the "Village")**

\$1,300,000

**BOND ANTICIPATION NOTES, 2011A
(the "Notes")
(Designated/Bank Qualified)**

This Official Statement, which includes the cover page and appendices hereto, presents certain information relating to the Village of Silver Creek, in the County of Chautauqua, in the State of New York (the "Village," "County" and "State," respectively) in connection with the sale of the Village's \$1,300,000 Bond Anticipation Notes, 2011A.

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the Village contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all references to the Notes and the proceedings of the Village relating thereto are qualified in their entirety by reference to the definitive form of the Notes and such proceedings.

THE NOTES

Description of the Notes

The Notes will be dated October 13, 2011 and will mature on October 11, 2012, with interest payable at maturity at the annual rate specified by the purchaser(s). Interest on the Notes will be calculated on a 30 day month and a 360 day year basis.

The Notes will be general obligations of the Village, and will contain a pledge of the Village's faith and credit for the payment of the principal thereof and interest thereon as required by the Constitution and laws of the State of New York (State Constitution, Article VIII, Section 2; Local Finance Law, Section 100.00). Unless paid from other sources, all the taxable real property within the Village is subject to the levy of *ad valorem* taxes to pay the Notes and interest thereon, without limitation as to rate or amount, sufficient to pay such principal and interest as the same become due (subject to certain statutory limitations imposed by the Tax Levy Limit Law; see "REAL PROPERTY TAX INFORMATION—Tax Levy Limit Law," herein).

The Notes will be issued in registered form. At the option of the purchaser(s), the Notes may be registered in the name of the purchaser(s), with principal of and interest on the Notes being payable in 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(s). In such case, the Notes will be issued in registered form in denominations of \$5,000, or integral multiples thereof, as may be determined by such successful bidder(s). Alternatively, the Notes may be registered in the name of Cede & Co. as nominee for The Depository Trust Company ("DTC"), New York, New York, with DTC acting as securities depository for the Notes. See "Book-Entry-Only System" herein. Under the DTC scenario, one fully-registered note certificate will be issued for all Notes bearing the same rate of interest and CUSIP number, each in the aggregate principal amount of such issue, and purchasers will not receive certificates representing their interest in the Notes. Principal and interest will be paid in lawful money of the United States of America (federal funds) by the Village directly to DTC for its nominee, Cede & Co.

The financial condition of the Village as well as the market for the Notes could be affected by a variety of factors, some of which are beyond the control of the Village. See "Noteholder Risks," herein.

Optional Redemption

The Notes will NOT be subject to redemption, in whole or in part, prior to maturity.

Book-Entry-Only System

The following is relevant only if the Notes are issued in book-entry form. DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered Notes registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered note certificate will be issued for all Notes, bearing the same rate of interest and CUSIP number, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation 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 has issued DTC a rating of AA+. 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 and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not 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 account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption proceeds, distributions, and dividend payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Village, on a 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 notes 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, agent, or the Village, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Village, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

Source: The Depository Trust Company

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

THE VILLAGE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE NOTES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE NOTES.

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

Certificated Notes

At the option of the purchaser(s) the Notes may be registered in the name of the purchaser(s). In such event, principal of and interest on the Notes will be payable in 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(s). In such case, the Notes will be issued in registered form in denominations of \$5,000, or multiples thereof, as may be determined by such bidder(s). The Notes will NOT be subject to redemption, in whole or in part, prior to maturity.

Authorization and Purpose of Issue

The Notes are being issued pursuant to the Constitution and Laws of the State of New York, including among others, the Local Finance Law, the Village Law and a bond resolution duly adopted by the Village Board of Trustees on July 18, 2011, authorizing the issuance of \$3,513,000 of serial bonds to finance a capital improvements project consisting of service replacements and installation of water mains along various roads in the Village and the installation of new hydrants and line valves, and including all necessary site work, equipment, apparatus and other improvements and costs incidental thereto. The proceeds on the Notes will be used to provide original financing in the amount of \$1,300,000.

For further information regarding bond authorizations of the Village for capital purposes and other matters relating thereto see “Indebtedness of the Village.”

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 are 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 and interest, the Village has the power and statutory authorization to levy *ad valorem* taxes on all the taxable real property in the Village, without limitation as to rate or amount (subject to certain statutory limitations imposed by the Tax Levy Limit Law; see “REAL PROPERTY TAX INFORMATION—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 therefor. On June 24, 2011, the Tax Levy Limit Law was adopted in the State. The Tax Levy Limit Law establishes certain limitations on the power of local governments and school districts to increase the property tax levy beyond certain prescribed limits (without following certain prescribed procedures). This is new legislation, and it is not yet certain whether the Tax Levy Limit Law will withstand Constitutional scrutiny if, as expected, it is challenged in court. The Tax Levy Limit Law will have its first application with respect to the Village’s budget for 2012-2013, which begins on June 1, 2012. Since the Notes mature in the Village’s 2012-2013 fiscal year, the new legislation could have an effect on the holders of the Notes. See “REAL PROPERTY TAX INFORMATION -- Tax Levy Limit Law” herein.

Remedies of Noteholders on Default

Upon default in payment in full of the principal of or interest on the Notes, a holder of such defaulted Note has a contractual right to sue the Village for the amount then due thereon. Such holder may obtain a judgment against the Village with interest as provided by law from the date of default in such payment or the date of demand therefor, if later. Execution or attachment of Village property cannot be obtained to satisfy the judgment. The General Municipal Law of the State provides that if the Village fails to pay a final judgment for such principal and/or interest, it shall be the duty of the Village Board of the Village to assess, levy and cause to be collected at the same time and in like manner as other moneys for expenses are then next thereafter to be assessed, levied and collected, a sum of money sufficient to pay such judgment with interest thereon. Any moneys so collected shall, from time to time, be paid to the judgment creditors.

In addition, the State Constitution provides that if the Village fails to provide in its annual budget an amount sufficient to meet payment of principal of or interest on the Notes, the Village shall set aside from the first revenues thereafter received an amount necessary to pay such amounts which were required to be included in the Village’s annual budget. In addition, the Village Treasurer may be required to set apart and apply such revenues to the payment of principal and interest on the Notes at the suit of any holder of the Notes. However, such right is subject to the discretionary power of the enforcing court and may be abridged by federal laws affecting creditors’ rights or laws involving financial emergencies. (See “Special Provisions Affecting Remedies Upon Default.”)

Special Provisions Affecting Remedies Upon Default

Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the Village upon any judgment or accrued claim against it shall not exceed nine per centum per annum. This provision might be construed to have application to the holders of the Notes in the event of a default in the payment of the principal of or interest on the Notes.

In accordance with the general rule with respect to municipalities, judgments against the Village may not be enforced by levy and execution against property owned by the Village.

The Federal Bankruptcy Code (the “Bankruptcy Code”) allows public bodies such as the Village recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance

Law contains specific authorization for any municipality in the State to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness.

Under the Bankruptcy Code, a petition may be filed in Federal bankruptcy court by a municipality which is insolvent or unable to meet its debts as they mature. Generally, the filing of such a petition operates as a stay of any proceeding to enforce a claim against the municipality. The Bankruptcy Code also requires the municipality to file a plan for the adjustment of its debts, which may modify or alter the rights of creditors and would authorize the Federal bankruptcy court to permit the municipality to issue certificates of indebtedness, which could have priority over existing creditors and which could be secured. Any plan of adjustment confirmed by the court must be approved by the requisite majority of creditors. If confirmed by the bankruptcy court, the plan would be binding upon all creditors affected by it. The Village has the legal capacity to file a petition under the Bankruptcy Code.

It might be asserted that under the Bankruptcy Code interest and principal payments made by the Village in respect of its indebtedness within ninety days of the filing of a bankruptcy petition with respect to the Village were voidable preferences. If these assertions were made and sustained by the bankruptcy court, the recipients of those preferential payments could be required to refund them, and their claims would then be treated as if the preferential payments had not been made.

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

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of the Local Finance Law enacted at the 1975 Extraordinary Session of the State Legislature, authorizing any county, 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 ever been declared with respect to the Village.

No principal and interest payments on Village indebtedness are past due. The Village has never defaulted in the payment of the principal of and interest on any indebtedness.

THE VILLAGE

General Information

The Village, incorporated in 1848, with a land area of approximately 1.2 square miles and a population of 2,797 (2010 Census), is located at the junction of New York State Route 5 and US Route 20 and north of the New York State Thruway, within the Town of Hanover, Chautauqua County, New York, in an area of Western New York known as the Concord Grape Belt.

State Route 5 (Central Avenue - West, Howard Street) and State Route 20 (Main St, Central Avenue - East) intersect the downtown business district, where the Village square and historic bandstand are located. Walnut Creek and Silver Creek both flow through the Village before joining together, to the north of the Municipal Building, and flowing into Lake Erie.

The Village provides many valuable resources for its residents, including a full-time Police Department, Volunteer Emergency Squad and Fire Department, a Department of Public Works, and Water and Sewer Department. Additional public services are provided by the Chautauqua County Sheriff's Department and the New York State Police.

The Silver Creek Central School District consists of an Elementary, Middle and High School building, which provides education for children in the Village, the Town of Hanover, Town of Sheridan, and the Cattaraugus Indian

Reservation. Opportunities for higher education are available at SUNY Fredonia, Empire State College and numerous public and private four year colleges located in the City of Buffalo.

Source: Village Officials

Governmental Organization

One independently 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 Hanover and 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 the Village Law, the Local Finance Law, other laws generally applicable to the Village, and any special laws applicable of 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 two years and is eligible to succeed himself. The four other members of the Village Board are elected to two year terms, which terms are staggered so no more than two Trustees are elected every year. All the Board members are elected at large and there is no limitation to the number of terms each may serve.

The Village Treasurer, the Village’s chief fiscal officer, is appointed by the Mayor and approved by the Village Board of Trustees to a two year term and is responsible for the overall financial operation of the Village. The Village Treasurer serves as the tax collector.

Source: Village Officials

Employees

The Village provides services through approximately 18 full-time and 18 part-time 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>
CSEA	10	May 31, 2013
PBA	5	May 31, 2014

Source: Village Officials

DEMOGRAPHIC AND STATISTICAL INFORMATION

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

Population

<u>Year</u>	<u>Village of Silver Creek</u>	<u>Chautauqua County</u>	<u>New York State</u>	<u>United States</u>
1990	2,927	141,895	17,990,455	249,632,692
2000	2,896	139,750	18,976,457	281,421,906
2010	2,797	133,503	19,378,102	308,745,538

Source: US Census Bureau

Median Household Income

<u>Year</u>	<u>Village of Silver Creek</u>	<u>Chautauqua County</u>	<u>New York State</u>	<u>United States</u>
1990	\$20,809	\$24,183	\$32,965	\$30,056
2000	32,446	33,458	43,393	41,994

Source: US Census Bureau

Per Capita Income

<u>Year</u>	<u>Village of Silver Creek</u>	<u>Chautauqua County</u>	<u>New York State</u>	<u>United States</u>
1990	\$10,914	\$11,287	\$16,501	\$14,420
2000	15,904	16,840	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 Chautauqua. 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 Official Statement that the Village is necessarily representative of the County or vice versa.

<u>Annual Averages:</u>	<u>Chautauqua County</u>	<u>New York State</u>	<u>United States</u>
2006	4.6%	4.6%	4.6%
2007	4.5	4.5	4.6
2008	5.5	5.3	5.8
2009	8.5	8.4	9.3
2010	8.8	8.6	9.6

2011 Monthly Rates:

January	9.4%	8.9%	9.8%
February	9.0	8.7	9.5
March	8.2	8.0	9.2
April	7.8	7.6	8.7
May	7.4	7.8	8.7
June	7.7	8.0	9.3
July	7.3	8.0	9.3
August	6.9	7.7	9.1

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

Selected Listing of Larger Employers

<u>Name</u>	<u>Type</u>	<u>Estimated No. of Employees</u>
Perti Baking Products	Manufacturing	250
Excelco / Newbrook Machine Corp.	Manufacturing	92
Tops Market	Supermarket	41
Rite Aid Pharmacy	Retail	20
Silver Creek Pediatrics	Medical Facility	20

Source: Village Officials

INDEBTEDNESS OF THE VILLAGE

Constitutional Requirements

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

Purpose and Pledge: Subject to certain enumerated exceptions, the Village shall not give or loan any money or property to or in aid of any individual, or private corporation or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

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

Payment and Maturity: Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the Village authorizes the issuance of bonds with substantially level or declining 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 payment of principal on its serial bonds, bond anticipation notes and capital notes.

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 interest and principal on all indebtedness, subject to the statutory limitations imposed by Chapter 97 of the Laws of 2011.

The Village is further subject to constitutional limitation by the general constitutionally imposed duty of the State Legislature to restrict the power of taxation, assessment, borrowing money, contracting indebtedness and loaning the credit of the Village so as to prevent abuses in taxation and assessments and in contracting indebtedness; however, as has been noted under “Security and Source of Payment” the State Legislature is prohibited by a specific constitutional provision from restructuring the power of the Village to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. See, however, the discussion of the Tax Levy Limit Law under the heading “REAL PROPERTY TAX INFORMATION—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 by the enactment of the NYS Local Finance Law; subject, of course, to the constitutional and statutory provisions set forth above. The power to spend money, however, generally derives from other law, including specifically the Village Law and the General Municipal Law of the State.

Pursuant to the Local Finance Law, the Village authorizes the incurrence of indebtedness, including bonds and bond anticipation notes issued in anticipation of such bonds, by the adoption of a resolution, approved by at least two-thirds of the members of the Village Board of Trustees, the finance board of the Village. Certain of such resolutions may be subject to permissive referendum, or may be submitted to the Village voters at the discretion of the Village Board of Trustees.

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

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

1. (a) Such obligations are authorized or an object or purpose for which the Village is not authorized to expend money, or
- (b) If the provisions of the law which should be complied with as of the date of publication of the notice were not substantially complied with,

and an action, suit or proceeding contesting such validity is commenced within 20 days after the date of such publication of the notice; or

2. Such obligations were authorized in violation of the provisions of the Constitution of New York.

Except on rare occasions, the Village complies with this estoppel procedure, and it has done so with respect to the bond resolution under which the Notes are being issued. It is a procedure that is recommended by Bond Counsel, but is not an absolute legal requirement.

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 annual principal installments are made in reduction of the total amount of such notes outstanding, commencing no later than two years from the date of the first issuance of such notes, and provided that such renewals generally do not extend five years beyond the original date of borrowing. However, notes issued in anticipation of the sale of serial bonds for assessable improvements are not subject to such five year limit and may be renewed subject to annual principal reductions for the entire period of probable usefulness of the purpose for which such notes were originally issued. (See "Payment and Maturity" under "Constitutional Requirements," and "Details of Short-Term Indebtedness Outstanding" herein).

In general, the Local Finance Law contains similar provisions providing the Village with power to issue certain other short-term general obligation indebtedness, including revenue and tax anticipation notes and budget and capital notes.

Debt Limit

The Village has the power to contract indebtedness for any Village purpose so long as the aggregate 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 deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional and statutory method for determining full valuation is by taking the assessed valuation of taxable real estate for the last completed assessment roll of the Village and dividing the same by the equalization rate, or the ratio which such assessed valuation bears to the full valuation, as determined by the New York State Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined. Average full valuation is determined by taking the sum of the full valuations of such last completed assessment roll and the four preceding assessment rolls and dividing such sum by five.

The following pages present certain details with respect to the indebtedness of the Village as of the date of this Official Statement.

Details of Short-Term Indebtedness Outstanding

As of the date of this Official Statement, the Village has the following outstanding short-term indebtedness:

<u>Type</u>	<u>Maturity</u>	<u>Purpose</u>	<u>Amount</u>
Bond Anticipation Note	4/19/2012	Capital Improvement (Flood Damage)	\$995,000
		Total	<u>\$995,000</u>

Source: Village Note
Records

Revenue and Tax Anticipation Notes

The Village has not found it necessary to borrow in anticipation of taxes and revenues in recent years, nor does it anticipate such borrowing in the near future.

Status of Outstanding Bond Issues

Year of Issue:	1992		1999
Amount Issued:	\$935,000		\$62,500
Last Maturity:	11/1/2011		3/19/2013
Interest Rate/Instrument:	6.50% - SB		2.50% - NYS ESRLF
Purpose:	Water		Fire Truck
Balance Principal 05/31/11:	\$50,000		\$9,729
Fiscal Year			
<u>Ending May 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2012	\$50,000	\$1,625	\$4,805
2013	_____	_____	4,924
Totals:	<u>\$50,000</u>	<u>\$1,625</u>	<u>\$9,729</u>

Status of Outstanding Bond Issues

Year of Issue:	2001	2004
Amount Issued:	\$2,884,124	\$100,000
Last Maturity:	8/15/2031	6/15/1940
Interest Rate/Instrument:	0% - EFC SB	4.375% - RD SB
Purpose:	Water	Water
Balance Principal 05/31/11:	\$2,207,842	\$90,200

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
<u>Ending May 31:</u>				
2012	\$90,929 *	\$0	\$1,500 *	\$3,913
2013	92,349	0	1,600	3,846
2014	93,770	0	1,700	3,773
2015	95,191	0	1,800	3,697
2016	96,611	0	1,800	3,618
2017	98,031	0	1,900	3,537
2018	99,452	0	1,900	3,454
2019	100,873	0	2,000	3,389
2020	102,294	0	2,000	3,281
2021	103,714	0	2,200	3,189
2022	105,135	0	2,300	3,091
2023	106,556	0	2,400	2,988
2024	107,977	0	2,500	2,881
2025	109,397	0	2,600	2,769
2026	110,818	0	2,700	2,653
2027	112,239	0	2,800	2,533
2028	113,660	0	3,000	2,406
2029	115,080	0	3,100	2,273
2030	116,501	0	3,300	2,133
2031	117,922	0	3,400	1,986
2032	119,343	0	3,500	1,835
2033			3,700	1,678
2034			4,000	1,509
2035			4,100	1,332
2036			4,300	1,148
2037			4,400	958
2038			4,600	761
2039			4,800	556
2040			5,100	339
2041			5,200	114
Totals:	<u>\$2,207,842</u>	<u>\$0</u>	<u>\$90,200</u>	<u>\$71,640</u>

Note: * Principal payment made prior to Official Statement dated September 26, 2011

Status of Outstanding Bond Issues

Year of Issue:	2005
Amount Issued:	\$965,000
Last Maturity:	11/1/2028
Interest Rate/Instrument:	Various - Ref SB
Purpose:	Water
Balance Principal 05/31/11:	\$635,000

Fiscal Year	<u>Principal</u>	<u>Interest</u>
<u>Ending May 31:</u>		
2012	\$55,000	\$25,131
2013	55,000	23,138
2014	55,000	21,006
2015	55,000	18,806
2016	55,000	16,606
2017	60,000	14,306
2018	60,000	11,869
2019	60,000	9,356
2020	60,000	6,806
2021	15,000	5,203
2022	15,000	4,538
2023	15,000	3,863
2024	15,000	3,178
2025	15,000	2,484
2026	15,000	1,781
2027	10,000	1,187
2028	10,000	712
2029	10,000	237
Totals:	<u>\$635,000</u>	<u>\$170,207</u>

Note: * Principal payments made prior to Official Statement dated September 26, 2011

Total Annual Bond Principal and Interest Due

<u>Fiscal Year</u> <u>Ending May 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt Service</u>	<u>% Paid</u>
2012	\$202,234	\$30,912	\$233,146	6.76%
2013	153,873	27,108	180,981	11.90%
2014	150,470	24,779	175,249	16.93%
2015	151,991	22,503	174,494	22.01%
2016	153,411	20,224	173,635	27.13%
2017	159,931	17,843	177,774	32.48%
2018	161,352	15,323	176,675	37.87%
2019	162,873	12,745	175,618	43.31%
2020	164,294	10,087	174,381	48.80%
2021	120,914	8,392	129,306	52.84%
2022	122,435	7,629	130,064	56.93%
2023	123,956	6,851	130,807	61.07%
2024	125,477	6,059	131,536	65.26%
2025	126,997	5,253	132,250	69.51%
2026	128,518	4,434	132,952	73.80%
2027	125,039	3,720	128,759	77.98%
2028	126,660	3,118	129,778	82.21%
2029	128,180	2,510	130,690	86.50%
2030	119,801	2,133	121,934	90.50%
2031	121,322	1,986	123,308	94.55%
2032	122,843	1,835	124,678	98.66%
2033	3,700	1,678	5,378	98.78%
2034	4,000	1,509	5,509	98.91%
2035	4,100	1,332	5,432	99.05%
2036	4,300	1,148	5,448	99.19%
2037	4,400	958	5,358	99.34%
2038	4,600	761	5,361	99.50%
2039	4,800	556	5,356	99.66%
2040	5,100	339	5,439	99.83%
2041	5,200	114	5,314	100.00%
Totals:	<u><u>\$2,992,771</u></u>	<u><u>\$243,839</u></u>	<u><u>\$3,236,610</u></u>	

Source: Village Bond Records

Other Obligations

The Village has the following installment purchase contracts outstanding:

<u>Type</u>	<u>Date</u> <u>Issued</u>	<u>Original</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Final</u> <u>Maturity</u>	<u>Balance as</u> <u>of 5/31/11:</u>
Ford F350	02/2011	\$31,244	6.50%	02/2013	\$20,829
Ford F250	04/2009	31,348	6.90%	06/2011	10,449
Dodge Charger	04/2011	28,939	7.10%	06/2011	9,646
Rescue Ambulance	10/2009	138,850	4.85%	10/2012	28,709
Payloader	08/2009	99,024	5.50%	08/2015	5,857
				Total	<u><u>\$75,490</u></u>

Source: Village Officials

Trend of Outstanding Debt

	Fiscal Year Ending May 31:				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Bonds	\$3,970,773	\$3,716,766	\$3,458,140	\$3,198,467	\$2,990,771
Bond Anticipation Notes	0	0	0	0	995,000
Total Debt Outstanding	<u>\$3,970,773</u>	<u>\$3,716,766</u>	<u>\$3,458,140</u>	<u>\$3,198,467</u>	<u>\$3,985,771</u>

Source: Financial Reports of the Village

Computation of Debt Limit and Calculation of Net Indebtedness

(As of September 26, 2011)

<u>Fiscal Year Ending February 28:</u>	<u>Assessed Valuation</u>	State Equalization Rate	<u>Full Valuation</u>
2008	\$83,121,658	100.00%	\$83,121,658
2009	82,088,108	100.00%	82,088,108
2010	81,446,045	100.00%	81,446,045
2011	81,020,959	100.00%	81,020,959
2012	<u>79,848,391</u>	100.00%	<u>79,848,391</u>
Total (2011-12) ¹	<u>\$407,525,161</u>		<u>\$407,525,161</u>
Average Five Year Full Valuation			\$81,505,032
Debt Limit: 7% of Average Full Valuation			\$5,705,352
Inclusions:			
Bonds			\$2,900,342
Bond Anticipation Notes			995,000
Total Inclusion			<u>\$3,895,342</u>
Exclusions:			
Water Indebtedness ²			\$2,890,613
Budgeted Appropriations ²			4,805
Total Exclusions			<u>\$2,895,418</u>
Total Net Indebtedness Before Giving Effect to This Issue			\$999,924
This Issue			1,300,000
Monies This Issue Excludable			<u>1,300,000</u>
Total Net Indebtedness After Giving Effect to This Issue ³			<u>\$999,924</u>
Net Debt-Contracting Margin			<u>\$4,705,428</u>

Notes: ¹ The latest assessment roll for which State Equalization Rate has been established.

² 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 17.53% of the Debt Limit of the Village.

Authorized and Unissued Indebtedness

After the issuance of the Notes, the Village will have \$2,213,000 of authorized but unissued indebtedness for the water main project for which the Notes are being issued.

Capital Project Plans and Anticipated Future Borrowings

The Village is undertaking a water main replacement project with upgrades to the Village's water distribution system to include replacements related to water flow, pipe condition and pipe diameter. The Village has split the project into three phases and expects completion within the next three years.

Direct and Overlapping Indebtedness

In addition to the Village, the following political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the Village.

The real property taxpayers of the Village are responsible for a proportionate share of outstanding debt obligations of the County, the local school district, and the Town. Such taxpayers' share of this overlapping debt is based upon the amount of the Village's equalized property values taken as a percentage of each separate unit's total values. The table below sets forth both the total outstanding principal amount of debt issued by the Village and the approximate magnitude of the burden on taxable property of the Village of the debt issued and outstanding by such overlapping entities, as of the dates shown.

Calculation of Estimated Overlapping and Underlying Indebtedness

Overlapping Units	Date of Report	Applicable Total Indebtedness	Exclusions ¹	Applicable Net Indebtedness	Full Value of Village in Municipality	Total Full Value of Municipality	% In Village	Estimated Applicable Overlapping Debt
County:								
Chautauqua	2010	\$50,227,565	\$96,000	\$50,131,565	\$79,848,391	\$6,668,314,809	1.20%	\$600,290
Town:								
Hanover	2010	5,339,700	5,339,700	0	79,848,391	336,614,475	23.72%	0
School District:								
Silver Creek	2010	6,365,887	5,824,787	541,100	79,848,391	307,964,755	25.93%	140,295
Total Net Overlapping Debt:								\$740,586
Total Net Direct Debt:								999,924
Total Overlapping and Direct Debt:								<u>\$1,740,510</u>

Sources: Annual Reports of the respective units for the most recently completed fiscal year on file with the Office of the State Comptroller or more recently published official statements.

Note: ¹ Exclusions consist of indebtedness deductible from gross indebtedness for debt limit purposes pursuant to constitutional and statutory provisions (including water and sewer debt and revenue anticipation notes)

Debt Ratios

The following table presents certain debt ratios relating to the Village's direct and overlapping indebtedness as of September 26, 2011:

	<u>Amount</u>	<u>Debt Per Capita¹</u>	<u>Debt Full Value²</u>
Net Direct Debt	\$999,924	\$357.50	1.25%
Total Direct & Applicable Total Overlapping Debt	1,740,510	622.28	2.18%

Notes: ¹ The population of the Village is 2,797 according to the 2010 US Census Bureau.

² The full valuation of real property located in the Village for the 2011-12 fiscal year is \$83,121,658.

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.

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 December 31, 2003. The Village is not in compliance with the requirements of GASB Statement 34.

The Statements of Revenues, Expenditures and Balance Sheet presented in Appendix A of this Official Statement are based on the Annual Financial Reports of the Village for the 2006 – 2010 fiscal years.

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 three major governmental funds: General Fund, Sewer Fund, and the Water 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, which 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.

Only reserve funds may be invested in 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 Board, with the assistance of the Village Treasurer, prepared 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 Village Board as its final budget for the coming fiscal year by May 1. The budget is not subject to voter approval.

All modifications of the budget must be approved by the governing board.

The Tax Levy Limit Law will have a significant impact on the Village's budgeting procedures and (possibly) outcomes, beginning with the Village's budget for its 2012-2013 fiscal year. See "REAL PROPERTY TAX INFORMATION—Tax Levy Limit Law," herein.

Financial Operations

The Village Treasurer functions as the chief fiscal officer of the Village as provided by Section 2 of the Local Finance Law: in this role, the Treasurer is responsible for the Village's accounting and financial reporting activities. In addition, the Village Treasurer is the Village's budget officer and must therefore prepare the annual tentative budget for submission to the Village Board of Trustees. Budgetary control during the year is the responsibility of the Treasurer. Pursuant to Section 30 of the Local Finance Law, before the issuance of bonds or notes, the Treasurer must execute and file an authorizing certificate with the Village Finance Board which then becomes a matter of public record.

The Village 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.

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. All revenues (rents and fees) and expenses of the Water and Sewer operations are specifically accounted for in their respective funds.

Revenues

The Village receives most of its revenues from real property taxes and assessments. For the year ending May 31, 2010, real property taxes and assessments accounted for 63.37% of all general fund revenue.

A summary of such revenues and other financing sources for the last five completed fiscal years ending May 31, 2010 and the budget for the fiscal years ending 2011 and 2012 may be found in Appendix A – Financial Information.

Real Property Taxes

See “Real Property Tax Information”, herein.

State Aid

The Village received approximately 6.74% of its total General Fund operating revenue from State aid in the fiscal year ending 2010. The Village estimates State aid for fiscal years ending 2011 and 2012 will be \$80,000 and \$84,500, respectively. The Village is dependent to a modest degree on financial assistance from New York State. However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the Village, in any year, the Village may be affected by a delay, until sufficient State taxes have been received by the State to make State aid payments to the Village.

The State is not constitutionally obligated to maintain or continue State aid to the Village. No assurance can be given that present State aid levels will be maintained in the future. State budgetary restrictions which eliminate or substantially reduce State aid could have a material adverse affect upon the Village requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures. (See also “Noteholder Risks,” herein).

The State faces the prospect of multi-billion dollar deficits for the next several years, and cuts in State aid to municipalities have been included in the New York State budget for the fiscal year ending March 31, 2012, which was adopted on March 31, 2011 (and can be expected in future years).

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 and the estimated expenditures for the fiscal years ending 2011 and 2012 may be found in Appendix A – Financial Information.

Employee 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 and PFRS for the last five fiscal years and the amount budgeted for fiscal years 2011 and 2012:

<u>Fiscal Year Ending May 31:</u>	<u>ERS</u>	<u>PFRS</u>
Budgeted 2012	\$91,730	\$65,450
2011	54,378	52,564
2010	74,794	34,208
2009	66,329	25,145
2008	65,416	40,583
2007	60,536	51,856

Chapter 49 of the Laws of 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 build the cost of the contribution in 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.

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 (until quite recently). 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 2012 year and subsequent years will be higher than the minimum contribution rate established by Chapter 49. For fiscal year 2012-13, the average contribution rate for the ERS will increase 16.3% to 18.9% of salaries and from 21.6% to 25.8% for the PFRS.

Chapter 57 of the Laws of 2010, enacted August 11, 2010, established the Employer Contribution Stabilization Program (“the Program”). This legislation authorizes participating local government employers, if they so elect, to amortize the eligible portion of their annual required contributions to the New York State and Local Retirement System (NYSLRS).

The option to amortize the eligible portion begins with the annual contribution due February 1, 2011. The Program allows local government employers to amortize a portion of the annual required contribution based on a “graded” rate. Amortized contributions will be paid in equal annual installments over a ten-year period, but may be prepaid at any time. Interest will be charged on the unpaid amortized portion at a rate which approximates a market rate of return on taxable fixed rate securities of a comparable duration. The interest rate is established annually for each of the amortized yearly amount and applies to the entire ten years of the repayment cycle.

The Village is current with all its pension obligations and prepays all pension payments in December of each year to take advantage of the discounted payment amount offered by the System for paying pension obligations in advance of the February 1 due date.

Chapter 57 of the Laws of 2010 (Part TT) amended the Retirement and Social Security Law to authorize participating local government employers, if they so elect, to amortize an eligible portion of their annual required contributions to both ERS and PFRS, when employer contribution rates rise above certain levels. The option to amortize the eligible portion began with the annual contribution due February 1, 2011. The amortizable portion of an annual required contribution is based on a “graded” rate by the State Comptroller in accordance with installments over a ten-year period, but may be prepaid at any time. Interest is to be charged on the unpaid amortized portion at a rate to be determined by State Comptroller, which approximates a market rate of return on taxable fixed rate securities of a comparable duration issued by comparable issuers. The interest rate is established annually for that year’s amortized

amount and then applies to the entire ten years of the amortization cycle of that amount. When in any fiscal year, the participating employer's graded payment eliminates all balances owed on prior amortized amounts, any remaining graded payments are to be paid into an employer contribution reserve fund established by the State Comptroller for the employer, to the extent that amortizing employer has no currently unpaid prior amortized amount, for future use.

On December 10, 2009, former 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 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 be noted that the Village provides post-employment healthcare benefits to various categories of former employees. These costs are expected to rise substantially in the future.

GASB 45 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 on a pay-as-you-go basis and had not been reported as a liability on the government's financial statements.

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 ("OPEB"), 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 similar to 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. The Village is not in compliance with the requirements of GASB 45. The Village remains on a pay as you go method to fund post-retirement benefits. For the year ended May 31, 2011, the Village paid \$4,868 for medical insurance to cover one retired employee.

GASB 45 requires an actuarial valuation will be completed every two years for OPEB plans with more than 200 members, every three years if there are less than 200 members. The Village is currently reviewing its options with respect to implementation of GASB 45 for the 2011-12 fiscal year but has not, as of the this date, made any definitive determinations of potential liability.

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 and tax rates for each of the last four fiscal years and the 2012 fiscal year.

	Tax Collection Record				
	Fiscal Year Ending May 31:				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Taxes on Roll	\$1,387,718	\$1,242,703	\$1,247,429	\$1,259,174	\$1,239,559
Special Assessments	5,331	9,216	1,264	130	390
Water / Sewer Rents	<u>100,260</u>	<u>89,848</u>	<u>100,906</u>	<u>114,693</u>	<u>107,593</u>
Total Tax Levy	\$1,493,309	\$1,341,767	\$1,349,599	\$1,373,997	\$1,347,542
Collected During Year	<u>1,345,182</u>	<u>1,216,275</u>	<u>1,225,939</u>	<u>1,255,040</u>	<u>1,220,150</u> *
Total Uncollected Taxes	<u>\$148,127</u>	<u>\$125,492</u>	<u>\$123,660</u>	<u>\$118,957</u>	<u>\$127,392</u> *
Per Cent Collected Prior to Return to County	90.08%	90.65%	90.84%	91.34%	90.55% *
Tax Rate Per \$1,000 AV	\$16.71	\$15.31	\$15.31	\$15.54	\$15.52

Source: Village Officials

Note: * As of September 26, 2011

Tax Collection Procedure

Taxes are due June 1, payable to July 1 without penalty. Penalties thereafter are 5.00% if paid July 31, 9.1% if paid August 1 through September 30. After September 30, 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.

Tax Levy Limit Law

On June 24, 2011, the State Senate and the State Assembly both enacted, and Governor Andrew Cuomo signed (as Chapter 97 of the 2011 Laws of the State), significant and complex legislation relating to real property tax levies, rent regulation, exemption from local taxation and mandate relief (the “Legislation”). Part A of the Legislation amends the General Municipal Law and the Education Law in order to impose a limit upon real property tax levies by local governments (excluding the City of New York and the counties contained therein) and almost all school districts in the State (the “Tax Levy Limit Law”).

The Village is subject to the new Legislation, with the Tax Levy Limit Law first applying to the Village’s budget for its 2012-2013 fiscal year. The Tax Levy Limit Law will restrict, among other things, the amount of real property taxes that may be levied by or on behalf of the Village in a particular year. Under the Legislation, the tax levy of the Village may not increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in a designated measure of the consumer price index (“CPI”) over the amount of the Village’s prior year’s tax levy. The exceptions for a tax levy above two percent or the CPI increase are (i) funds needed to pay judgments arising out of tort actions that exceed 5% of the total tax levied by the Village in the prior fiscal year and (ii) required pension payments (but only that portion of such payments attributable to the average actuarial contribution rate exceeding two percentage points).

The Tax Levy Limit Law also allows for growth in the Village’s tax levy due to physical and quantitative changes in the Village. If the Village does not levy an amount up to the cap in any one year, it would be allowed to carry over unused tax levy capacity into future years. However, this carryover levy capacity may not be used to increase its tax levy by more than an additional 1.5 percent above the cap in any single year. If the Village’s actual tax levy exceeds its authorized levy due to clerical or technical errors, the erroneous excess levy must be placed in reserve to offset the levy for the next budget year.

The Village may adopt a budget that requires a tax levy that exceeds the tax levy limit for a given fiscal year, but only if the Village’s Board of Trustees first adopts, by a vote of 60% of the total voting power of such body, a local law to override such limit for that particular fiscal year only.

It is reasonably certain that the Legislation will come under legal challenge alleging that the Legislation violates several provisions of Article VIII of the New York State Constitution. Although the Constitution recognizes the power of the State Legislature to restrict local government taxation of property, it also expressly states that “the legislature shall not, however, restrict the power to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted.” Although New York courts (including the State’s highest court—the Court of Appeals) have traditionally been very protective of the rights of the holders of municipal debt obligations, the outcome of any such legal challenge cannot be predicted.

It is possible that the Tax Levy Limitation Law will be subject to judicial review to resolve the constitutional issues raised by its adoption. Although courts in New York have historically been protective of the rights of holders of general obligation debt of political subdivisions, the outcome of any such legal challenge cannot be predicted.

Prospective investors in the Notes are encouraged to consult with their own legal and tax advisors and review the provisions of the Tax Levy Limit Law in its entirety.

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 2011-12 fiscal year is as follows:

Five Year Total Full Valuation	\$409,729,019
Five Year Average Full Valuation	81,945,804
Constitutional Tax Limit: (2%)	1,638,916
Tax Levy General Village Purposes	1,239,559
Less: Exclusions for Debt and Capital Purposes	310,614
Tax Levy Subject to Tax Limit	928,945
Percentage of Tax Limit Exhausted	56.68%
Constitutional Tax Margin	\$709,971

Source: Constitutional Tax Limit Worksheet for the as submitted to the NYS Comptroller by the Village.

Ten Largest Taxpayers
2011-12 Assessment Roll

<u>Name</u>	<u>Type</u>	<u>Estimated Full Valuation</u>
CSX	Ralroad	\$3,000,000
National Fuel Gas Distribution Corp	Utility	2,003,804
WEC 97 A-3 Investment Trust	Retail	1,640,000
Norfolk & Southern	Railroad	1,548,507
New York State Gas & Electric	Utility	1,308,612
Iliohan, Jacob	Real Estate	818,500
Petri Baking Products	Manufacturing	800,000
Hal Enterprises	Apartments	715,000
Triton Valley Estate	Mobile Home Park	499,500
Gail Quint	Supermarket	475,000
Lakeside Park	Mobile Home Park	457,000
		\$13,265,923 ¹

Note: ¹ Represents 16.61% of the Village's 2011-12 full valuation of \$79,848,391.

LITIGATION

In common with other local governments and school districts, the Village from time to time receives notices of claim and is a 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.

There is no action, suit, proceeding or investigation, at law or in equity, before or by any court, public board or body pending or, to the best knowledge of the Village, threatened against or affecting the Village to restrain or enjoin the issuance, sale or delivery of the Notes or the levy and collection of taxes or assessments to pay same, or in any way contesting or affecting the validity of the Notes or any proceedings or authority of the Village taken with respect to the authorization, issuance or sale of the Notes or contesting the corporate existence or boundaries of the Village.

NOTEHOLDER RISKS

There are various forms of risk associated with investing in the Notes. One such risk is that the Village will be unable to promptly pay interest and principal on the Notes as they become due (see "Remedies Upon Default", herein). If a Noteholder elects to sell his or her investment prior to its scheduled maturity date, market access or price risk may be incurred. The following is a discussion of certain events that could affect the risk of investing in the Notes. In addition, there may be other risk factors which a potential investor must consider. In order to make an informed investment decision, an investor should be thoroughly familiar with the entire Official Statement, including its appendices, as well as all areas of potential risk.

There are a number of factors which could have a detrimental effect on the ability of the Village to continue to generate revenues, particularly its property taxes. For instance, the termination of a major commercial enterprise or an unexpected increase in tax certiorari proceedings could result in a reduction in the assessed valuation of taxable real property in the Village. In addition, to the extent that the Village is dependent on State aid, there can be no assurance that such aid will be continued in the future (see "Finances of the Village", herein). Unforeseen developments could also result in substantial increases in Village expenditures, thus placing considerable strain on the Village's financial condition.

The subprime mortgage crisis and various economic events growing out of it created a significant disruption in the U.S. and global credit and securities markets, and the health of those markets was impaired to the point where significant governmental intervention was deemed necessary. These developments have had significant adverse effects on the finances of New York State, on which the Village depends for a modest amount of State aid. The exact impact on the Village cannot be predicted, but, to date, it has been negative and could persist for a significant period of time. The State faces the prospect of multi-billion dollar deficits for the next several years, and cuts in State aid to municipalities and school districts have been included in the New York State budget for the fiscal year ending March 31, 2012, which was adopted on March 31, 2011 (and are likely in future years).

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

Amendments to U.S. Internal Revenue Code of 1986, as amended (the "Code") could reduce or eliminate the favorable tax treatment granted to municipal debt, including the Notes and other debt issued by the Village. Any such future legislation could have an adverse effect on the market value of the Notes (See "Tax Exemption" herein).

On September 12, 2011, President Obama sent to Congress a \$447 billion American Jobs Act of 2011 (the "Jobs Act") in an attempt to address persistently high unemployment in the United States. The Jobs Act contained proposals for the raising of revenue to offset the spending proposals contained in the Jobs Act. In pertinent part, the Jobs Act would bar higher-income investors from using tax-exempt bond interest (and certain other tax exclusions, expenditures and deductions) to reduce their income tax rates below 28%. If adopted in its proposed form, the Jobs Act would have a significant adverse impact on the municipal bond market. The restriction would apply to single taxpayers with incomes of \$200,000 or greater and married couples with incomes of \$250,000 or greater. It would apply to taxable years beginning on or after Jan. 1, 2013. The Jobs Act has not yet been taken up by Congress and it is extremely difficult to predict whether the Jobs Act will be adopted in its present form or in any form. If enacted, the Jobs Act would in all likelihood affect (negatively) the market price for, and the marketability of, the Notes. Potential purchasers of the Notes are advised to consult with their own financial and legal advisors with respect to the Jobs Act and its possible implications for an investment in the Notes.

If and when a holder of any of the Notes should elect to sell a Note prior to its maturity, there can be no assurance that a market shall have been established, maintained and be in existence for the purchase and sale of any of the Notes. In addition, the price and principal value of the Notes is dependent on the prevailing level of interest rates; if interest rates rise, the price of a note will decline, causing the noteholder to incur a capital loss upon the sale of such note (unless such note is held to maturity).

TAX EXEMPTION

In the opinion of Hodgson Russ LLP, of Buffalo, New York, Bond Counsel, under existing law, the interest on the Notes is excluded from gross income of the owners thereof for federal income tax purposes, and is not an "item of tax preference" for purposes of the individual and corporate alternative minimum taxes imposed by the Code. However, it should be noted that (1) the Village, by failing to comply with certain restrictions contained in the Code, may cause interest on the Notes to become subject to federal income taxation from the date of issuance of the Notes; (2) Section 56 of the Code provides that for purposes of computing the alternative minimum tax on corporations (as defined for federal income tax purposes) interest on the Notes is taken into account in determining adjusted current earnings; and (3) interest on the Notes earned by foreign corporations doing business in the United States could be subject to the branch profits tax imposed by Section 884 of the Code. Interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

In rendering the foregoing opinions, Hodgson Russ LLP noted that the exclusion of the interest on the Notes from gross income for federal income tax purposes is subject to, among other things, continuing compliance by the Village with the applicable requirements of Sections 141, 148 and 149 of the Code and the regulations promulgated thereunder (collectively, the "Tax Requirements"). In the opinion of Hodgson Russ LLP, the tax certificate and the non-arbitrage certificate (or similar documentation) that will be executed and delivered by the Village in connection with the issuance of the Notes (collectively the "Tax Certificates") establish requirements and procedures, compliance with which will satisfy the Tax Requirements applicable to the Notes.

The Tax Requirements referred to above, which must be complied with in order that interest on the Notes remains excluded from gross income for federal income tax purposes, include, but are not limited to:

- (1) The requirement that the proceeds of the Notes be used in a manner so that the Notes are not obligations which meet the definition of a "private activity bond" within the meaning of Section 141 of the Code.
- (2) The requirements contained in Section 148 of the Code relating to arbitrage bonds.
- (3) The requirements that payment of principal or interest on the Notes not be directly or indirectly guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof) as provided in Section 149(b) of the Code.

In the Tax Certificate that will be delivered in connection with the issuance of the Notes, the Village has covenanted to comply with the Tax Requirements, and to refrain from taking any action which would cause the interest on the Notes to be includable in gross income for federal income tax purposes. Any violation of the Tax Requirements may cause the interest on the Notes to be included in gross income for federal income tax purposes from the date of issuance of the Notes. Hodgson Russ LLP, Bond Counsel, expresses no opinion regarding other federal tax consequences arising with respect to the Notes.

The interest on the Notes is subject to, among others, the following provisions contained in the Code:

- (1) Interest on the Notes is not an "item of tax preference" for purposes of the individual and corporate alternative minimum taxes imposed by the Code. However, interest on the Notes is includable in the "adjusted current earnings" of any corporate owner of the Notes and 75% of the interest on the Notes is thus includable in the tax base for computing a corporation's liability with respect to the 20% alternative minimum tax imposed on corporations by the Code.
- (2) If the Notes are held by certain foreign corporations doing business in the United States, the interest on the Notes will be included in "effectively connected earnings and profits" for purposes of computing a branch profits tax of up to 30%.
- (3) A property casualty insurance company's deduction for the losses incurred will be reduced by 15% of the income received from tax-exempt obligations.
- (4) The United States Treasury Department has promulgated regulations which might have the effect of imposing a

tax at ordinary income rates with respect to interest on the Notes owned by "S Corporations" in certain cases.

- (5) In addition, the Notes will constitute "qualified tax-exempt obligations" within the meaning of the Code, and if the Notes are held by a financial institution, a portion of the interest expense allocable to the Notes will be deductible for federal income tax purposes.

Under the Code, the benefits of the exclusion of the interest on the Notes from gross income for federal income tax purposes may be diminished by operation of certain provisions of the Code which affect recipients of Social Security and railroad retirement benefits.

Amendments to Code could reduce or eliminate the favorable tax treatment granted to municipal debt, including the Notes and other debt issued by the Village. Any such future legislation could have an adverse effect on the market value of the Notes.

Each purchaser of the Notes should consult his or her tax advisor regarding the impact of the foregoing and other provisions of the Code on his or her individual tax position.

DOCUMENTS ACCOMPANYING DELIVERY OF THE NOTES

Absence of Litigation

Upon delivery of the Notes, the Village will furnish a certificate, dated the date of delivery of the Notes, to the effect that there is no controversy or litigation of any nature pending or threatened to restrain or enjoin the issuance, sale, execution, or delivery of the Notes, or in any way contesting or affecting the validity of the Notes or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Notes. An additional certificate will state that there is no controversy or litigation of any nature now pending or threatened by or against the Village wherein an adverse judgment or ruling could have a material adverse impact on the financial condition of the Village or adversely affect the power of the Village to levy, collect, and enforce the collection of taxes or other revenues for the payment of the Notes, which has not been disclosed in this Official Statement.

Legal Matters

The legality of the authorization and issuance of the Notes will be covered by the legal opinion of Hodgson Russ LLP, Bond Counsel, of Buffalo, New York. Such legal opinion will state that in the opinion of Bond Counsel (i) the Notes have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the Village, are payable as to principal and interest from *ad valorem* taxes levied upon all the taxable real property within the Village, without limitation as to rate or amount (subject to certain statutory limitations imposed by the Tax Levy Limit Law); provided, however, that the enforceability (but not the validity) of the Notes may be limited or otherwise affected by (a) any applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or similar statute, rule, regulation or other law affecting the enforcement of creditors' rights and remedies heretofore or hereafter enacted or (b) by the unavailability of equitable remedies or the application thereto of equitable principles, (ii) assuming that the Village complies with certain requirements of the Code, interest on the Notes (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and (iii) assuming that the Village complies with certain requirements of the Code, interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof, including the City of New York. Bond Counsel will express no opinion regarding other federal income tax consequences arising with respect to the Notes.

Such legal opinion also will state that (i) in rendering the opinions expressed therein, Bond Counsel has assumed, without inquiry or other investigation, (a) the legal capacity of each natural person, (b) the full power and authority of each person other than the Village to execute and deliver certain documents and to perform certain acts, (c) no modification of any provision of any document, no waiver of any right or remedy and no exercise of any right or remedy other than in a commercially reasonable and conscionable manner and in good faith, (d) the genuineness of each signature, the completeness of each document submitted to Bond Counsel, the authenticity of each document submitted

to Bond Counsel as an original, the conformity to the original of each document submitted to Bond Counsel as a copy and the authenticity of the original of each document submitted to Bond Counsel as a copy, (e) the accuracy on the date of this letter of certain reviewed documents, (f) the truthfulness of each statement as to any factual matter contained in such reviewed documents, and (g) the due and timely filing of certain filed documents; (ii) the scope of Bond Counsel's engagement in relation to the issuance of the Notes has extended solely to rendering the opinions expressed therein, (iii) the opinions expressed therein are not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the Village, together with other legally available sources of revenue, if any, will be sufficient to enable the Village to pay the principal of and interest on the Notes as the same respectively become due and payable, and (iv) no opinion is expressed by Bond Counsel as to whether the Village, in connection with the sale of the Notes, has made any untrue statement of a material fact, or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

DISCLOSURE UNDERTAKING

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

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

(n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

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

The Village reserves the right to terminate its obligation to provide the aforescribed notices of material events, as set forth above, if and when the Village no longer remains an obligated person with respect to the Notes within the meaning of the Rule.

The Village acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the holders of the Notes (including holders of beneficial interests in the Notes). The right of holders of the Notes to enforce the provisions of the undertaking will be limited to a right to obtain specific enforcement of the Village's obligations under its material event notices undertaking and any failure by the Village to comply with the provisions of the undertaking will neither be a default with respect to the Notes nor entitle any holder of the Notes to recover monetary damages.

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

Annual information and notices of material events can be obtained from the Village Treasurer, Municipal Building, 172 Central Avenue, Silver Creek, New York 14136, telephone: 716-934-3240.

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

The Village is in compliance with all prior undertakings pursuant to the Rule.

RATING

The Village has not applied for a rating on the Notes.

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 Village of Silver Creek, Municipal Building, 172 Central Avenue, Silver Creek, New York 14136, telephone: 716-934-3240 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: 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 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.

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 SILVER CREEK

September 26, 2011
Silver Creek, New York

By: s/s Janet St. George
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 Changes in Fund Balance
General Fund - Village of Silver Creek**

	Fiscal Year Ending May 31:				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues:					
Real Property Taxes	\$1,039,298	\$1,154,400	\$1,393,136	\$1,245,394	\$1,247,429
Real Property Tax Items	13,424	4,730	17,707	15,112	14,333
Non-Property Tax Items	365,892	345,863	340,238	331,204	328,321
Departmental Income	55,152	62,475	57,863	75,961	73,707
Intergovernmental Charges	24,284	92,111	72,637	62,747	85,794
Use of Money & Property	1,030	1,938	2,860	3,565	2,194
Licenses & Permits	520	387	415	430	414
Fine and Forfeitures	44,063	45,120	38,374	70,268	67,704
Sale of Property & Comp. For Loss	30,099	8,998	6,555	12,867	3,607
Miscellaneous	4,839	10,894	55,236	20,300	10,017
Interfund Revenues	95,000	0	0	0	0
State Aid	82,289	201,177	81,854	193,735	132,675
Federal Aid	0	6,854	0	0	2,275
Interfund Transfers	0	10,000	0	0	0
Proceeds of Obligations	182,608	0	0	0	0
Total Revenues	<u>\$1,938,498</u>	<u>\$1,944,947</u>	<u>\$2,066,875</u>	<u>\$2,031,583</u>	<u>\$1,968,470</u>
Expenditures:					
General Government Support	\$308,710	\$274,249	\$291,766	\$307,708	\$327,431
Public Safety	405,899	437,812	489,038	429,574	469,340
Health	4,451	(2,487)	1,041	959	1,000
Transportation	480,566	407,931	423,288	431,490	448,666
Culture & Recreation	41,935	28,356	32,541	19,725	26,426
Home and Community Service	90,454	206,397	106,311	131,585	128,991
Employee Benefits	476,860	291,110	259,600	281,842	372,549
Debt Service	94,527	83,029	75,919	72,558	83,593
Operating Transfers	23,100	0	34,505	159,160	0
Total Expenditures	<u>\$1,926,502</u>	<u>\$1,726,397</u>	<u>\$1,714,009</u>	<u>\$1,834,601</u>	<u>\$1,857,996</u>
Fund Balance Beginning of Year	\$141,178	\$153,174	\$403,539	\$756,405	\$953,387
Prior Year Adjustments	0	31,815	0	0	0
Restated Fund Equity	141,178	184,989	403,539	756,405	953,387
ADD- Revenues & Other Sources	1,938,498	1,944,947	2,066,875	2,031,583	1,968,470
DEDUCT - Expend. & Other Uses	<u>1,926,502</u>	<u>1,726,397</u>	<u>1,714,009</u>	<u>1,834,601</u>	<u>1,857,996</u>
Fund Balance End of Year	<u>\$153,174</u>	<u>\$403,539</u>	<u>\$756,405</u>	<u>\$953,387</u>	<u>\$1,063,861</u>

Source: Annual Financial Reports of the Village, as submitted to the New York State Comptroller's Office.

Note: This table NOT audited

Statement of Revenues, Expenditures and Changes in Fund Balance
Water Fund - Village of Silver Creek

	Fiscal Year Ending May 31:				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues:					
Departmental Income	\$647,048	\$691,169	\$701,629	\$678,670	\$695,688
Use of Money & Property	1,007	760	1,531	990	894
Sale of Property & Comp. For Loss	0	30,242	0	1,114	364
Miscellaneous	3,484	310	108	610	257
State Aid	0	0	0	20,549	0
Total Revenues	<u>\$651,539</u>	<u>\$722,481</u>	<u>\$703,268</u>	<u>\$701,933</u>	<u>\$697,203</u>
Expenditures:					
General Governmental Support	\$18,660	\$19,044	\$19,294	\$19,285	\$19,118
Home and Community Service	323,654	340,095	345,111	342,382	320,841
Employee Benefits	34,570	31,704	24,983	35,075	32,962
Debt Service	233,654	259,610	249,408	252,420	246,148
Interfund Transfers	0	5,000	0	0	0
Total Expenditures	<u>\$610,538</u>	<u>\$655,453</u>	<u>\$638,796</u>	<u>\$649,162</u>	<u>\$619,069</u>
Fund Balance Beginning of Year	(\$146,833)	(\$105,832)	\$53,048	\$117,520	\$170,291
Prior Year Adjustments	0	91,852	0	0	0
Restated Fund Equity	(146,833)	(13,980)	53,048	117,520	170,291
ADD- Revenues & Other Sources	651,539	722,481	703,268	701,933	697,203
DEDUCT - Expend. & Other Uses	610,538	655,453	638,796	649,162	619,069
Fund Balance End of Year	<u>(\$105,832)</u>	<u>\$53,048</u>	<u>\$117,520</u>	<u>\$170,291</u>	<u>\$248,425</u>

Source: Annual Financial Reports of the Village, as submitted to the New York State Comptroller's Office.

Note: This table NOT audited

**Statement of Revenues, Expenditures and Changes in Fund Balance
Sewer Fund - Village of Silver Creek**

	Fiscal Year Ending May 31:				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues:					
Departmental Income	\$296,915	\$303,071	\$306,960	\$306,966	\$310,407
Sale of Property & Comp. For Loss	0	5,341	252	227	123
Total Revenues	<u>\$296,915</u>	<u>\$308,412</u>	<u>\$307,212</u>	<u>\$307,193</u>	<u>\$310,530</u>
Expenditures:					
General Government Support	\$8,800	\$8,800	\$8,800	\$8,800	\$9,093
Home and Community Service	214,395	173,787	219,955	215,450	201,919
Employee Benefits	34,834	26,375	22,056	31,067	41,159
Debt Service	52,500	9,858	9,858	9,858	0
Interfund Transfers	0	5,000	0	0	0
Total Expenditures	<u>\$310,529</u>	<u>\$223,820</u>	<u>\$260,669</u>	<u>\$265,175</u>	<u>\$252,171</u>
Fund Balance Beginning of Year	\$3,316	(\$10,298)	\$74,294	\$120,837	\$162,855
Prior Year Adjustments	0	0	0	0	0
Restated Fund Equity	3,316	(10,298)	74,294	120,837	162,855
ADD- Revenues & Other Sources	296,915	308,412	307,212	307,193	310,530
DEDUCT - Expend. & Other Uses	<u>310,529</u>	<u>223,820</u>	<u>260,669</u>	<u>265,175</u>	<u>252,171</u>
Fund Balance End of Year	<u>(\$10,298)</u>	<u>\$74,294</u>	<u>\$120,837</u>	<u>\$162,855</u>	<u>\$221,214</u>

Source: Annual Financial Reports of the Village, as submitted to the New York State Comptroller's Office.

Note: This table NOT audited

Balance Sheet
Combined Funds - Village of Silver Creek
Fiscal Year Ending May 31, 2010

	<u>General</u>	<u>Water</u>	<u>Sewer</u>
Assets:			
Cash	\$1,175,549	\$30,118	\$52,117
Other Receivables (net)	52,428	108,570	48,733
State and Federal Aid Receivables	2,275	0	0
Due From Other Funds	94,086	76,783	98,256
Due From Other Governments	0	74,726	40,097
Prepaid Expenses	9,646	0	10,449
Restricted Assets	127,659	82,475	10,000
Total Assets	<u>\$1,461,643</u>	<u>\$372,672</u>	<u>\$259,652</u>
Liabilities:			
Accounts Payable	\$104,655	\$38,255	\$20,326
Accrued Liabilities	57,347	4,462	6,269
Due to Other Funds	235,698	81,530	11,844
Total Liabilities	<u>\$397,700</u>	<u>\$124,247</u>	<u>\$38,439</u>
Fund Equity:			
Special Reserves	\$127,659	\$82,475	\$10,000
Unreserved:			
Fund Balance Appropriated	112,310	0	0
Fund Balance Unappropriated	823,974	165,950	211,213
Total Fund Equity	<u>\$1,063,943</u>	<u>\$248,425</u>	<u>\$221,213</u>
Total Liabilities and Fund Equity	<u><u>\$1,461,643</u></u>	<u><u>\$372,672</u></u>	<u><u>\$259,652</u></u>

Source: Annual Financial Report of the Village, as submitted to the New York State Comptroller's Office

Note: This table NOT audited

Budget Summaries
Combined Funds - Village of Silver Creek
Fiscal Year Ending May 31, 2011

	<u>General</u>	<u>Water</u>	<u>Sewer</u>
Revenues:			
Real Property Taxes	\$1,259,174	\$0	\$0
Real Property Tax Items	6,000	0	0
Non-Property Tax	332,000	0	0
Departmental Income	98,433	735,562	354,619
Intergovernmental Charges	52,114	0	0
Use of Money & Property	3,000	0	0
Licenses & Permits	300	0	0
Fines and Forfeitures	62,000	0	0
Sale of Prop & Comp for Loss	800	0	0
State Aid	80,000	0	0
Interfund Revenues	10,000	0	0
Appropriated Fund Balance	112,310	0	0
Total Revenues:	<u>\$2,016,131</u>	<u>\$735,562</u>	<u>\$354,619</u>
Expenditures:			
General Government Support	\$382,236	\$19,500	\$8,800
Public Safety	489,550	0	0
Transportation	470,437	0	0
Culture and Recreation	28,150	0	0
Home and Community Service	157,052	424,434	274,776
Employee Benefits	398,280	46,204	61,043
Debt Service	48,151	236,931	0
Interfund Transfers	42,275	8,493	10,000
Total Expenditures:	<u>\$2,016,131</u>	<u>\$735,562</u>	<u>\$354,619</u>

Source: Adopted Budgets of the Village

Note: This table NOT audited

Budget Summaries
Combined Funds - Village of Silver Creek
Fiscal Year Ending May 31, 2012

	<u>General</u>	<u>Water</u>	<u>Sewer</u>
Revenues:			
Real Property Taxes	\$1,239,559	\$0	\$0
Real Property Tax Items	6,000	0	0
Non-Property Tax	275,000	0	0
Departmental Income	62,750	757,004	368,388
Intergovernmental Charges	150,833	0	0
Use of Money & Property	3,000	0	0
Licenses & Permits	300	0	0
Fines and Forfeitures	62,000	0	0
Sale of Prop & Comp for Loss	800	0	0
State Aid	84,500	0	0
Interfund Revenues	10,000	0	0
Appropriated Fund Balance	206,000	0	0
Total Revenues:	<u>\$2,100,742</u>	<u>\$757,004</u>	<u>\$368,388</u>
Expenditures:			
General Government Support	\$397,886	\$19,500	\$8,800
Public Safety	493,560	0	0
Transportation	473,550	0	0
Culture and Recreation	22,350	0	0
Home and Community Service	159,102	452,837	288002
Employee Benefits	482,800	46,603	61586
Debt Service	31,494	228,064	0
Interfund Transfers	40,000	0	10,000
Total Expenditures:	<u>\$2,100,742</u>	<u>\$747,004</u>	<u>\$368,388</u>

Source: Adopted Budgets of the Village

Note: This table NOT audited