

FINAL OFFICIAL STATEMENT DATED DECEMBER 20, 2011

SERIAL BONDS AND BOND ANTICIPATION NOTES

STANDARD & POOR'S
BOND RATING: "BBB+/Stable"
INSURED: "AA-/Stable Outlook"

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

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

VILLAGE OF SOLVAY ONONDAGA COUNTY, NEW YORK (the "Village")

\$1,486,450

PUBLIC IMPROVEMENT (SERIAL) BONDS, 2012

(Book-Entry Only)

(the "Bonds")

(Designated/Bank Qualified)

Dated: January 10, 2012

**Principal Due: February 1, 2012/2032, inclusive
Interest Due February 1, 2012, August 1, 2012, and
semi-annually thereafter on February 1 and August 1**

BOND MATURITY SCHEDULE

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2012	\$56,450	3.500%	.500%	834426GC6	2022	\$75,000	3.500%	3.000%	834426GN2
2013	55,000	3.500%	.750%	834426GD4	2023	75,000	3.500%	3.200%	834426GP7
2014	55,000	3.500%	1.000%	834426GE2	2024	80,000	3.625%	3.350%	834426GQ5
2015	55,000	3.500%	1.500%	834426GF9	2025	80,000	3.750%	3.500%	834426GR3
2016	55,000	3.500%	1.750%	834426GG7	2026	80,000	4.000%	3.600%	834426GS1
2017	60,000	3.500%	2.000%	834426GH5	2027	80,000	4.000%	3.750%	834426GT9
2018	65,000	3.500%	2.200%	834426GJ1	2028	80,000	4.000%	3.900%	834426GU6
2019	70,000	3.500%	2.400%	834426GK8	2029	80,000	4.000%	4.000%	834426GV4
2020	70,000	3.500%	2.600%	834426GL6	2030	80,000	4.000%	4.100%	834426GW2
2021	75,000	3.500%	2.800%	834426GM4	2031	80,000	4.125%	4.200%	834426GX0
					2032	80,000	4.250%	4.250%	834426GY8

ROOSEVELT & CROSS INC. AND ASSOICATES

Prior Redemption: The Bonds maturing on or before February 1, 2019 will not be subject to redemption, in whole or in part, prior to maturity. The Bonds maturing on or after February 1, 2020 will be subject to redemption prior to maturity, at the option of the Village, on February 1, 2019 or on any date thereafter, in whole or in part, and if in part, in any order of their maturity and in any amount within a maturity (selected by lot within a maturity), at par (100%) plus accrued interest to the date of redemption, as described herein under the heading "Optional Redemption - Bonds."

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY MUNICIPAL CORP.**



Form and Denomination: The Bonds will be issued as registered bonds, and, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, ("DTC") New York, New York, which will act as securities depository for the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of \$5,000 or integral multiples thereof, except for one necessary Bond of an odd denomination maturing February 1, 2012, such that one bond certificate will be issued for each maturity of Bonds. Bondholders will not receive certificates representing their ownership interest in the Bonds purchased. See "Book-Entry-Only System" herein.

Payment: Payment of the principal of and interest on the Bonds to the Beneficial Owners of the Bonds will be made by DTC Participants and Indirect Participants in accordance with standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name". Payment will be the responsibility of the DTC Participant or Indirect Participant and not of DTC or the Village, subject to any statutory and regulatory requirements as may be in effect from time to time. See "Book-Entry-Only System", herein.

The Bonds bear interest from January 10, 2012, with interest thereon payable on February 1, 2012, August 1, 2012 and semi-annually thereafter on February 1 and August 1 in each year until maturity (or prior redemption). The Bonds mature on February 1 in each year commencing February 1, 2012.

The record date for the Bonds is the fifteenth day of the calendar month preceding an interest payment date.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "Appendix E - Bond Insurance" and "Appendix F - Specimen Municipal Bond Insurance Policy".

\$4,070,000

BOND ANTICIPATION NOTES, 2012 (RENEWALS)

(the "Notes")

(Designated/Bank Qualified)

Dated: February 9, 2012

Maturity Date: February 7, 2013

Prior Redemption: The Notes are NOT subject to redemption, in whole or in part, prior to maturity. The Notes may be issued in denominations of \$5,000 each or multiples thereof as may be determined by the purchaser(s), as stated below.

Form and Denomination: The Notes will be issued in registered form as either book-entry only Notes or registered certificated Notes.

If the Notes will be issued in book-entry form, the Notes will be registered in the name of Cede & Co. as nominee of The Depository Trust Company (DTC), New York, New York, which will act as the securities depository for the Notes. Noteholders will not receive certificates representing their ownership interest in the Notes purchased. Payment of the principal of and interest on the Notes to the Beneficial Owner of the Notes will be made by DTC Participants and Indirect Participants in accordance with standing instructions and customary practices. Payment will be the responsibility of DTC, subject to any statutory and regulatory requirements as may be in effect from time to time. See "Book-Entry-Only System" herein.

If the Notes are registered in the name of the 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 on the Notes will be payable at maturity in Federal Funds.

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

The Bonds and the Notes are general obligations of the Village and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Bonds and the Notes. All the taxable real property within the Village is

subject to the levy of *ad valorem* taxes to pay the Bonds and the Notes and interest thereon, subject to applicable statutory limitations. See “Tax Levy Limitation Law” herein.

The Bonds and the Notes are offered when, as and if issued and received by the respective purchasers thereof and subject to the receipt of the respective legal opinions as to the validity of the Bonds and the Notes of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, of New York, New York, and certain other conditions. The Bonds will be available for delivery through the facilities of DTC in New York, New York on or about January 10, 2012. It is anticipated that the Notes will be available for delivery through the facilities of DTC (or such other place as may be agreed upon with the purchaser(s)) on or about February 9, 2012.

THE REVISED COVER SUPPLEMENTS THE OFFICIAL STATEMENT OF THE VILLAGE DATED DECEMBER 9, 2011 RELATING TO THE OBLIGATIONS THEREOF DESCRIBED THEREIN AND HEREIN BY INCLUDING CERTAIN INFORMATION OMITTED FROM SUCH OFFICIAL STATEMENT IN ACCORDANCE WITH THE SECURITIES AND EXCHANGE COMMISSION RULE 15C2-12 (“THE RULE”). OTHER THAN AS SET FORTH ON THIS REVISED COVER PAGE, THE ADDITION OF THE “RATING” AS APPENDIX D, THE “BOND INSURANCE” AS APPENDIX E AND “SPECIMEN MUNICIPAL BOND INSURANCE POLICY” AS APPENDIX F, THERE HAVE BEEN NO REVISIONS TO SAID OFFICIAL STATEMENT.

OFFICIAL STATEMENT DATED DECEMBER 9, 2011

SERIAL BONDS AND BOND ANTICIPATION NOTES

STANDARD & POOR'S:
APPLIED FOR

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

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

VILLAGE OF SOLVAY ONONDAGA COUNTY, NEW YORK (the "Village")

\$1,486,450

PUBLIC IMPROVEMENT (SERIAL) BONDS, 2012 (Book-Entry Only) (the "Bonds") (Designated/Bank Qualified)

Dated: January 10, 2012

**Principal Due: February 1, 2012/2032, inclusive
Interest Due February 1, 2012, August 1, 2012, and
semi-annually thereafter on February 1 and August 1**

BOND MATURITY SCHEDULE

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2012	\$56,450				2022	\$75,000			
2013	55,000				2023	75,000			
2014	55,000				2024	80,000			
2015	55,000				2025	80,000			
2016	55,000				2026	80,000			
2017	60,000				2027	80,000			
2018	65,000				2028	80,000			
2019	70,000				2029	80,000			
2020	70,000				2030	80,000			
2021	75,000				2031	80,000			
					2032	80,000			

Prior Redemption: The Bonds maturing on or before February 1, 2019 will not be subject to redemption, in whole or in part, prior to maturity. The Bonds maturing on or after February 1, 2020 will be subject to redemption prior to maturity, at the option of the Village, on February 1, 2019 or on any date thereafter, in whole or in part, and if in part, in any order of their maturity and in any amount within a maturity (selected by lot within a maturity), at par (100%) plus accrued interest to the date of redemption, as described herein under the heading "Optional Redemption - Bonds."

Form and Denomination: The Bonds will be issued as registered bonds, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, ("DTC") New York, New York, which will act as securities depository for the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of \$5,000 or integral multiples thereof, except for one necessary Bond of an odd denomination maturing February 1, 2012,

such that one bond certificate will be issued for each maturity of Bonds. Bondholders will not receive certificates representing their ownership interest in the Bonds purchased. See "Book-Entry-Only System" herein.

Payment: Payment of the principal of and interest on the Bonds to the Beneficial Owners of the Bonds will be made by DTC Participants and Indirect Participants in accordance with standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name". Payment will be the responsibility of the DTC Participant or Indirect Participant and not of DTC or the Village, subject to any statutory and regulatory requirements as may be in effect from time to time. See "Book-Entry-Only System", herein.

The Bonds bear interest from January 10, 2012, with interest thereon payable on February 1, 2012, August 1, 2012 and semi-annually thereafter on February 1 and August 1 in each year until maturity (or prior redemption). The Bonds mature on February 1 in each year commencing February 1, 2012.

Proposals shall be for not less than \$1,486,450 and accrued interest, if any, on the total principal amount of the Bonds. Proposals shall be accompanied by a good faith deposit in the form of a wire transfer or a certified or cashier's check, payable to the order of the Village of Solvay, in the amount of \$7,432.

The record date for the Bonds is the fifteenth day of the calendar month preceding an interest payment date.

\$4,070,000

BOND ANTICIPATION NOTES, 2012 (RENEWALS)
(the "Notes")
(Designated/Bank Qualified)

Dated: February 9, 2012

Maturity Date: February 7, 2013

Prior Redemption: The Notes are NOT subject to redemption, in whole or in part, prior to maturity. The Notes may be issued in denominations of \$5,000 each or multiples thereof as may be determined by the purchaser(s), as stated below.

Form and Denomination: The Notes will be issued in registered form as either book-entry only Notes or registered certificated Notes.

If the Notes will be issued in book-entry form, the Notes will be registered in the name of Cede & Co. as nominee of The Depository Trust Company (DTC), New York, New York, which will act as the securities depository for the Notes. Noteholders will not receive certificates representing their ownership interest in the Notes purchased. Payment of the principal of and interest on the Notes to the Beneficial Owner of the Notes will be made by DTC Participants and Indirect Participants in accordance with standing instructions and customary practices. Payment will be the responsibility of DTC, subject to any statutory and regulatory requirements as may be in effect from time to time. See "Book-Entry-Only System" herein.

If the Notes are registered in the name of the 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 on the Notes will be payable at maturity in Federal Funds.

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

The Bonds and the Notes are general obligations of the Village and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Bonds and the Notes. All the taxable real property within the Village is subject to the levy of *ad valorem* taxes to pay the Bonds and the Notes and interest thereon, subject to applicable statutory limits. See "Tax Levy Limitation Law" herein.

The Bonds and the Notes are offered when, as and if issued and received by the respective purchaser(s) thereof and subject to the receipt of the respective legal opinions as to the validity of the Bonds and the Notes of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, of New York, New York, and certain other conditions. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in New York, New York on or about January 10, 2012. It is anticipated that the Notes will be available for delivery through the facilities of DTC (or such other place as may be agreed upon with the purchaser(s)) on or about February 9, 2012.

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 OBLIGATIONS HEREIN DESCRIBED. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDERS, AS MORE FULLY DESCRIBED IN THE OBLIGATIONS HEREIN DESCRIBED. THE VILLAGE WILL CONVEY, IN SEPARATE UNDERTAKINGS WITH THE HOLDERS OF THE BONDS AND THE NOTES, TO PROVIDE CERTAIN INFORMATION AND NOTICE OF CERTAIN DESIGNATED EVENTS (AS SPECIFIED IN THE RULE), AS REQUIRED BY THE RULE (SEE "CONTINUING DISCLOSURE UNDERTAKING FOR THE BONDS" AND "MATERIAL EVENT NOTICES FOR THE NOTES," HEREIN).

**VILLAGE OF SOLVAY
ONONDAGA COUNTY, NEW YORK**

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Daniel Bellotti
Ron Benedetti
Jamie Colucci
John Fall, Sr.
John McPeak
Thomas Tarolli

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Michael Fecco, Clerk/Treasurer
Kevin M. Gilligan, Esq., Village Attorney

* * *

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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 Bonds and 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 SOLVAY ONONDAGA COUNTY, NEW YORK (the "Village")

\$1,486,450 PUBLIC IMPROVEMENT (SERIAL) BONDS, 2012 (the "Bonds") (Book-Entry Only) (Designated/Bank Qualified)

\$4,070,000 BOND ANTICIPATION NOTES, 2012 (RENEWALS) (the "Notes") (Designated/Bank Qualified)

This Official Statement which includes the cover page and the appendices hereto, presents certain information relating to the Village of Solvay, Onondaga County, in the State of New York (the "Village", "County" and "State," respectively) in connection with the sale of the Village's \$1,486,450 Public Improvement (Serial) Bonds, 2012 (the "Bonds") and \$4,070,000 Bond Anticipation Notes, 2012 (Renewals) (the "Notes").

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

THE BONDS AND THE NOTES

The Bonds and the Notes are general obligations of the Village and will contain a pledge of its 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). All the taxable real property within the Village is subject to the levy of ad valorem taxes to pay the Bonds and the Notes and interest thereon, sufficient to pay such principal and interest as the same become due, subject to applicable statutory limitations. See "Tax Levy Limitation Law" herein.

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

Description of the Bonds

The Bonds comprise an issue in the aggregate principal amount of \$1,486,450, will be dated January 10, 2012, and will mature in annual installments beginning on February 1, 2012, as set forth in the cover page hereof. Interest on the Bonds will be payable on February 1, 2012, August 1, 2012 and semi-annually thereafter on February 1 and August 1 until maturity (or earlier redemption).

The Bonds will be issued in registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds. Purchase of the Bonds will be made in book-entry-only form in denominations of \$5,000 each or any integral multiple thereof, except for one necessary Bond of an odd denomination maturing February 1, 2012. Bondholders will not receive certificates representing their ownership interest in the Bonds purchased. Principal and interest on the Bonds will be payable when due as described in "Book-Entry-Only System" herein.

The record date of the Bonds will be the fifteenth day of the calendar month preceding each interest payment date.

Optional Redemption - Bonds

The Bonds maturing on or before February 1, 2019 will not be subject to redemption, in whole or in part, prior to maturity. The Bonds maturing on or after February 1, 2020 will be subject to redemption prior to maturity, at the option

of the Village, on February 1, 2019 or on any date thereafter, in whole or in part, and if in part, in any order of their maturity and in any amount within a maturity (selected by lot within a maturity), at par (100%) plus accrued interest to the date of redemption. Notice of the call for such redemption shall be given by mailing such notice to the registered owners thereof not more than sixty (60) days nor less than thirty (30) days prior to the designated redemption date. Notice of redemption having been given as aforesaid, the Bonds so called for redemption shall, on the date for redemption set forth in such notice of redemption, become due and payable, together with interest to such redemption date. Interest shall cease to be paid thereon after such redemption date. If less than all of the Bonds of any maturity are to be redeemed, the particular Bonds of such maturity to be redeemed shall be selected by lot in any customary manner of selection as determined by the Treasurer of the Village.

Authorization and Purpose of Issue - Bonds

The Bonds are being issued pursuant to the Constitution and Laws of the State of New York, including among others, the Village Law, the Local Finance Law, and pursuant to a bond resolution dated August 22, 2006 authorizing the issuance of \$2,250,000 serial bonds to finance the cost of the construction of additions to and reconstruction of the Village Library in and for the Village.

The proceeds of the Bonds, along with \$128,550 unspent note proceeds, will be used to redeem and retire, in full, outstanding bond anticipation notes of the Village in the aggregate amount of \$1,615,000.

Description of the Notes

The Notes are dated February 9, 2012 and will bear interest from that date until maturity on February 7, 2013 at the annual rate specified by the purchaser(s). Interest on the Notes shall be payable at maturity.

The Notes will be issued in either: (i) registered non-book entry form only (registered certificated), in denominations of \$5,000 each or multiples thereof as may be determined by the successful bidder(s) with principal and interest payable at the office of the Village Clerk in Solvay, New York or (ii) in book-entry form, and, if so issued, registered in the name of Cede & Co. as nominee for The Depository Trust Company ("DTC"), New York, New York which will act as securities depository for the Notes. See "Book-Entry Only System" herein. A single note will be issued for all Notes bearing the same rate of interest and CUSIP number. 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.

Optional Redemption - Notes

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

Authorization and Purpose of Issue - Notes

The Notes are being issued pursuant to the Constitution and Laws of the State of New York, including among others, the Village Law, the Local Finance Law, and pursuant to a bond resolution dated December 15, 2009 authorizing the issuance of \$4,200,000 serial bonds to finance the cost of the construction of improvements to the Electrical Distribution System of the Village.

The proceeds of the Notes, along with \$65,000 available funds of the Village, will be used to redeem and renew, in part, outstanding bond anticipation notes of the Village in the aggregate amount of \$4,135,000.

Book-Entry-Only System

The following is relevant to the Bonds (and to the Notes if the Notes are to be issued in book-entry form). The Depository Trust Company ("DTC") will act as securities depository for the Bonds and the Notes. The Bonds and the Notes will be issued as fully-registered Bonds and the 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 bond or certificate will be issued for each maturity of the Bonds. One fully-registered Note certificate will be issued for each Note 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"). 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 Bonds or the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds or the Notes on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds or 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 Bonds or the Notes, except in the event that use of the book-entry system for the Bonds or the Notes is discontinued.

To facilitate subsequent transfers, all Bonds and the 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 Bonds and the Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds and the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds and the 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 the Bonds and the Notes may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds and the Notes, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the Bonds and the Notes may wish to ascertain that the nominee holding the Bonds and the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners or, 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 Bonds and 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 or Agent on payable date in accordance with their respective holdings shown on DTC's records.

Payments on the Bonds and the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Village, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing

instructions and customary practices, as is the case with bonds and 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 or the Village, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of the Village, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds and/or the Notes at any time by giving reasonable notice to Village. Under such circumstances, in the event that a successor depository is not obtained, bond and 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, bond and 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 Village believes to be reliable, but the Village takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company, New York

THE VILLAGE CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS AND/OR THE NOTES (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS AND/OR THE NOTES (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE BONDS AND/OR THE NOTES, OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE BONDS AND/OR 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 BONDS AND/OR 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 BONDS AND/OR 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 Bonds in Certain Circumstances

If DTC is initially utilized, DTC may discontinue providing its services with respect to the Bonds at any time by giving notice to the Village and discharging its responsibilities with respect thereto under applicable law, or the Village may terminate its participation in the system of book-entry-only system transfers through DTC at any time. In the event that such book-entry-only system is discontinued and has been utilized by the purchaser(s), the following provisions will apply: the Bonds will be issued in bearer form in denominations of \$5,000 each or any integral multiple thereof. Principal of and interest on the Bonds when due will be payable at the principal corporate trust office of a bank or trust company located and authorized to do business and to act as a fiscal agent in the State of New York to be named by the Village. In all other respects, the terms of the Notes will remain the same.

Certificated Notes in Certain Circumstances

If DTC is initially utilized, DTC may discontinue providing its services with respect to the Notes at any time by giving notice to the Village and discharging its responsibilities with respect thereto under applicable law, or the Village may terminate its participation in the system of book-entry-only system transfers through DTC at any time. In the event that such book-entry-only system is discontinued and has been utilized by the purchaser(s), the following provisions will apply: the Notes will be issued in bearer form in denominations of \$5,000 each or any integral multiple thereof, as may be designated by the purchaser(s). Principal of and interest on the Notes when due will be payable at the principal corporate

trust office of a bank or trust company located and authorized to do business and to act as a fiscal agent in the State of New York to be named by the Village. In all other respects, the terms of the Notes will remain the same.

Security and Source of Payment

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

The Bonds and the Notes will be general obligations of the Village and will contain a pledge of the faith and credit of the Village for the payment of the principal thereof and the interest thereon. For the payment of such principal and interest, the Village has the power and statutory authorization to levy *ad valorem* taxes on all taxable real property in the Village subject to applicable statutory limitations (see "Tax Levy Limitation 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 Bonds and the Notes and the State is specifically precluded from restricting the power of the Village to levy taxes on real estate therefore for debt contracted prior to the effective date of any State legislation limiting the real property tax levy.

Remedies of Bondholders and Noteholders on Default

Upon default in payment in full of the principal of or interest on the Bonds or the Notes, a holder of such defaulted Bond or 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 Bonds and 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 Bonds and the Notes at the suit of any holder of the Bonds and 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 Bonds and the Notes in the event of a default in the payment of the principal of or interest on the Bonds and 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.

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

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

The constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

No principal or interest payment on Village indebtedness is 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 was incorporated in 1895. The Village, with a population of 6,584 (2010 Census), is located in the Town of Geddes and is immediately adjacent to the western boundary of the City of Syracuse. Available transportation in the area includes air, bus, rail, and major commercial carriers.

The Village encompasses approximately 1.75 square miles of land area and is primarily an urban community with a majority of the residents employed in blue collar positions. The Village is served by several financial institutions and the Solvay Central School District is located in the Village.

The Village has a sanitary sewer system and water is provided by the Onondaga County Water Authority. Electric is provided by the Village of Solvay and gas service is provided by National Grid.

The Village maintains its own police department. In addition, the Town of Geddes Police Department, the Onondaga County Sheriff's Department and the New York State Police supplement Village forces. The Solvay Volunteer Fire Department Inc. provides fire protection through the Geddes Fire Protection District.

Educational opportunities in the area include Syracuse University, LeMoyne College, Onondaga Community College and SUNY College of Environmental Science and Forestry.

Source: Village Officials

Other Information

The statutory authority for the power to spend money for the object or purpose, or to accomplish the object or purpose, for which the Bonds and the Notes are to be issued is the New York State General Municipal Law, Village Law and the Local Finance Law.

The Village is in compliance with the procedure for the validation of the Bonds and the Notes provided in Title 6 of Article 2 of the Local Finance Law.

No principal or interest upon any obligation of the Village is past due.

The fiscal year of the Village is from June 1 to May 31.

This Official Statement does not include the financial data of any other political subdivisions of the State having power to levy taxes within the Village.

Governmental Organization

One independently governed school district is located entirely within the Village which relies on its own taxing powers granted by the State to raise revenues. The Village uses the Town's assessment rolls 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 to the Village. Under such laws, there is no authority for the Village to have a charter but pursuant to the Village Law and other laws generally applicable to home rule, the Village may from time to time adopt local laws.

The legislative power of the Village is vested in the Board of Trustees, which consists of seven members, including the Mayor, who is the chief executive officer of the Village, elected for a term of four years. The six other members of the Village Board are also elected to four-year terms. The Mayor is a member of the Board of Trustees, which is the governing body and the terms of the trustees are staggered so that three trustees run for election every other year. All the Board members are elected at large and there is no limitation to the number of terms each may serve. The Village Clerk-Treasurer is appointed to a four year term.

Source: Village Officials

Employees

The Village provides services through approximately 66 full-time and 47 year-round part-time employees. Some of the employees of the Village are represented by the following labor organizations:

<u>Union</u>	<u>No. of Employees</u>	<u>Contract Expiration Date</u>
Police Benevolent	12	May 31, 2011*
Local 815 and NY Council # 66	35	December 31, 2012

Source: Village Officials

Note: * Currently under negotiations

DEMOGRAPHIC AND STATISTICAL INFORMATION

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

Population

<u>Year</u>	<u>Village of Solvay</u>	<u>Onondaga County</u>	<u>New York State</u>	<u>United States</u>
1990	6,717	468,973	17,990,455	249,632,692
2000	6,845	458,336	18,976,457	281,421,906
2010	6,584	467,026	19,541,453	307,006,550

Source: US Census Bureau

Median Household Income

<u>Year</u>	<u>Village of Solvay</u>	<u>Onondaga County</u>	<u>New York State</u>	<u>United States</u>
1990	\$25,757	\$31,783	\$32,965	\$30,056
2000	34,084	40,847	43,393	41,994

Source: US Census Bureau

Per Capita Income

<u>Year</u>	<u>Village of Solvay</u>	<u>Onondaga County</u>	<u>New York State</u>	<u>United States</u>
1990	\$12,920	\$14,703	\$16,501	\$14,420
2000	23,389	21,336	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 Onondaga. 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>Onondaga County</u>	<u>New York State</u>	<u>United States</u>
2006	4.4%	4.6%	4.6%
2007	4.1	4.5	4.6
2008	5.2	5.3	5.8
2009	7.8	8.4	9.3
2010	8.0	8.6	9.6

Unemployment Rate Statistics - Continued

<u>2011 Monthly Rates:</u>	<u>Onondaga County</u>	<u>New York State</u>	<u>United States</u>
January	8.2%	8.9%	9.8%
February	8.0	8.7	9.5
March	7.4	8.0	9.2
April	7.0	7.6	8.7
May	7.2	7.8	8.7
June	7.6	8.0	9.3
July	7.5	8.0	9.3
August	7.2	7.7	9.1
September	7.4	7.8	8.8
October	7.0	7.7	8.5

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>
Solvay School District	Education	363
Rock Tenn	Manufacturing	245
Berry Plastics	Manufacturing	147
Solvay Bank	Banking	145
Frazer & Jones	Manufacturing	130
Pass & Seymour	Manufacturing	120

Source: Village Officials

INDEBTEDNESS OF THE VILLAGE

Constitutional Requirements

The New York State Constitution and the 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 Bonds 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; unless substantially level or declining annual debt service is authorized by the Village Board and utilized, no installment may be more than fifty percent in excess of the smaller prior installment. The Village is required to provide an annual appropriation for the payment of interest due during the year on its

indebtedness and for the amounts required in such year for amortization of its serial bonds and such required annual installments on its notes.

Statutory Procedure

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

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

The Local Finance Law also provides that 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) Such obligations are authorized for a purpose for which the Village is not authorized to expend money, or
- (2) There has not been substantial compliance with the provisions of law which should have been complied with in the authorization of such obligations and an action contesting such validity is commenced within twenty days after the date of such publication, or
- (3) Such obligations are authorized in violation of the provisions of the Constitution.

Except on rare occasions, the Village complies with this estoppel procedure. It is a procedure that is recommended by Bond Counsel, but it is not an absolute legal requirement. The Village has complied with the estoppel procedure with respect to the Bonds and the Notes.

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

Statutory law in New York permits bond anticipation notes to be renewed each year provided annual principal installments are made in reduction of the total amount of such notes outstanding, commencing no later than two years from the date of the first issuance of such notes and provided, generally, that such renewals do not exceed 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" herein, and the "Details of Short-Term Indebtedness Outstanding" herein.)

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

Debt Limit

The Village has the power to contract indebtedness for any Village purpose so long as the principal amount thereof shall not exceed seven per centum of the average full valuation of the taxable real estate of the Village and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional method for determining full valuation is by taking the assessed valuation of taxable real estate as shown upon the latest completed assessment roll and dividing the same by the equalization rate as determined by the 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.

Details of Short-Term Indebtedness Outstanding

<u>Type</u>	<u>Maturity</u>	<u>Purpose</u>	<u>Amount</u>
Bond Anticipation Note	2/9/2012	Electrical distribution system improvements	\$4,135,000 ¹
Bond Anticipation Note	2/9/2012	Library Reconstruction	\$1,615,000 ²
Bond Anticipation Note	6/16/2012	Highway Garage Phase II	400,000
Bond Anticipation Note	8/12/2012	Highway Vac Truck	21,667
Bond Anticipation Note	8/22/2012	Police Vehicle	18,000
Bond Anticipation Note	11/18/2012	Highway Garage Phase I	490,000
Total			<u><u>\$6,679,667</u></u>

Source: Village Officials and Note Records

Note: ¹ To be redeemed and renewed, in part, with proceeds of the Notes and \$65,000 of available funds of the Village.

² To be redeemed and retired, in full, with proceeds of the Bonds and \$128,550 of unspent note proceeds.

Revenue and Tax Anticipation Notes

The Village has not found it necessary to borrow in anticipation of taxes and revenues according to Village records for at least the past five years and does not intend to in the near foreseeable future.

Status of Outstanding Bond Issues

Year of Issue:	2000		2001	
Amount Issued	\$1,750,000		\$525,000	
Last Maturity:	10/1/2018		10/1/2018	
Interest Rate/Instrument:	7.625% - SB		Various - SB	
Purpose:	Electric Substation		Electric System	
Balance Principal 05-31-11:	\$490,000		\$75,000	
Fiscal Year				
<u>Ending May 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$110,000 *	\$33,930	\$20,000 *	\$3,265
2013	110,000	25,350	15,000	2,415
2014	110,000	16,770	15,000	1,665
2015	90,000	8,970	5,000	1,165
2016	50,000	3,510	5,000	912
2017	10,000	1,170	5,000	655
2018	5,000	585	5,000	393
2019	5,000	195	5,000	131
Totals:	<u>\$490,000</u>	<u>\$90,480</u>	<u>\$75,000</u>	<u>\$10,601</u>

Note: Principal payments made prior to Debt Statement dated November 28, 2011.

Status of Outstanding Bond Issues

Year of Issue:	2005	2005		
Amount Issued:	\$500,000	\$500,000		
Last Maturity:	2/15/2015	10/5/2015		
Interest Rate/Instrument:	4.50% - SB	4.50% SB		
Purpose:	Sidewalks - Phase I	Sidewalks - Phase II		
Balance Principal 05-31-11:	\$226,695	\$250,000		
Fiscal Year				
<u>Ending May 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$52,989	\$10,201	\$50,000 *	\$11,250
2013	55,373	7,817	50,000	9,000
2014	57,864	5,325	50,000	6,750
2015	60,469	2,721	50,000	4,500
2016			50,000	2,250
Totals:	<u>\$226,695</u>	<u>\$26,064</u>	<u>\$250,000</u>	<u>\$33,750</u>

Note: Principal payments made prior to Debt Statement dated November 28, 2011.

Status of Outstanding Bond Issues

Year of Issue:	2006	2006		
Amount Issued:	\$500,000	\$500,000		
Last Maturity:	6/20/2016	9/21/2016		
Interest Rate/Instrument:	4.55% - SIB	4.70% - SIB		
Purpose:	Sidewalks – Phase III	Sidewalks – Phase IV		
Balance Principal 05-31-11:	\$300,000	\$300,000		
Fiscal Year				
<u>Ending May 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$50,000 *	\$13,650	\$50,000 *	\$14,100
2013	50,000	11,375	50,000	11,750
2014	50,000	9,100	50,000	9,400
2015	50,000	6,825	50,000	7,050
2016	50,000	4,550	50,000	47,000
2017	50,000	2,275	50,000	2,350
Totals:	<u>\$300,000</u>	<u>\$47,775</u>	<u>\$300,000</u>	<u>\$91,650</u>

Note: Principal payments made prior to Debt Statement dated November 28, 2011.

Status of Outstanding Bond Issues

Year of Issue:	2007		2008		2008	
Amount Issued:	1,200,000		\$800,000		\$1,228,483	
Last Maturity:	4/1/2026		1/15/2029		10/1/2025	
Interest Rate/Instrument:	Various - SB		Various - SB		4.270% - EFC SB	
Purpose:	Electric System Imp.		Electric System Imp.		Landfill Closure	
Bal. Principal 05-31-11:	\$1,020,000		\$720,000		\$1,050,000	

Fiscal Year	<u>Principal</u>		<u>Interest</u>		<u>Principal</u>		<u>Interest</u>	
<u>Ending May 31:</u>								
2012	\$50,000	\$45,488	\$30,000	\$31,530	\$60,000	*	\$43,554	
2013	50,000	43,300	30,000	30,255	60,000		40,992	
2014	55,000	41,112	30,000	28,980	65,000		38,323	
2015	55,000	38,706	35,000	27,705	65,000		35,548	
2016	60,000	36,300	35,000	26,218	65,000		32,772	
2017	60,000	33,675	35,000	24,730	65,000		29,997	
2018	65,000	31,050	40,000	23,243	70,000		27,115	
2019	65,000	28,125	40,000	21,543	70,000		24,126	
2020	70,000	25,200	40,000	19,843	70,000		21,137	
2021	75,000	22,050	45,000	18,143	75,000		18,041	
2022	75,000	18,675	45,000	16,230	75,000		14,838	
2023	80,000	15,300	45,000	14,318	75,000		11,636	
2024	85,000	11,700	50,000	12,349	75,000		8,433	
2025	85,000	7,875	50,000	10,099	80,000		5,124	
2026	90,000	4,050	55,000	7,849	80,000		1,708	
2027			55,000	5,319				
2028			60,000	2,775				
Totals:	<u>\$1,020,000</u>	<u>\$402,606</u>	<u>\$720,000</u>	<u>\$321,125</u>	<u>\$1,050,000</u>		<u>\$353,343</u>	

Note: Principal Payments made prior to Debt Statement dated November 28, 2011.

Total Annual Bond Principal and Interest Due

Fiscal Year Ending May 31:	<u>Principal</u>	<u>Interest</u>	Total <u>Debt Service</u>	<u>% Paid</u>
2012	\$472,989	\$206,968	\$679,956	10.67%
2013	470,373	182,254	652,627	21.29%
2014	482,864	157,425	640,289	32.18%
2015	460,469	133,190	593,659	42.57%
2016	365,000	153,512	518,512	50.81%
2017	275,000	94,852	369,852	57.01%
2018	185,000	82,385	267,385	61.19%
2019	185,000	74,119	259,119	65.36%
2020	180,000	66,179	246,179	69.42%
2021	195,000	58,233	253,233	73.82%
2022	195,000	49,743	244,743	78.23%
2023	200,000	41,253	241,253	82.74%
2024	210,000	32,482	242,482	87.48%
2025	215,000	23,098	238,098	92.33%
2026	225,000	13,607	238,607	97.41%
2027	55,000	5,319	60,319	98.65%
2028	60,000	2,775	62,775	100.00%
Totals:	<u><u>\$4,431,695</u></u>	<u><u>\$1,377,394</u></u>	<u><u>\$5,809,089</u></u>	

Source: Village Bond Records

Schedule of Principal Payments - Outstanding and Proposed Bonds

Fiscal Year Ending May 31:	<u>Prior Issues</u>	<u>This Issue</u>	Total <u>Maturing Principal</u>	<u>Year-End Outstanding Principal</u>
2012	\$472,989	\$56,450	\$529,439	\$5,388,706
2013	470,373	55,000	525,373	4,863,333
2014	482,864	55,000	537,864	4,325,469
2015	460,469	55,000	515,469	3,810,000
2016	365,000	55,000	420,000	3,390,000
2017	275,000	60,000	335,000	3,055,000
2018	185,000	65,000	250,000	2,805,000
2019	185,000	70,000	255,000	2,550,000
2020	180,000	70,000	250,000	2,300,000
2021	195,000	75,000	270,000	2,030,000
2022	195,000	75,000	270,000	1,760,000
2023	200,000	75,000	275,000	1,485,000
2024	210,000	80,000	290,000	1,195,000
2025	215,000	80,000	295,000	900,000
2026	225,000	80,000	305,000	595,000
2027	55,000	80,000	135,000	460,000
2028	60,000	80,000	140,000	320,000
2029		80,000	80,000	240,000
2030		80,000	80,000	160,000
2031		80,000	80,000	80,000
2032		80,000	80,000	0
Totals:	<u><u>\$4,431,695</u></u>	<u><u>\$1,486,450</u></u>	<u><u>\$5,918,145</u></u>	

Other Obligations

The Village's Electric Fund entered into two 36 month Municipal Assistance Program loans with New York Power Authority to finance the purchase of certain hybrid vehicles totaling \$179,412. The outstanding principal balance as of May 31, 2011 was \$37,422. Equipment obligations payable is as follows:

<u>Fiscal Year Ending May 31:</u>	<u>Amount</u>
2012	\$31,171
2013	<u>6,255</u>
Total	<u>\$37,422</u>

Source: Audited Financial Report of the Village

Trend of Outstanding Debt

	<u>Fiscal Year Ending May 31:</u>				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Bonds	\$4,478,902	\$4,947,357	\$5,544,407	\$4,915,883	\$4,431,694
Bond Anticipation Notes	<u>6,574,915</u>	<u>5,078,177</u>	<u>1,877,546</u>	<u>6,477,285</u>	<u>6,740,334</u>
Total Debt Outstanding	<u>\$11,053,817</u>	<u>\$10,025,534</u>	<u>\$7,421,953</u>	<u>\$11,393,168</u>	<u>\$11,172,028</u>

Source: Audited Financial Reports of the Village

Computation of Debt Limit and Calculation of Net Debt Contracting Margin

(As of November 28, 2011)

<u>Fiscal Year Ending May 31:</u>	<u>Assessed Valuation</u>	<u>State Equalization Rate</u>	<u>Full Valuation</u>
2008	\$214,505,724	99.00%	\$216,672,448
2009	219,159,245	97.00%	225,937,366
2010	215,967,171	93.00%	232,222,765
2011	216,259,137	93.00%	232,536,706
2012	<u>215,967,690</u>	93.00%	<u>232,223,323</u>
Total (2008-12) ¹	<u>\$1,081,858,967</u>		<u>\$1,139,592,608</u>
Average Five Year Full Valuation			\$227,918,522
Debt Limit - 7% of Average Full Valuation			\$15,954,297
Inclusions:			
Outstanding Bonds			\$4,091,695
Bond Anticipation Notes			<u>6,679,667</u>
Total Inclusions			\$10,771,362
Exclusions:			
Water Indebtedness ²			\$0
Budgeted Appropriations ²			<u>382,988</u>
Total Exclusions			\$382,988
Total Net Indebtedness ³			<u>\$10,388,374</u>
Net Debt-Contracting Margin			\$5,565,923

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

² Water indebtedness and budgeted appropriations are automatically excluded pursuant to provisions of the New York State Constitution and Section 136.00 of the Local Finance Law.

³ Represents 65.11% of the Debt Limit of the Village.

Authorized and Un-Issued Indebtedness

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

Capital Project Plans and Anticipated Future Borrowings

A portion of the Notes are being issued for construction of improvements in the first phase of a multi-year system-wide electric utility facility and distribution feeder system, to upgrade the Village's Electric Utility System. Ultimate costs of the planned upgrades could exceed \$6,000,000. Estimated improvements are planned to be completed over a six to seven year period. The Village is in the process of looking to replace the Village Hall which would be financed by the Electric Fund for an estimated \$750,000 - \$1,000,000 over the next year.

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, school districts, as well as the Village. 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 units' 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	Gross Indebtedness	Exclusions ¹	Net Indebtedness	Full Value of Village in Municipality	Total Full Value of Municipality	% Within Village	Estimated Applicable Overlapping Debt
County:								
Onondaga	2010	\$313,246,130	\$167,577,230	\$145,668,900	\$232,223,323	25,003,271,341	0.93%	\$1,352,932
Town:								
Geddes	2010	3,368,433	0	3,368,433	232,223,323	833,699,172	27.85%	938,263
School District:								
Solvay	2010	28,520,000	24,698,320	3,821,680	232,223,323	508,909,886	45.63%	1,743,891
Total Net Overlapping Debt:								\$4,035,085
Total Net Direct Debt:								10,388,374
Net Direct & Overlapping Debt:								<u>\$14,423,459</u>

Source: 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 November 28, 2011.

	<u>Amount</u>	<u>Debt Per Capita</u> ¹	<u>Debt Full Value</u> ²
Net Direct Debt	\$10,388,374	\$1,577.82	4.47%
Total Direct & Applicable Total Overlapping Debt	14,423,459	2,190.68	6.21%

Notes: ¹ The population of the Village is 6,584 according to the 2010 US Census Bureau.

² The full valuation of real property located in the Village for the 2010-11 fiscal year is \$232,223,323

FINANCES OF THE VILLAGE

Independent Audit

The Village maintains its financial records in accordance with the Uniform System of Accounts for Villages prescribed by the State Comptroller. The financial records of the Village are audited by independent accountants. The last such audit made available for public inspection covers the fiscal year ended May 31, 2011. A copy of such report is attached hereto as Appendix B. In addition, 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 will be affected. GASB required the Village to implement this standard beginning in the fiscal year ending December 31, 2003. The Village has complied with the requirements of GASB Statement 34.

Fund Structure and Accounts

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

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

The Village presently maintains the following governmental funds: General Fund, Water Fund, Sewer Fund and the Capital Projects Fund. Fiduciary funds consist of Private Purpose Trust Funds and Agency Funds. The Electric Fund is maintained as a Proprietary 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.

The Electric Fund’s financial statements are prepared on the accrual basis. New York Power Authority (NYPA) regulations require that the records be maintained in accordance with the Uniform System of Accounts for Municipal Electric Utilities prescribed by the New York State Department of Public Service (PSC). The financial statements are presented on the statutory basis in a form prescribed by the Federal Energy Regulatory Commission (FERC) and NYPA.

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) certificates of deposit issued by a bank or trust company authorized to do business in New York State; (4) time deposit accounts in a bank or trust company authorized to do business in New York State.

All funds may be invested in: (1) obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America; (2) with the approval of the New York State Comptroller, in tax anticipation notes or revenue anticipation notes issued by any municipality, school district, or district corporation, other than those notes issued by the Village, itself.

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

Budgetary Procedures

The Village operates on a fiscal year beginning June 1 and ending May 31. The Board of Trustees, with the assistance of the Village Treasurer, prepares a tentative budget no later than March 20 of each fiscal year for the fiscal year commencing the following June 1 and holds a public hearing thereon by April 15. Subsequent to the budget hearing, revisions, if any, are made and the budget is then adopted by the Board of Trustees as its final budget for the coming fiscal year by May 1. The budget of the Village is not subject to voter approval.

The Village Board may, during the course of the year, make changes in the appropriation and other modifications of the budget as it deems necessary in accordance with the State General Municipal Law and Village Law.

The Tax Levy Limitation Law will have a significant impact on the Village’s budgeting procedures and (possibly) outcomes, beginning with the Village’s budget for its 2012-13 fiscal year. See “REAL PROPERTY TAX INFORMATION – Tax Levy Limitation Law,” herein.

Source: Village Officials

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, which are delegated to and carried out by the Treasurer. In addition, the Village Treasurer is the Village’s budget officer and must therefore prepare the annual tentative budget for submission to the Board of Trustees. Budgetary control during the year is the responsibility of the Treasurer. Pursuant to Section 30 of the Local Finance Law, the Treasurer must execute an authorizing certificate which then becomes a matter of public record.

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

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 Electric, Water and Sewer operations are specifically accounted for in these respective funds.

The Village's fiscal year runs from June 1 through May 31 for operating and reporting purposes.

Revenues

The Village receives most of its revenues from real property taxes, and assessments and sales tax proceeds. For the year ending May 31, 2011, real property taxes and assessments accounted for 47.16%, sales tax revenues represented 19.00% and State aid made up 6.33% of all general fund revenue.

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

Real Property Taxes

See “Real Property Tax Information”, herein.

State Aid

The Village received approximately 6.33% of its total General Fund operating revenue from State Aid in 2011 and estimates State aid for 2012 to be \$307,590. 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 “Market and Risk Factors,” 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 and Employee Benefits. A summary of the expenditures for the five most recently completed fiscal years ending May 31, 2011 and the estimated expenditures for the fiscal year ending May 31, 2012 may be found in Appendix A – Financial Information.

Current Financial Information

Through November of this year, the Village's General Fund has a balance in net income of \$1,079,228 compared to \$1,301,924 last year.

The Village of Solvay expects to have a deficit in its general fund for the fiscal year ending May 31, 2012 of approximately \$150,000, mainly due to reduced sales tax sharing from the Town of Geddes. For the next ten years, the Village will have 50% loss on sales taxes due to the County retaining its percentage of sales taxes.

Source: Village Officials

Employee Pension Benefits

Substantially all employees of the Village are members of the New York State and Local Employees' Retirement System ("ERS") or the New York State 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 System. The Retirement System is non-contributory with respect to members hired prior to July 27, 1976. All members 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.

Due to unfavorable capital market returns over recent years, the employer contribution rate for the retirement systems has increased significantly.

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 year 2012:

<u>Fiscal Year Ending May 31:</u>	<u>ERS</u>	<u>PFRS</u>
Budgeted 2012	\$208,436	\$175,137
2011	329,321	134,957
2010	191,112	83,974
2009	193,951	135,500
2008	218,878	111,503
2007	281,789	97,178

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.

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

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

GASB 45 does not require that the unfunded liability actually be amortized nor that it be advance funded, only that the municipality or school district account for its unfunded accrued liability and its compliance in meeting its ARC.

The Village paid approximately \$53,000 of post-employment healthcare benefits in the fiscal year ending 2011 and currently has 28 retirees and their spouses for which benefits are available.

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

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

The Village is not in compliance with the requirements of GASB 45.

REAL PROPERTY TAX INFORMATION

Real Property Taxes

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

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/Net Tax Levy	\$2,499,564	\$2,585,890	\$2,550,676	\$2,551,987	\$2,548,003
Taxes Collected Prior to Return to County	2,390,990	2,498,010	2,454,775	2,467,593	2,470,704
Collected Taxes Returned to County	\$108,574	\$87,880	\$95,901	\$84,394	\$77,299
Percent Collected Prior to Return to County	95.66%	96.60%	96.24%	96.69%	96.97%

Source: Village Officials

Tax Collection Procedure

Taxes are due March 1, payable to April 1 without penalty. Penalties thereafter are imposed at an annual interest rate determined by the NYS Commissioner of Taxation and Finance. On November 1, uncollected taxes are turned over to the County Treasurer’s Office and uncollected taxes and penalties are relieved as part of the County tax levy. The County guarantees to pay the Village the full amount of such uncollected taxes prior to the end of the Village fiscal year in which the tax was levied, thereby assuring 100% tax collection annually.

Source: Village Officials

Tax Levy Limitation Law

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the “Tax Levy Limitation Law”). The Tax Levy Limitation Law applies to all local governments, including school districts (with the exception of

New York City, and the counties comprising New York and the “Big 5” school districts). It also applies to independent special districts and to town and county improvement districts as part of their parent municipalities tax levies.

The Tax Levy Limitation Law restricts, among other things, the amount of real property taxes (including assessments of certain special improvement districts) that may be levied by or on behalf of a municipality in a particular year, beginning with fiscal years commencing on or after January 1, 2012. It expires on June 15, 2016 unless extended. Pursuant to the Tax Levy Limitation Law, the tax levy of a municipality cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the consumer price index (“CPI”), over the amount of the prior year’s tax levy. Certain adjustments would be permitted for taxable real property full valuation increases due to changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A municipality may exceed the tax levy limitation for the coming fiscal year only if the governing body of such municipality first enacts, by at least a sixty percent vote of the total voting strength of the board, a local law (resolution in the case of fire districts and certain special districts) to override such limitation for such coming fiscal year only. There are permissible exceptions to the tax levy limitation provided in the Tax Levy Limitation Law, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees’ Retirement System, the Police and Fire Retirement System, and the Teachers’ Retirement System. Municipalities are also permitted to carry forward a certain portion of their unused levy limitation from a prior year. Each municipality prior to adoption of its fiscal year budget must submit for review to the State Comptroller any information that is necessary in the calculation of its tax levy for such fiscal year.

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

Article 8 Section 2 of the State Constitution requires every issuer of general obligation notes and bonds in the State to pledge its faith and credit for the payment of the principal thereof and the interest thereon. This has been interpreted by the Court of Appeals, the State’s highest court, in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), as follows:

“A pledge of the city’s faith and credit is both a commitment to pay and a commitment of the city’s revenue generating powers to produce the funds to pay. Hence, an obligation containing a pledge of the City’s “faith and credit” is secured by a promise both to pay and to use in good faith the city’s general revenue powers to produce sufficient funds to pay the principal and interest of the obligation as it becomes due. That is why both words, “faith” and “credit”, are used and they are not tautological. That is what the words say and that is what courts have held they mean.”

Article 8 Section 12 of the State Constitution specifically provides as follows:

“It shall be the duty of the legislature, subject to the provisions of this constitution, to restrict the power of taxation, assessment, borrowing money, contracting indebtedness, and loaning the credit of counties, cities, towns and villages, so as to prevent abuses in taxation and assessments and in contracting of indebtedness by them. Nothing in this article shall be construed to prevent the legislature from further restricting the powers herein specified of any county, city, town, village or school district to contract indebtedness or to levy taxes on real estate. 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.”

On the relationship of the Article 8 Section 2 requirement to pledge the faith and credit and the Article 8 Section 12 protection of the levy of real property taxes to pay debt service on bonds subject to the general obligation pledge, the Court of Appeals in the Flushing National Bank case stated:

“So, too, although the Legislature is given the duty to restrict municipalities in order to prevent abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the city’s power to levy taxes on real estate for the payment of interest on or principal of indebtedness previously contracted....While phrased in permissive

language, these provisions, when read together with the requirement of the pledge of faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded”.

In addition, the Court of Appeals in the Flushing National Bank case has held that the payment of debt service on outstanding general obligation bonds and notes takes precedence over fiscal emergencies and the police power of municipalities.

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

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.

Assessed and Full Valuation

	Fiscal Year Ended May 31				
	2008	2009	2010	2011	2012
Assessed Valuation: ¹	\$214,505,724	\$219,159,245	\$215,967,171	\$216,259,139	\$215,967,690
NYS Equalization Rate: ¹	100.00%	97.00%	100.00%	93.00%	93.00%
Full Valuation:	\$214,505,724	\$225,937,366	\$215,967,171	\$232,536,709	\$232,223,323
Tax Rate / \$1,000 Assessed Valuation:	\$11.51	\$11.82	\$11.76	\$11.76	\$13.34

Source: Village Officials

Note: ¹ The assessed valuations and equalization rates shown here may not be the same as those required for debt limit purposes.

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 Average Full Valuation	\$227,918,522
Constitutional Tax Limit: (2%)	4,558,370
Tax Levy General Village Purposes	2,882,009
Less: Exclusions for Debt and Capital Purposes	536,682
Tax Levy Subject to Debt Limit	2,345,327
Percentage of Tax Limit Exhausted	51.45%
Constitutional Tax Margin	<u>\$2,213,043</u>

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

Ten Largest Taxpayers
2011 Assessment Roll for 2012 Taxes

<u>Name</u>	<u>Type</u>	<u>Estimated Assessed Valuation</u>
Westvale Plaza	Commercial	\$8,619,000
Niagara Mohawk Power Company	Utility	4,493,366
Frazier & Jones	Industrial	2,310,000
Verizon	Utility	2,106,745
Pass & Seymour	Industrial	1,850,000
Pascarella Apartments	Apartments	1,800,000
Solvay Bank	Banking	1,250,000
BDS Realty Associates	Apartments	1,215,000
Pep Boys	Retail	1,002,500
Aramark Uniform Acquisition	Commercial	1,103,000
Total		<u>\$25,749,611</u> ¹

Note: ¹ Represents 11.92% of the 2012 full valuation of the Village of \$215,967,690.

LITIGATION

In common with other local governments and school districts, the Village from time to time receives notices of claim and is party to litigation. In the opinion of the Village, after consultation with its attorney, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no significant claims or actions pending in which the Village has not asserted a substantial and adequate defense, nor which if determined against the Village, would have an adverse material effect on the financial condition of the Village.

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

MARKET AND RISK FACTORS

The financial and economic condition of the Village as well as the market for the Bonds and 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 of New York and in other jurisdictions in the country, 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 the market for the Bonds and the Notes. If a significant default or other financial crisis should occur in the affairs of the State or another jurisdiction, or of any of their respective agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the Village to arrange for additional borrowings and the market for and the market value of outstanding debt obligations, including the Bonds and the Notes, could be adversely affected.

The Village is dependent in part on financial assistance from the State. However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes and revenues in order to pay State aid to municipalities and school districts in the State, including the Village, in this year or future years, 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 subprime mortgage crisis of 2008-2009 created massive disruptions in the U.S. and global securities markets, and the health of those markets was impaired to the point where significant governmental intervention was deemed necessary. This is projected to have significant adverse impacts on the finances of New York State over time, on which the Village depends to a certain extent for State Aid. The exact impact on the Village cannot be predicted, but it will in all likelihood be negative, and could persist for a significant period of time.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds and the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel is of the further opinion that interest on the Bonds and the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, nor is it included in adjusted current earnings when calculating corporate alternative minimum taxable income. Copies of the proposed forms of opinions of Bond Counsel are set forth in Appendix C.

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

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

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

Tax Disclosure: American Jobs Act of 2011

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds and the Notes to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. As one example, on September 12, 2011, the Obama Administration announced a legislative proposal entitled the American Jobs Act of 2011. For tax years beginning on or after January 1, 2013, the American Jobs Act of 2011 generally would limit the exclusion from gross income of interest on obligations like the Bonds and the Notes to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Notes. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds and the Notes. Prospective purchasers of the Bonds and the Notes should consult their own tax advisors

regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds and the Notes are subject to the approving legal opinions of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, New York, New York. Bond Counsel's opinions will be substantially in the forms attached hereto as Appendix C.

CONTINUING DISCLOSURE UNDERTAKING FOR THE BONDS

In accordance with the requirements of Rule 15c2-12 as the same may be amended or officially interpreted from time to time (the "Rule"), promulgated by the Securities and Exchange Commission (the "Commission"), the Village has agreed to provide, or cause to be provided,

- (i) to the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, during any succeeding fiscal year in which the Bonds are outstanding certain annual financial information and operating data for the preceding fiscal year, in a form generally consistent with the information contained or cross-referenced under the heading(s) "The Village," "Real Property Tax Information," "Status of Outstanding Bond Issues" and "Litigation" and all Appendices and a copy of the audited financial statement (prepared in accordance with generally accepted accounting principles in effect at the time of audit) for the preceding fiscal year, if any; such information, data and audit, if any, will be so provided on or prior to the later of either the end of the sixth month of each succeeding fiscal year or, if audited financial statements are prepared, sixty days following receipt by the Village of audited financial statements for preceding fiscal year, but, in no event, not later than the last business day of each succeeding fiscal year.
- (ii) in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds, to EMMA or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule:
 - (a) principal and interest payment delinquencies;
 - (b) non-payment related defaults, if material;
 - (c) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (d) in the case of credit enhancement, if any, provided in connection with the issuance of the Bonds, 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 Bonds, or other material events affecting the tax status of the Bonds;
 - (g) modifications to rights of Bondholders, if material;
 - (h) bond calls, if material and tender offers;
 - (i) defeasances;
 - (j) release, substitution, or sale of property securing repayment of the Bonds;

- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar events of the Issuer;
- (m) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (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 Bonds.

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

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

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

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

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

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

Annual information and notices of certain events can be obtained from the Village Treasurer, 1100 Woods Road, Solvay, New York 13209, telephone: 315-468-1670.

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

MATERIAL EVENT NOTICES FOR THE NOTES

In accordance with the requirements of the Securities and Exchange Commission Rule 15c2-12, as the same may be amended or officially interpreted from time to time (the "Rule"), promulgated by the Securities and Exchange Commission (the "Commission"), the Village has agreed to provide, or cause to be provided, 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 established and operated by the Municipal Securities Rulemaking Board (“MSRB”) currently located at: <http://www.emma.msrb.org> or such other similar system established and operated by the MSRB, notice of the occurrence of any of the following events with respects to the Notes:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions or events affecting the tax-exempt status of the Notes;
- (g) modifications to rights of Note holders;
- (h) bond calls;
- (i) defeasances;
- (j) release, substitution, or sale of property securing repayment of the Notes; and
- (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 Notes.

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

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.

Annual information and notices of certain events can be obtained from the Village Treasurer, 1100 Woods Road, Solvay, New York 13209, telephone: 315-468-1670.

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

An application has been made to Standard & Poor's, Inc. for a rating assignment on the Bonds. Such rating will be indicated on the revised cover page of the Official Statement. Such rating will reflect only the view of such rating agency and any desired explanation of the significance of such rating should be obtained from such rating agency. Generally, rating agencies base their ratings on rating investigation, studies and assumptions they have made in addition to the information and materials provided by the issuer. There is no assurance that a particular rating will apply for any given period of time or that it will be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of such rating could have an adverse effect on the market price of the Bonds. Such rating should not be taken as a recommendation to buy or hold the Bonds.

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 Bonds and the Notes.

ADDITIONAL INFORMATION

Additional information may be obtained upon request from the Village Treasurer, 1100 Woods Road, Solway, New York 13209, telephone: 315-468-1670, or from the office of Municipal Solutions, Inc., 2528 State Route 21, Canandaigua, New York 14424, telephone number 585-394-4090, fax number 585-394-4092, and website at: <http://www.municipalsolution.com>.

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

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

So far as any statements made in this Official Statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, which are based on the Village's management's beliefs as well as assumptions made by, and information available to, the Village management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the Village files with the repositories. When used in Village documents or oral presentations, the words "anticipate", "estimate", "expect", "objective", "projection", "forecast", "goal", or similar words are intended to identify forward-looking statements.

Municipal Solutions, Inc. will place a copy of this Official Statement on its website: <http://www.municipalsolution.com>. Unless the Official Statement specifically indicated otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Municipal Solutions, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the Village nor Municipal Solutions, Inc. assumes any liability or responsibility for errors or omissions on such website.

Further, Municipal Solutions, Inc., and the Village disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Municipal Solutions, Inc. and the Village also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel to the Village, expresses no opinion as to the accuracy or completeness of information in any documents prepared by or on behalf of the Village for use in connection with the offer and sale of the Bonds, including but not limited to, the financial or statistical information in this Official Statement.

VILLAGE OF SOLVAY

December 9, 2011
Solvay, New York

By: s/s Michael Fecco
Village Treasurer and Chief Fiscal Officer

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

APPENDIX A

FINANCIAL INFORMATION

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

	Fiscal Year Ending May 31:				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenues:					
Real Property Taxes	\$2,264,726	\$2,499,564	\$2,585,890	\$2,550,676	\$2,548,003
Real Property Tax Items	672,748	716,519	725,031	751,737	773,967
Non-Property Tax Items	1,174,801	1,194,933	1,176,857	1,191,047	1,026,504
Departmental Income	66,591	57,942	58,265	62,066	61,221
Intergovernmental Charges	0	0	0	390	2,800
Use of Money and Property	93,290	125,722	128,457	146,900	160,380
Licenses & Permits	9,730	16,831	6,596	4,732	5,557
Fines & Forfeitures	135,700	88,022	122,732	93,832	117,365
Sale of Property & Comp. For Loss	58,521	25,231	102,234	11,033	34,068
Miscellaneous	237,606	2,710	10,157	8,900	30,648
Interfund Revenues	240,000	300,000	300,000	300,000	300,000
State Aid	348,236	380,058	391,905	314,824	341,772
Total Revenues	<u>\$5,301,949</u>	<u>\$5,407,532</u>	<u>\$5,608,124</u>	<u>\$5,436,137</u>	<u>\$5,402,285</u>
Expenditures:					
General Governmental Support	\$961,708	\$888,239	\$911,795	\$885,276	\$868,397
Public Safety	1,247,481	1,325,632	1,236,520	1,235,109	1,263,402
Transportation	994,299	828,990	953,088	882,720	921,123
Economic Assistance and Opportunity	0	0	0	182,024	0
Culture & Recreation	254,645	219,204	201,432	726,449	174,365
Home & Community Service	751,213	686,891	693,568	969,418	715,733
Employee Benefits	1,105,808	975,069	904,555	565,898	1,071,754
Debt Service	400,768	744,152	719,047	180,352	573,492
Total Expenditures	<u>\$5,715,922</u>	<u>\$5,668,177</u>	<u>\$5,620,005</u>	<u>\$5,627,246</u>	<u>\$5,588,266</u>
Excess (Deficit) Revenues					
Over Expenditures	(\$413,973)	(\$260,645)	(\$11,881)	(\$191,109)	(\$185,981)
Other Financing Sources (Uses):					
Operating Transfers In	\$396,139	\$633,230	\$549,444	\$574,148	\$447,931
Operating Transfers Out	(261,325)	(232,962)	(257,471)	(310,331)	(303,373)
Total Other Financing Sources (Uses)	<u>\$134,814</u>	<u>\$400,268</u>	<u>\$291,973</u>	<u>\$263,817</u>	<u>\$144,558</u>
Fund Balance Beg. of Fiscal Year	(\$42,085)	(\$321,244)	(\$181,621)	\$98,471	\$171,179
Net Adjustments to Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Fiscal Year	<u>(\$321,244)</u>	<u>(\$181,621)</u>	<u>\$98,471</u>	<u>\$171,179</u>	<u>\$129,756</u>

Source: Audited Financial Reports of the Village

Note: This table NOT audited

Statement of Revenues, Expenditures and Fund Balances
Electric Fund - Village of Solvay

	Fiscal Year Ending May 31:				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Operating Revenues:					
Residential	\$3,054,907	\$3,496,750	\$3,808,974	\$2,804,107	\$3,441,223
Commercial	1,517,631	1,768,253	1,880,910	1,373,296	1,650,611
Industrial	17,573,202	21,002,496	23,277,834	16,722,647	19,498,649
Unbilled Revenue	0	0	0	1,268,161	(323,976)
Other	278,129	303,986	295,912	254,454	294,505
Total Operating Revenues	<u>\$22,423,869</u>	<u>\$26,571,485</u>	<u>\$29,263,630</u>	<u>\$22,422,665</u>	<u>\$24,561,012</u>
Operating Expenses:					
Electricity Purchased	\$18,401,909	\$22,093,070	\$23,190,764	\$16,022,552	\$18,160,018
Operation of Distribution System	324,324	393,819	524,627	491,650	634,308
Repairs	8,842	5,113	13,121	1,816	32,339
Other Operating Expenses:					
Maintenance for poles, towers, fixtures, conduits	290,117	550,551	399,218	335,825	371,011
Street lighting and signal system	71,253	115,666	180,322	178,882	177,565
Consumer's accounting and collecting	93,954	115,203	94,049	97,705	108,168
Independent Energy Efficiency Program	541,290	502,633	573,743	571,276	579,071
Recoveries of Uncollectible Accounts	54,331	(6,092)	8,693	91,684	(6,909)
Depreciation	625,750	695,756	727,019	738,848	757,004
Administrative and General:					
Salaries and Expenses	614,101	698,413	857,622	737,810	778,418
Employee Benefits	618,292	584,458	637,812	709,433	827,949
Insurance	194,792	261,487	155,344	248,926	125,809
Office Expenses	171,535	208,289	290,791	285,130	291,470
Rents	83,423	102,000	128,950	155,900	155,900
Other	196,163	316,329	298,050	354,437	361,796
Total Operating Expenses	<u>\$22,290,076</u>	<u>\$26,636,695</u>	<u>\$28,080,125</u>	<u>\$21,021,874</u>	<u>\$23,353,917</u>
Net Operating Income	<u>\$133,793</u>	<u>(\$65,210)</u>	<u>\$1,183,505</u>	<u>\$1,400,791</u>	<u>\$1,207,095</u>
Non-Operating Revenues (Expenses):					
Interest Income	\$89,344	\$63,969	\$60,614	\$55,003	\$65,090
Interest Expense	(191,094)	(158,434)	(119,838)	(130,351)	(149,357)
Total Non-Operating Revenues (Expenses):	<u>(\$101,750)</u>	<u>(\$94,465)</u>	<u>(\$59,224)</u>	<u>(\$75,348)</u>	<u>(\$84,267)</u>
Change in Net Assets Before					
Contributions	\$32,043	(\$159,675)	\$1,124,281	\$1,325,443	\$1,122,828
Contributions to Other Funds	(724,836)	0	0	0	0
Change in New Assets	(\$692,793)	(\$159,675)	\$1,124,281	\$1,325,443	\$1,122,828
Balance, Beginning of the Year	16,341,115	15,648,327	17,215,844	18,340,125	19,665,568
Prior Year Adjustments	5	1,727,192	0	0	0
Balance, End of Year	<u>\$15,648,327</u>	<u>\$17,215,844</u>	<u>\$18,340,125</u>	<u>\$19,665,568</u>	<u>\$20,788,396</u>

Source: Audited Annual Financial Reports of the Village

Note: This table NOT audited

Balance Sheet
General Fund - Village of Solvay
Fiscal Year Ending May 31, 2011

Assets:

Cash and Cash Equivalents	\$39,991
Cash and Cash Equivalents; Reserved	30,138
Accounts Receivable	36,379
Due from Other Governments	68,290
Due from Other Funds	308,210
Prepaid Expenditures	<u>91,376</u>
Total Assets	<u><u>\$574,384</u></u>

Liabilities:

Accounts Payable and Accrued Expenses	\$196,081
Deferred Revenue	21,026
Due to Other Funds	<u>227,522</u>
Total Liabilities	<u><u>\$444,629</u></u>

Fund Balance:

Reserved:

Public Safety Purposes	\$30,138
Unreserved - Unappropriated	<u>99,617</u>
Total Fund Equity	<u><u>\$129,755</u></u>

Total Liabilities and Fund Equity	<u><u>\$574,384</u></u>
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Source: Audited Financial Reports of the Village

Note: This table NOT audited

Balance Sheet
Electric Fund - Village of Solvay
Fiscal Year Ending May 31, 2011

Assets:	
Utility Plant:	
Plant in service, at original cost	\$27,745,948
(Less) Accumulated Depreciation	12,426,912
Construction work-in-process	1,592,391
Reserved Asset:	
Cash and Cash Equivalents	4,842,302
Current Assets:	
Cash and Cash Equivalents, Unreserved	1,222,565
Accounts Receivable	505,987
Unbilled Receivables	944,185
Current Installments of Loan Receivable	73,260
Due From Other Funds	311,080
Inventory	620,294
Prepaid Expenses	76,174
Other Assets:	
Loans Receivable, Less Current Installments	253,080
Total Assets	<u><u>\$25,760,354</u></u>
Equity:	
Surplus	\$20,788,396
Contributions to Other Funds	(11,861,150)
Contribution in Aid of Construction	6,909,451
Total Equity	<u>\$15,836,697</u>
Other Liabilities:	
Bonds Payable	\$1,405,000
Equipment Obligations	37,422
Bond Anticipation Notes Payable	4,135,000
Total Other Liabilities	<u>\$5,577,422</u>
Current Liabilities:	
Current Installments of Bonds Payable	\$180,000
Accounts Payable and Accrued Expenses	3,777,572
Accrued Payroll Related Expenses	51,174
Accrued Interest Payable	32,954
Customer Deposits	31,200
Compensated Absences	255,000
Other Liabilities	18,335
Total Current Liabilities	<u>\$4,346,235</u>
Total Equity and Liabilities	<u><u>\$25,760,354</u></u>

Source: Audited Financial Reports of the Village

Note: This table NOT audited

Budget Summary
General Fund - Village of Solvay
 Fiscal Year Ending May 31, 2012

Revenues:	
Real Property Taxes	\$2,882,009
Real Property Tax Items	800,872
Non-Property Tax	601,263
Departmental Income	108,400
Use of Money & Property	173,481
Licenses & Permits	3,000
Fines & Forfeitures	100,000
Sale of Prop & Comp for Loss	7,500
Miscellaneous	7,000
Interfund Revenues	650,000
State Aid	307,590
Appropriated Fund Balance	<u>75,000</u>
Total Revenues	<u><u>\$5,716,115</u></u>

Expenses:	
General Government Support	\$699,637
Public Safety	1,253,608
Health	
Transportation	848,856
Culture & Recreation	147,492
Home & Community Service	706,128
Employee Benefits	1,145,679
Debt Service	536,682
Interfund Transfers	<u>378,033</u>
Total Expenditures	<u><u>\$5,716,115</u></u>

Source: Adopted Budget of the Village

Note: This table NOT audited

Budget Summary Overview
Electric Fund - Village of Solvay
Fiscal Year Ending May 31, 2012

Operating Revenues:	
Residential	\$3,441,223
Commercial	1,650,611
Industrial	19,498,649
Other	294,750
Total Operating Revenues:	<u>\$24,885,233</u>
Operating Expenses:	
Electricity Purchased	\$18,160,018
Operation of Distribution System	661,380
Repairs	2,443
Other Operating Expenses:	
Maintenance of poles, towers, fixtures, conduits	451,760
Street lighting and signal system	240,636
Consumer's accounting and collecting	131,435
Independent Energy Efficiency Program	768,495
Uncollectible revenues, net of recoveries	123,336
Depreciation	993,917
Administrative and General:	
Salaries and Expenses	992,521
Employee Benefits	954,347
Insurance	334,862
Office Expenses	383,564
Rents	209,721
Other	476,798
Total Operating Expenses	<u>\$24,885,233</u>

Source: Adopted Budget of the Village

Note: This table NOT audited

APPENDIX B

**AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MAY 31, 2011**

NOTE: SUCH FINANCIAL REPORT AND OPINIONS WERE PREPARED AS OF THE DATE THEREOF AND HAVE NOT BEEN REVIEWED AND/OR UPDATED BY THE VILLAGE'S AUDITORS IN CONNECTION WITH THE PREPARATION AND DISSEMINATION OF THIS OFFICIAL STATEMENT. CONSENT OF THE AUDITORS FOR INCLUSION OF THE AUDITED FINANCIAL REPORTS IN THIS OFFICIAL STATEMENT HAS NEITHER BEEN REQUESTED NOR OBTAINED.

VILLAGE OF SOLVAY, NEW YORK
FINANCIAL STATEMENTS - STATUTORY BASIS
and
INDEPENDENT AUDITOR'S REPORT

May 31, 2011

VILLAGE OF SOLVAY, NEW YORK
FINANCIAL STATEMENTS - STATUTORY BASIS
and
INDEPENDENT AUDITOR'S REPORT

May 31, 2011

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BOLLAM, SHEEDY, TORANI & CO. LLP
Certified Public Accountants
Albany, New York

INDEPENDENT AUDITOR'S REPORT

Mayor and Board of Trustees
Village of Solvay, New York
Solvay, New York

We have audited the accompanying statutory basis balance sheet - all fund types and account groups of the Village of Solvay, New York (Village), as of May 31, 2011, and the related statutory basis statements of revenues, expenditures, and changes in fund balance - all governmental fund types; revenues, expenditures, and changes in fund balance - budget and actual - general and special revenue fund types; balance sheet - proprietary fund type; income and changes in surplus - propriety fund type; and cash flows - proprietary fund type; for the year then ended. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation. We believe our audit provides a reasonable basis for our opinion.

As more fully described in Note 1 to the financial statements, the Village prepared these financial statements using accounting practices prescribed by the New York State Office of the State Comptroller and the New York Power Authority for reporting to those agencies, which are comprehensive bases of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the Village of Solvay, New York, as of May 31, 2011, and the changes in its financial position and cash flows, where applicable, thereof for the year ended in conformity with the basis of accounting described in Note 1.

This report is intended solely for the information and use of the Mayor, Members of the Board of Trustees, Members of the Municipal Electric Department Commission, the New York State Office of the State Comptroller, the New York Power Authority, and management, and is not intended to be and should not be used by anyone other than these specified parties.

Bollam Sheedy Torani & Co LLP

Albany, New York
December 1, 2011

VILLAGE OF SOLVAY, NEW YORK

BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS - STATUTORY BASIS

	May 31, 2011						Total (Memorandum Only)
	Governmental Fund Types			Fiduciary Fund Type	Account Groups		
	Special Revenue		Trust and Agency		Non-Current Governmental Assets	Non-Current Governmental Liabilities	
	General	Library		Capital Projects			
ASSETS AND OTHER DEBITS							
ASSETS							
Cash and cash equivalents	\$ 39,991	\$ 1,882	\$ 138,610	\$ -	\$ -	\$ -	\$ 180,483
Cash and cash equivalents, reserved	30,138	-	-	49,541	-	-	79,679
Accounts receivable	36,379	-	-	-	-	-	36,379
Due from state and federal governments	-	-	195,167	-	-	-	195,167
Due from other governments	68,290	-	-	-	-	-	68,290
Due from other funds	308,210	-	2,846	27,308	-	-	338,364
Prepaid expenses	91,376	2,281	-	-	-	-	93,657
Capital assets, net	-	-	-	-	8,692,264	-	8,692,264
	<u>574,384</u>	<u>4,163</u>	<u>336,623</u>	<u>76,849</u>	<u>8,692,264</u>	<u>-</u>	<u>9,684,283</u>
OTHER DEBITS							
Amounts to be provided for retirement of general long-term debt	-	-	-	-	-	3,434,294	3,434,294
	<u>\$ 574,384</u>	<u>\$ 4,163</u>	<u>\$ 336,623</u>	<u>\$ 76,849</u>	<u>\$ 8,692,264</u>	<u>\$ 3,434,294</u>	<u>\$ 13,118,577</u>
LIABILITIES, OTHER CREDITS, AND EQUITY							
LIABILITIES							
Accounts payable and accrued expenses	\$ 196,081	\$ 13,600	\$ 3,406	\$ -	\$ -	\$ -	\$ 213,087
Bond anticipation notes payable	-	-	2,605,334	-	-	-	2,605,334
Due to other governments	-	-	-	15,421	-	-	15,421
Due to other funds	227,522	-	421,922	-	-	-	649,444
Deferred revenue	21,026	-	190,000	-	-	-	211,026
Agency liabilities	-	-	-	61,428	-	-	61,428
Compensated absences	-	-	-	-	-	251,600	251,600
Landfill post-closure liability	-	-	-	-	-	336,000	336,000
Bonds payable	-	-	-	-	-	2,846,694	2,846,694
	<u>444,629</u>	<u>13,600</u>	<u>3,220,662</u>	<u>76,849</u>	<u>-</u>	<u>3,434,294</u>	<u>7,190,034</u>
OTHER CREDITS							
Investment in governmental capital assets	-	-	-	-	8,692,264	-	8,692,264
FUND BALANCE (DEFICIT)							
Reserved							
Public safety purposes	30,138	-	-	-	-	-	30,138
Unreserved, unappropriated	99,617	(9,437)	(2,884,039)	-	-	-	(2,793,859)
Total fund balance (deficit)	<u>129,755</u>	<u>(9,437)</u>	<u>(2,884,039)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,763,721)</u>
	<u>\$ 574,384</u>	<u>\$ 4,163</u>	<u>\$ 336,623</u>	<u>\$ 76,849</u>	<u>\$ 8,692,264</u>	<u>\$ 3,434,294</u>	<u>\$ 13,118,577</u>

The accompanying Notes to Financial statements - statutory basis are an integral part of these statements.

VILLAGE OF SOLVAY, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
ALL GOVERNMENTAL FUND TYPES - STATUTORY BASIS

	Year Ended May 31, 2011			
	Special Revenue			Total (Memorandum Only)
	General	Library	Capital Projects	
REVENUES				
Real property taxes	\$ 2,548,003	\$ -	\$ -	\$ 2,548,003
Real property tax items	773,967	-	-	773,967
Nonproperty taxes	1,026,504	-	-	1,026,504
Departmental revenues	61,221	11,009	-	72,230
Intergovernmental charges	2,800	50,000	-	52,800
Use of money and property	160,380	28	965	161,373
Licenses and permits	5,557	-	-	5,557
Fines and forfeitures	117,365	-	-	117,365
Sale of property and compensation for loss	34,068	-	-	34,068
Miscellaneous local sources	30,648	5,983	-	36,631
Interfund revenues	300,000	-	-	300,000
State aid	341,772	1,754	96,866	440,392
Total revenues	5,402,285	68,774	97,831	5,568,890
EXPENDITURES				
General government support	868,397	-	24,154	892,551
Public safety	1,263,402	-	-	1,263,402
Transportation	921,123	-	594,367	1,515,490
Culture and recreation	174,365	340,762	15,597	530,724
Home and community services	715,733	-	148,452	864,185
Employee benefits	1,071,754	54,389	-	1,126,143
Debt service				
Principal	418,140	-	-	418,140
Interest	155,352	-	-	155,352
Total expenditures	5,588,266	395,151	782,570	6,765,987
Deficiency of revenues over expenditures	(185,981)	(326,377)	(684,739)	(1,197,097)
OTHER FINANCING SOURCES (USES)				
Bond anticipation notes redeemed from appropriations	-	-	123,951	123,951
Operating transfers in	447,931	303,373	-	751,304
Operating transfers out	(303,373)	-	(12,455)	(315,828)
	144,558	303,373	111,496	559,427
Deficiency of revenues and other financing sources over expenditures and other financing uses	(41,423)	(23,004)	(573,243)	(637,670)
FUND BALANCE (DEFICIT), beginning of year	171,178	13,567	(2,310,796)	(2,126,051)
FUND BALANCE (DEFICIT), end of year	\$ 129,755	\$ (9,437)	\$ (2,884,039)	\$ (2,763,721)

The accompanying Notes to Financial statements - statutory basis are an integral part of these statements.

VILLAGE OF SOLVAY, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUND TYPES - STATUTORY BASIS

	Year Ended May 31, 2011											
	General				Special Revenue Fund				Total (Memorandum Only)			
	Original Budget	Modified Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Modified Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Modified Budget	Actual	Variance Favorable (Unfavorable)
REVENUES												
Real property taxes	\$ 2,542,209	\$ 2,548,003	\$ 2,548,003	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,542,209	\$ 2,548,003	\$ 2,548,003	\$ -
Real property tax items	779,087	760,383	773,967	13,584	-	-	-	-	779,087	760,383	773,967	13,584
Nonproperty taxes	1,082,835	1,039,887	1,026,504	(13,383)	-	-	-	-	1,082,835	1,039,887	1,026,504	(13,383)
Departmental income	66,832	64,659	61,221	(3,438)	9,000	11,000	11,009	9	75,832	75,659	72,230	(3,429)
Intergovernmental charges	-	2,800	2,800	-	100,000	50,000	50,000	-	100,000	52,800	52,800	-
Use of money and property	134,500	159,789	160,380	591	-	27	28	1	134,500	159,816	160,408	592
Licenses and permits	4,500	4,967	5,557	590	5,854	5,436	-	(5,436)	10,354	10,403	5,557	(4,846)
Fines and forfeitures	75,000	126,190	117,365	(8,825)	-	-	-	-	75,000	126,190	117,365	(8,825)
Sale of property and compensation for loss	15,500	33,687	34,068	381	-	-	-	-	15,500	33,687	34,068	381
Miscellaneous local sources	4,000	22,536	30,648	8,112	-	547	5,983	5,436	4,000	23,083	36,631	13,548
Interfund revenues	700,000	700,000	300,000	(400,000)	-	-	-	-	700,000	700,000	300,000	(400,000)
State aid	319,590	341,772	341,772	-	1,726	1,925	1,754	(171)	321,316	343,697	343,526	(171)
Total revenues	5,724,053	5,804,673	5,402,285	(402,388)	116,580	68,935	68,774	(161)	5,840,633	5,873,608	5,471,059	(402,549)
EXPENDITURES												
General government support	899,168	870,246	868,397	1,849	-	-	-	-	899,168	870,246	868,397	1,849
Public safety	1,191,343	1,245,581	1,263,402	(17,821)	-	-	-	-	1,191,343	1,245,581	1,263,402	(17,821)
Transportation	847,531	834,669	921,123	(86,454)	-	-	-	-	847,531	834,669	921,123	(86,454)
Culture and recreation	192,836	177,153	174,365	2,788	344,225	335,496	340,762	(5,266)	537,061	512,649	515,127	(2,478)
Home and community services	731,897	719,579	715,733	3,846	-	-	-	-	731,897	719,579	715,733	3,846
Employee benefits	1,079,765	1,067,676	1,071,754	(4,078)	73,610	55,970	54,389	1,581	1,153,375	1,123,646	1,126,143	(2,497)
Debt service												
Principal	418,141	418,141	418,140	1	-	-	-	-	418,141	418,141	418,140	1
Interest	155,277	149,097	155,352	(6,255)	-	-	-	-	155,277	149,097	155,352	(6,255)
Total expenditures	5,515,958	5,482,142	5,588,266	(106,124)	417,835	391,466	395,151	(3,685)	5,933,793	5,873,608	5,983,417	(109,809)
Excess (deficiency) of revenues over expenditures	208,095	322,531	(185,981)	(508,512)	(301,255)	(322,531)	(326,377)	(3,846)	(93,160)	-	(512,358)	(512,358)
OTHER FINANCING SOURCES (USES)												
Appropriated interfund transfer in	-	-	447,931	447,931	301,255	322,531	303,373	(19,158)	301,255	322,531	751,304	428,773
Appropriated interfund transfer out	(301,255)	(322,531)	(303,373)	19,158	-	-	-	-	(301,255)	(322,531)	(303,373)	19,158
Appropriated fund balance	93,160	-	-	-	-	-	-	-	93,160	-	-	-
Total other financing sources	(208,095)	(322,531)	144,558	467,089	301,255	322,531	303,373	(19,158)	93,160	-	447,931	447,931
Deficiency of revenues and other financing sources over expenditures	\$ -	\$ -	(41,423)	\$ (41,423)	\$ -	\$ -	(23,004)	\$ (23,004)	\$ -	\$ -	(64,427)	\$ (64,427)
FUND BALANCE, beginning of year			171,178				13,567				184,745	
FUND BALANCE, end of year			\$ 129,755				\$ (9,437)				\$ 120,318	

The accompanying Notes to Financial statements - statutory basis are an integral part of these statements.

VILLAGE OF SOLVAY, NEW YORK

BALANCE SHEET - PROPRIETARY FUND TYPE - STATUTORY BASIS

	<u>May 31,</u> <u>2011</u>
ASSETS	
UTILITY PLANT	
Plant in service, at original cost	\$ 27,745,948
Less accumulated depreciation	<u>12,426,912</u>
	15,319,036
Construction work-in-process	<u>1,592,391</u>
Total net utility plant	<u>16,911,427</u>
RESERVED ASSET	
Cash and cash equivalents	<u>4,842,302</u>
CURRENT ASSETS	
Cash and cash equivalents, unreserved	1,222,565
Accounts receivable, net	505,987
Unbilled receivables	944,185
Current installments of loans receivable	73,260
Due from other funds	311,080
Inventory	620,294
Prepaid expenses	<u>76,174</u>
Total current assets	<u>3,753,545</u>
OTHER ASSETS	
Loans receivable, less current installments	<u>253,080</u>
TOTAL ASSETS	<u>\$ 25,760,354</u>
EQUITY AND LIABILITIES	
EQUITY	
Surplus	\$ 20,788,396
Contributions to other funds	(11,861,150)
Contribution in aid of construction	<u>6,909,451</u>
Total equity	<u>15,836,697</u>
OTHER LIABILITIES, less current installments	
Bonds payable	1,405,000
Equipment obligations	37,422
Bond anticipation notes payable	<u>4,135,000</u>
Total other liabilities	<u>5,577,422</u>
CURRENT LIABILITIES	
Current installments of bonds payable	180,000
Accounts payable and accrued expenses	3,777,572
Accrued payroll related expenses	51,174
Accrued interest payable	32,954
Customer deposits	31,200
Compensated absences	255,000
Other liabilities	<u>18,335</u>
Total current liabilities	<u>4,346,235</u>
TOTAL EQUITY AND LIABILITIES	<u>\$ 25,760,354</u>

The accompanying Notes to Financial statements - statutory basis are an integral part of these statements.

VILLAGE OF SOLVAY, NEW YORK

STATEMENT OF INCOME AND CHANGES IN SURPLUS –
 PROPRIETARY FUND - STATUTORY BASIS

	<u>Year Ended May 31, 2011</u>
OPERATING REVENUES	
Residential	\$ 3,441,223
Commercial	1,650,611
Industrial	19,498,649
Unbilled credits to customers	(323,976)
Other	294,505
	<u>24,561,012</u>
OPERATING EXPENSES	
Electricity purchased	<u>18,160,018</u>
Operation of distribution system	634,308
Repairs	32,339
	<u>666,647</u>
Other operating expenses (income)	
Maintenance of poles, towers, fixtures, and conduits	371,011
Street lighting and signal system	177,565
Consumers' accounting and collecting	108,168
Independent Energy Efficiency Program	579,071
Recoveries of uncollectible accounts	(6,909)
	<u>1,228,906</u>
Depreciation	<u>757,004</u>
Administrative and general	
Salaries and expenses	778,418
Employee benefits	827,949
Insurance	125,809
Office expenses	291,470
Rents	155,900
Other	361,796
	<u>2,541,342</u>
Total operating expenses	<u>23,353,917</u>
Net operating income	<u>1,207,095</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	65,090
Interest expense	(149,357)
	<u>(84,267)</u>
Net income	1,122,828
SURPLUS, beginning of year	<u>19,665,568</u>
SURPLUS, end of year	<u>\$ 20,788,396</u>

The accompanying Notes to Financial statements - statutory basis are an integral part of these statements.

VILLAGE OF SOLVAY, NEW YORK

STATEMENT OF CASH FLOWS - PROPRIETARY FUND - STATUTORY BASIS

	<u>Year Ended May 31, 2011</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Cash received from customers	\$ 24,849,569
Cash paid to suppliers and other vendors	(20,984,208)
Cash paid for salaries and employee benefits	(1,589,621)
	<u>2,275,740</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	
Interest received	73,183
Principal received on loan	73,260
Advances from other Village funds	(116,409)
	<u>30,034</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase/construction of utility plant	(604,972)
Construction work-in-process, net	(1,427,238)
Payments on bonds payable	(190,000)
Proceeds from issuance of bond anticipation notes payable	(65,000)
Payments on equipment obligations payable	(59,804)
Interest expense paid	(154,081)
Decrease in reserved cash and cash equivalents	814,382
Contributions in aid of construction	36,628
Contributions to other Village funds	(795,476)
	<u>(2,445,561)</u>
Net decrease in cash and cash equivalents	(139,787)
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,362,352</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 1,222,565</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income	\$ 1,207,095
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Amortization charges	(3,498)
Depreciation expense	757,004
Depreciation charges allocated to operating expense or utility plant	95,268
Uncollectible revenues, net of recoveries	(6,909)
(Increase) decrease in	
Receivables	(28,510)
Unbilled receivables	323,976
Inventory	(59,000)
Prepaid expenses	(25,339)
Increase (decrease) in	
Accounts payable and accrued expenses	(2,543)
Accrued payroll related expenses	3,746
Customer deposits	1,450
Compensated absences	13,000
	<u>\$ 2,275,740</u>

The accompanying Notes to Financial statements - statutory basis are an integral part of these statements.

VILLAGE OF SOLVAY, NEW YORK

NOTES TO FINANCIAL STATEMENTS - STATUTORY BASIS
May 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Presentation

The Village of Solvay, New York (Village) has elected to prepare its financial statements on the statutory bases required by the New York State Office of the State Comptroller (OSC) and the New York Power Authority (NYPA) for annual reports to those agencies. These statutory bases varies from accounting principles generally accepted in the United States of America (GAAP) primarily in that under GAAP, the following attributes are present:

- Financial statements include two new statements, the statement of net assets and the statement of activities, collectively referred to as the "government-wide" financial statements which are presented on the full accrual basis of accounting.
- A Management's Discussion and Analysis (MD&A) is required as supplemental information that precedes the basic financial statements and is intended to provide an objective analysis of the government's financial activities.
- Fund-based financial statements are reconciled to the "government-wide" statements.
- Capital assets other than land are depreciated and reported in the "government-wide" statement of net assets at their net book value, and depreciation expense is allocated to the major function on the statement of activities based on the use of underlying assets.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

b. Use of Estimates

In preparing the financial statements in conformity with the accounting principles prescribed by the OSC and NYPA, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

c. Financial Reporting Entity

The Village was established in 1894, is governed by a charter, general laws of the State of New York, and various local laws and ordinances. The Board of Trustees is the legislative body responsible for the overall operation of the Village and is comprised of the Mayor and four Trustees. The Mayor serves as chief executive officer, and the Village Clerk-Treasurer serves as chief fiscal officer.

The Village provides police protection, street maintenance and reconstruction, snow removal, code enforcement, refuse collection, parks and recreation, sanitary and storm sewer maintenance, library services, electricity, and general and administrative services to the residents of the Village.

The Village Board created the Village of Solvay Municipal Electric Department Commission pursuant to New York State Village Law in July 2005 to manage the Electric Fund established in 1896. The Commission is not an independent body, but a subsidiary body acting for and at the pleasure of the Board of Trustees.

All governmental activities and functions performed for the Village are the direct responsibility of the Board of Trustees.

The financial reporting entity consists of: (a) the primary government which is the Village of Solvay, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

VILLAGE OF SOLVAY, NEW YORK

NOTES TO FINANCIAL STATEMENTS - STATUTORY BASIS

May 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

c. Financial Reporting Entity - Continued

In evaluating how to define the Village for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to influence operations significantly, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the Village and/or its citizens, or whether the activity is conducted within geographic boundaries of the Village and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Village is able to exercise oversight responsibilities. Based on the application of these criteria, the following is a brief review of the potential component units addressed in defining the Village's reporting entity.

The Village of Solvay Public Library has been included within the reporting entity as a Special Revenue Fund. This Special Revenue Fund accounts for the revenue and expenditures recognized in the operation of the Library. The Library was established in 1905 by the Village and granted a charter by the State Board of Regents as provided in Article 5 of Education Law. The Village appoints trustees; raises taxes for Library purposes; has title to the real property used by the Library; and issues all Library indebtedness which is supported by the full faith and credit of the Village.

d. Fund Accounting

The Village uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental fund types are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (Special Revenue Funds) and the acquisition or construction of general fixed assets (Capital Projects Funds). The General Fund is used to account for all activities of the general government not accounted for in another fund.

The following are the Village's governmental fund types:

1) General Fund

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

2) Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue resources other than major capital projects that are legally restricted to expenditures for specified purposes. The Special Revenue Fund of the Village is as follows:

Library Fund - Used to account for the operations of the Village of Solvay Public Library.

VILLAGE OF SOLVAY, NEW YORK

NOTES TO FINANCIAL STATEMENTS - STATUTORY BASIS

May 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

d. *Fund Accounting* - Continued

3) *Capital Projects Fund*

The Capital Project Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment.

The Village uses a proprietary fund type to account for its electric operations. The Village's Electric Fund is engaged in the distribution of retail electric power in the Village and surrounding communities within the Town of Geddes. The Electric Fund is subject to regulation by NYPA with respect to wholesale power purchased, rate structure, accounting, and other matters.

The Village uses fiduciary funds to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. Agency funds generally are used to account for assets that the government holds on behalf of others as their agent.

The Village also accounts for the following:

Non-Current Governmental Assets - The non-current governmental assets account group is used to account for capital assets used in governmental fund type operations. Depreciation is recorded on governmental capital assets, but no depreciation expense is allowed to be recognized in the General Fund.

Non-Current Governmental Liabilities - The non-current governmental liabilities account group is used to account for long-term liabilities to be financed from governmental fund types.

e. *Basis of Accounting - Measurement Focus*

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financial uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction that can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Village considers property taxes available if they are collected within 60 days after year end. A 60-day availability period is also used for revenue recognition for all other governmental fund type revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as expenditures when due and compensated absences, such as vacation and sick leave which vests or accumulates, are charged as an expenditure when paid.

The Village reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both of the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet, and revenue is recognized.

VILLAGE OF SOLVAY, NEW YORK

NOTES TO FINANCIAL STATEMENTS - STATUTORY BASIS

May 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

e. Basis of Accounting - Measurement Focus - Continued

The Electric Fund's balance sheet and statement of income and changes in surplus are prepared on the accrual basis. NYPA regulations require that the records be maintained in accordance with the *Uniform System of Accounts for Municipal Electric Utilities* prescribed by the New York State Department of Public Service (PSC). Operating revenues of the Electric Fund are determined based on customer usage and demand charged at base rates for each consumer class approved by NYPA. Purchased power costs incurred in excess of those costs included in the base rate calculation are passed on to the consumer at no profit or loss to the Electric Fund by means of a "Purchased Power Adjustment" (PPA) factor. The pass-through of these costs or credits to its customers is known as PPA revenues or credits and is included in total revenues in these financial statements.

Those revenues susceptible to accrual are real property taxes, state and federal aid, sales tax, interest revenue, charges for services, and fines. All other revenue items are considered to be measurable and available only when cash is received by the Village.

f. Budgets

Budgets are adopted on the statutory basis as required by the New York State Office of the State Comptroller. All annual appropriated budgets are adopted for the General and Special Revenue Funds.

The Village employs the following budgetary procedures:

- 1) No later than March 20th, the budget officer submits a tentative budget to the Village Clerk for the fiscal year commencing the following June 1st. The tentative budget includes proposed expenditures and the proposed means of financing for all operating funds for the Village.
- 2) After a public hearing is conducted to obtain taxpayer comments, but no later than May 1st, the Village adopts the preliminary budget.
- 3) All revisions that alter appropriations of any department or fund must be approved by the Village Board.
- 4) Budgetary appropriations are established for individual capital projects through resolutions authorizing the corresponding Capital Fund to be established which remain in effect for the life of the project.

Encumbrances - Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Open encumbrances at year-end are reported as reservations of fund balance since the commitments do not constitute expenditures or liabilities. Open encumbrances authorized by appropriation from the previous year's budget, after review and approval, are added to the current year's budget approved by the Board to provide the modified budget which is presented in the accompanying financial statements.

g. Cash and Cash Equivalents

Cash and cash equivalents consist of cash and time deposits, which mature no more than three months after the date purchased.

The Village's investment policies are governed by State statutes and various resolutions of the Board of Trustees. Village monies must be maintained in demand accounts or certificates of deposit in an FDIC-insured commercial bank or trust company authorized to do business in New York State. Other permissible investments include obligations of the U.S. Treasury, U.S. Agencies, and New York State or its localities.

VILLAGE OF SOLVAY, NEW YORK

NOTES TO FINANCIAL STATEMENTS - STATUTORY BASIS
May 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

g. Cash and Cash Equivalents - Continued

The Village is required to collateralize its cash deposits in excess of the Federal Deposit Insurance Corporation limit. This collateral is in the form of government and government agencies' securities pledged by the bank, under a third-party trust agreement. As of May 31, 2011, the collateral was sufficient to secure the Village's deposits.

Reserved cash and cash equivalents are reserved for use and purposes by the Board.

Reserved cash and cash equivalents are held for the following purposes:

General Fund:

Reserve for Public Safety Purposes - The Village is required to set aside funds received for Stop DWI programs and forfeited assets, and has elected to set aside funds for capital improvements for use by the Village police department. The balance in the Public Safety Reserve was \$30,138 at May 31, 2011.

Trust and Agency Fund:

Justice Court - The Village recognizes the funds maintained by the Village Justice Court. Fine and bail deposits maintained by the Justice Court totaled \$49,541 at May 31, 2011.

Electric Fund:

Debt Reserve - The Electric Fund has elected to reserve current operating funds to pay future debt service. The balance in the Debt Reserve was \$710,883 at May 31, 2011.

Customer Deposits Fund - The Electric Fund requires deposits from its customers prior to providing service. Unused deposits are returned to customers when service is terminated. The balance of the Customer Deposits Fund was \$82,254 at May 31, 2011.

NYPA Transmission Congestion Credits Reserve - The Electric Fund has elected to reserve current operating funds to pay for the purchase of future NYPA Transmission Congestion Credits. The balance of the NYPA Transmission Congestion Credits Reserve was \$765,531 at May 31, 2011.

Electric System Improvement Reserve - The Electric Fund has established a reserve for funds received from borrowings. The borrowed funds are to be used for improvements to the entire electric system. The balance in the Electric System Improvement Reserve was \$3,283,634 at May 31, 2011.

h. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

i. Accounts Receivable, Net

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts, if any, by identifying troubled accounts and by using historical experience applied to an aging of accounts. The allowance for doubtful accounts within the Electric Fund at May 31, 2011, was \$55,591. No allowance was deemed necessary within the other funds.

VILLAGE OF SOLVAY, NEW YORK

NOTES TO FINANCIAL STATEMENTS - STATUTORY BASIS

May 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

i. Accounts Receivable, Net - Continued

Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. During the year ended May 31, 2011, the Electric Fund recovered accounts receivable previously written off, net of current year write offs, totaling \$6,909. An account receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. Interest is charged on accounts receivable that are outstanding for more than 30 days and is recognized as it is charged. Interest continues to accrue while an account remains active. Once service is terminated, interest charges are suspended.

j. Unbilled Accounts Receivable and Revenues

The Village bills electric users for services that have already been provided. Due to a delay in billing for customer consumption during the winter period, the Village has unbilled electric accounts receivable and revenue of \$944,185 at May 31, 2011. As a result of a budget plan established for the Village by NYPA for its purchased power, this amount is also owed to NYPA for purchased power that has been received by the Village and delivered to its customers, but not yet paid for during the same period.

k. Inventory

Electric Fund inventory is valued using an average cost method. Inventory materials recovered and returned to stock in construction, maintenance, or the retirement of operating property are valued at current replacement prices. Inventory consists of components, parts, and tools held for consumption.

Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed.

l. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both the governmental fund and proprietary fund financial statements.

m. Fixed Assets

Non-Current Governmental Assets Account Group

Capital assets (excluding those of the Electric Fund) are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the non-current governmental assets account group. The Village has elected to record accumulated depreciation, but no depreciation expense is recorded in governmental funds. Depreciation of capital assets for governmental funds is computed using the straight-line method of depreciation over useful lives ranging from five to sixty years.

Electric Fund Utility Plant

Under the provisions of the *Uniform System of Accounts for Municipal Electric Utilities*, operating property is recorded at cost, including capitalized labor and overhead. Overhead costs include fringe benefits, warehouse, and truck costs. Operating property constructed with capital fees received from customers or other parties is included in utility plant. Capital fees received from outside parties totaled \$6,909,451 as of May 31, 2011, and are included in equity. When operating property is retired, the book cost, together with the cost of removal, is charged to accumulated depreciation. The provision for depreciation has been computed, based on asset groups, under the straight-line method utilizing rates approved by the Electric Fund. These rates range from 2.1% to 8.2% per annum and are within the ranges recommended by FERC and NYPA.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the operating property, as applicable.

VILLAGE OF SOLVAY, NEW YORK

NOTES TO FINANCIAL STATEMENTS - STATUTORY BASIS
May 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

m. Fixed Assets - Continued

Electric Fund Utility Plant - Continued

Management periodically reviews long-lived assets for impairment to determine whether any events or circumstances indicate the carrying value of the assets may not be recoverable. No impairment was identified in 2011.

n. Landfill Closure and Post-Closure Costs

During 2009, the Village completed the landfill closure project and issued a bond to cover the costs incurred by the Village that exceeded the grant awarded of \$1,385,000 from the New York State Department of Environmental Conservation (NYSDEC).

The Village's responsibility and liability for monitoring the landfill will continue for thirty years from the date closure is finalized. The estimated post-closure costs have been estimated at \$336,000 as of May 31, 2011, but are subject to change due to items such as inflation, technology, changes in regulations, or a truncated monitoring period. This liability has been included in the non-current governmental liabilities account group. The Village has twenty-eight years remaining to perform post-closure monitoring at May 31, 2011.

o. Compensated Absences

Village employees are granted vacation, personal, and sick leave, in varying amounts. Vacation and personal leave must be taken in the year earned for all employees. However, upon separation of service, employees are eligible to receive the value of any accumulated vacation leave.

Sick leave may be accumulated up to a maximum amount of 130 hours. Upon retirement, employees are eligible to receive the value of any unused sick leave.

For governmental activities, the current portion of vested leave time that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability in the governmental fund that will pay it. The long-term portion of leave time is accrued in the schedule of non-current governmental liabilities. Accrued compensated absences for governmental activities totaled \$251,600 at May 31, 2011.

Within the Electric Fund, vested or accumulated vacation and sick leave are recorded as an expense and liability as the benefits accrue to employees. Accrued compensated absences for Electric Fund employees totaled \$255,000 at May 31, 2011.

p. Postretirement Benefits

In addition to providing pension benefits, the Village provides health insurance coverage benefits for retired employees and their spouses. Substantially all of the Village's employees may become eligible for these benefits if they reach normal retirement age while working for the Village. Health care benefits are provided through an insurance company, and premiums are based on benefits paid during the year. The Village recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid. These benefits were provided to 28 retirees and their spouses, at a cost of approximately \$53,000 for the year ended May 31, 2011, net of contributions by the retirees.

VILLAGE OF SOLVAY, NEW YORK

NOTES TO FINANCIAL STATEMENTS - STATUTORY BASIS

May 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

q. Fund Balance - Reserves

Reservations of fund balances are created to either satisfy legal restrictions or to plan for future expenditures. The following is a description of the reserves utilized by the Village.

Reserve for public safety purposes - Represents the portion of fund balance reserved for future expenditures of the Stop DWI program, forfeited assets, and capital reserves available for use by the Village police department.

r. Total (Memorandum Only) Columns

Included in the financial statements are columns captioned "Total (Memorandum Only)" to indicate that they are presented only for information purposes. Adjustments to eliminate interfund transactions have not been recorded in arriving at such amounts, and the memorandum totals are not intended to fairly present the financial position or results of operations of the Village taken as a whole.

s. Subsequent Events

In preparing the financial statements and notes thereto, the Village considered subsequent events through December 1, 2011, the date the financial statements were available to be issued.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Village administration prepares a proposed budget for approval by the Board of Trustees for the General and Library Funds, the only funds with legally adopted budgets. The budgets are adopted annually no later than March 20th, on the statutory basis as required by the New York State Office of the State Comptroller. Appropriations are adopted at the program line item level. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year and any appropriated reserve funds. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the fiscal year end. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

Expenditures may not legally exceed budgeted appropriations at the activity level. During the year, several supplementary appropriations were necessary, however, there were still four activity levels that exceed budgeted appropriations and total actual expenditures exceeded budgeted appropriations at year end.

Fund Deficit

The Capital Projects Fund has a deficit fund balance of \$2,884,039 at May 31, 2011. It is expected that this deficit will be eliminated with the receipts of various capital grants, transfers from the General Fund, and issuance of long-term financing over the next two years.

NOTE 3 - PROPERTY TAXES

Property taxes attach an enforceable lien on property as of June 1st. Taxes are levied on June 1st and are payable by June 30th. The Village bills and collects its own property taxes through October 31st, at which time any unpaid property taxes are relieved to the County of Onondaga property taxes. On or around April 1st, the County pays the Village the full amount of unpaid taxes plus interest and penalties.

VILLAGE OF SOLVAY, NEW YORK

NOTES TO FINANCIAL STATEMENTS - STATUTORY BASIS
May 31, 2011

NOTE 4 - CAPITAL ASSETS, NET

The following is a summary of changes in the non-current governmental assets account group during the year:

	Balance at June 1, 2010	Additions	Disposals	Adjustments	Balance at May 31, 2011
Land	\$ 338,793	\$ -	\$ -	\$ -	\$ 338,793
Buildings	2,392,819	1,228,462	-	-	3,621,281
Improvements	586,282	-	-	-	586,282
Office and shop equipment	418,505	14,344	-	-	432,849
Trucks and vehicles	1,625,987	24,154	(19,491)	-	1,630,650
Infrastructure	6,347,907	117,530	(71,274)	-	6,394,163
Construction in progress	925,000	-	(925,000)	-	-
Capital assets	12,635,293	<u>\$ 1,384,490</u>	<u>\$ (1,015,765)</u>	<u>\$ -</u>	13,004,018
Accumulated depreciation	<u>(3,939,314)</u>	<u>\$ (349,413)</u>	<u>\$ 26,838</u>	<u>\$ (49,865)</u>	<u>(4,311,754)</u>
Capital assets, net	<u>\$ 8,695,979</u>				<u>\$ 8,692,264</u>

A summary of the Electric Fund's utility plant, at cost, as of May 31, 2011, is as follows:

	Balance at June 1, 2010	Additions	Disposals	Balance at May 31, 2011
Land	\$ 187,321	\$ -	\$ -	\$ 187,321
Buildings	1,137,721	23,295	-	1,161,016
Substation and distribution equipment	24,724,475	570,497	(52,637)	25,242,335
Office and shop equipment	91,608	10,220	-	101,828
Trucks and vehicles	1,019,760	2,100	-	1,021,860
Other equipment	31,588	-	-	31,588
Plant in service	27,192,473	606,112	(52,637)	27,745,948
Accumulated depreciation	<u>(11,626,137)</u>	<u>(853,412)</u>	<u>52,637</u>	<u>(12,426,912)</u>
Plant in service, net	15,566,336	(247,300)	-	15,319,036
Construction in progress	165,153	1,427,238	-	1,592,391
Total net utility plant	<u>\$ 15,731,489</u>	<u>\$ 1,179,938</u>	<u>\$ -</u>	<u>\$ 16,911,427</u>

Depreciation expense for plant in service was \$757,004 for 2011. Depreciation charges on transportation and shop equipment have been allocated to the various expense or operating property accounts via the Electric Fund's work order system, as prescribed by the *Uniform System of Accounts for Municipal Electric Utilities*. These depreciation charges totaled \$95,268 for the year ended May 31, 2011. Depreciation expense and charges for the year ended May 31, 2011, represented 3% of the plant in service at May 31, 2011. In accordance with the *Uniform System of Accounts for Municipal Electric Utilities*, net costs associated with the retirement, removal, salvage, and proceeds upon disposition of fixed assets have been charged against accumulated depreciation.

VILLAGE OF SOLVAY, NEW YORK

NOTES TO FINANCIAL STATEMENTS - STATUTORY BASIS
May 31, 2011

NOTE 5 - BOND ANTICIPATION NOTES (BANs)

The Village has issued several Bond Anticipation Notes (BANs) to finance the cost of improvements to the Library and Police Department renovations, Highway garage construction, landfill closure, and other capital additions. It is management's intention to renew the BANs on each maturity date and to repay the BANs over a long-term period. As a result, the anticipated current portion of the BANs for capital projects is included herein under current liabilities.

A summary of the Village's indebtedness under BANs payable, as of May 31, 2011, is as follows:

Description	Issue Date	Maturity Date	Interest Rate	Balance at May 31, 2011
Capital Projects Fund				
Highway garage - phase 1	11/18/2010	11/17/2011	1.95%	\$ 495,000
Highway garage - phase 2	6/16/2010	6/15/2011	1.30%	425,000
Library renovations	2/15/2010	2/15/2011	2.50%	1,615,000
Highway trucks	8/12/2009	8/12/2012	3.25%	43,334
Police vehicle	9/22/2010	9/22/2013	2.75%	27,000
				<u>\$ 2,605,334</u>

The following is a summary of changes in BANs payable:

	Balance June 1, 2010	New Issues	Principal Payments	Balance, May 31, 2011
Capital Projects Fund	\$ 2,277,285	\$ 452,000	\$ (123,951)	\$ 2,605,334
Electric Fund	4,200,000	-	(65,000)	4,135,000
	<u>\$ 6,477,285</u>	<u>\$ 452,000</u>	<u>\$ (188,951)</u>	<u>\$ 6,740,334</u>

Interest expense on the above indebtedness was \$100,842 for the year ended May 31, 2011. Interest paid was \$101,136 for the year ended May 31, 2011.

NOTE 6 - BONDS PAYABLE

A summary of bond transactions of the Village is as follows:

	May 31, 2011		
	Non-Current Governmental Liabilities	Electric Fund	Total
Bonds payable, beginning of year	\$ 3,140,883	\$ 1,775,000	\$ 4,915,883
Principal payments	(294,189)	(190,000)	(484,189)
Bonds payable, end of year	<u>\$ 2,846,694</u>	<u>\$ 1,585,000</u>	<u>\$ 4,431,694</u>

VILLAGE OF SOLVAY, NEW YORK

NOTES TO FINANCIAL STATEMENTS - STATUTORY BASIS
May 31, 2011

NOTE 6 - BONDS PAYABLE - Continued

A summary of the Village's General Fund's indebtedness under bonds payable, as of May 31, 2011, is as follows:

Description	Issue Date	Maturity Date	Interest Rate	Balance at May 31, 2011
General Fund				
2005 Sidewalk Serial Bond	2/15/2005	2/15/2015	4.50%	\$ 226,694
2005 Sidewalk Phase II Serial Bond	10/5/2006	10/5/2015	4.50%	250,000
2006 Sidewalk Phase III Serial Bond	6/20/2006	6/20/2016	4.55%	300,000
2006 Sidewalk Phase IV Serial Bond	9/21/2006	9/21/2016	4.70%	300,000
2007 Police Renovation Bond	1/15/2008	1/15/2028	4.20-4.625%	720,000
2009 Landfill Closure Serial Bond	6/1/2008	6/1/2028	4.27%	1,050,000
				<u>\$ 2,846,694</u>

A summary of the Electric Fund's indebtedness under bonds payable, as of May 31, 2011, is as follows:

Description	Issue Date	Maturity Date	Interest Rate	Balance at May 31, 2011
Electric Fund				
2000 Public Improvement Serial Bond	10/1/2000	10/1/2018	7.80%	\$ 490,000
2001 Public Improvement Serial Bond	10/1/2001	10/1/2018	4.50-5.25%	75,000
2007 Public Improvement Serial Bond	4/1/2007	4/1/2026	4.25-4.50%	1,020,000
				<u>1,585,000</u>
Less current installments				<u>180,000</u>
Bonds payable, less current installments				<u>\$ 1,405,000</u>

A summary of aggregate minimum annual maturities of bonds payable is as follows:

	Principal	Interest	Total
For the year ending May 31, 2012	\$ 472,988	\$ 187,816	\$ 660,804
2013	470,373	164,233	634,606
2014	482,865	140,519	623,384
2015	460,468	117,578	578,046
2016	365,000	96,826	461,826
2017 through 2021	1,020,000	324,987	1,344,987
2022 through 2026	1,045,000	142,238	1,187,238
2027 through 2028	115,000	8,094	123,094
	<u>\$ 4,431,694</u>	<u>\$ 1,182,291</u>	<u>\$ 5,613,985</u>

Interest expense on the above indebtedness was \$210,367 for the year ended May 31, 2011. Interest paid was \$211,679 for the year ended May 31, 2011.

VILLAGE OF SOLVAY, NEW YORK

NOTES TO FINANCIAL STATEMENTS - STATUTORY BASIS

May 31, 2011

NOTE 7 - EQUIPMENT OBLIGATIONS PAYABLE

The Electric Fund has entered into two separate Municipal Assistance Program loans with NYPA to finance the purchase of certain hybrid vehicles totaling \$179,412. The loans call for thirty-six monthly principal payments of \$4,091 and \$893, with no interest. The loans mature in September 2011 and December 2012, are secured by the vehicles, and had outstanding balances totaling \$37,422 at May 31, 2011.

A summary of aggregate minimum annual maturities of equipment obligations payable is as follows:

For the year ending May 31, 2012	\$ 31,171
2013	<u>6,251</u>
	<u>\$ 37,422</u>

NOTE 8 - INTERFUND TRANSACTIONS

Due To/Due From Other Funds

A summary of interfund amounts due to and due from other funds is as follows:

	May 31, 2011	
	Due From	Due To
General Fund	\$ 308,210	\$ 227,522
Capital Projects Fund	2,846	421,922
Electric Fund	311,080	-
Trust and Agency	<u>27,308</u>	-
Total due to other funds	<u>\$ 649,444</u>	<u>\$ 649,444</u>

Interfund Transfers In/Out

A summary of interfund amounts transferred in from and out of other funds is as follows:

	Year Ended May 31, 2011			
	Transfer Out			
	General Fund	Capital Projects Fund	Electric Fund	Total
Transfers In				
General Fund	\$ -	\$ 12,455	\$ 435,476	\$ 447,931
Library Fund	<u>303,373</u>	-	-	<u>303,373</u>
Total	<u>\$ 303,373</u>	<u>\$ 12,455</u>	<u>\$ 435,476</u>	<u>\$ 751,304</u>

The Electric Fund donates electric service to the Village related to public street lighting and other types of lighting. Donated electric service totaled \$60,476 for the year ended May 31, 2011, and is included above as an interfund transfer out.

VILLAGE OF SOLVAY, NEW YORK

NOTES TO FINANCIAL STATEMENTS - STATUTORY BASIS
May 31, 2011

NOTE 8 - INTERFUND TRANSACTIONS - Continued

In addition, during the year ended May 31, 2011, the Electric Fund paid \$360,000 as a "payment in lieu of taxes" (PILOT) based on the assessed value of its operating property within the Village multiplied by the Village's property tax rate. The Electric Fund also donated \$400,000 to the Village during fiscal 2011. This donation is included above as interfund transfers out.

The electric service, PILOT, and donation are considered contributions to the Village's General Fund and have been reported in the proprietary fund financial statements as a change in fund equity. The General Fund recognizes the PILOT payment as "real property tax items," and the electric service and donation are recognized as a transfer in from the Electric Fund.

The Electric Fund rents office and warehouse space from the General Fund. Annual rent for this space is \$300,000 and is recorded as interfund revenue in the General Fund's statement of revenues and expenditures. The Electric Fund includes the rent payments in administrative and general expenses.

NOTE 9 - NEW YORK STATE RETIREMENT SYSTEMS

a. Plan Description

The Village participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS). These are cost-sharing multi-employer retirement systems. The ERS and PFRS (Systems) provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, New York 12244.

b. Funding Policy

The Systems are noncontributory except for employees who joined the ERS after July 27, 1976, who contribute 3% of their salary for the first ten years of membership and employees who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS) who generally contribute 3% of their salary for the entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the rates expressed used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ended March 31. The required contributions for the current year and the two preceding years were:

	<u>ERS</u>	<u>PFRS</u>
2011	\$ 329,321	\$ 134,957
2010	191,112	83,974
2009	193,951	135,500

Contributions made to the Systems were equal to 100% of the contributions required for each year.

VILLAGE OF SOLVAY, NEW YORK

NOTES TO FINANCIAL STATEMENTS - STATUTORY BASIS

May 31, 2011

NOTE 10 - COMMITMENTS AND CONTINGENCIES

a. Grant Programs

The Village participates in a number of grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The Village believes, based upon its review of current activity and prior experience, the amount of disallowances resulting from these audits, if any, will not be significant to the Village's financial position or results of operations.

b. Pending Litigation

The Village is involved in certain suits and claims arising from a variety of sources. It is the opinion of counsel that the liabilities that may arise from such actions would not result in losses that would materially affect the financial position of the Village or the results of its operations.

c. Power Supply and Transmission Contracts

Electric power distributed by the Electric Fund is obtained from NYPA under a supply contract, which expires during 2025. The Electric Fund is entitled to a specific amount of kilowatts of firm hydroelectric power and associated energy. Demand, incremental energy, and transmission charges under this contract are subject to change and approval of regulatory authorities. There are no minimum capacity or other fixed charge components to this contract. Electric purchases under this contract totaled \$18,160,018 for 2011.

The Electric Fund extended the long-term incremental power and energy supply agreement with NYPA through December 31, 2013, which originally expired on December 31, 2007.

d. Major Customers

Approximately 58% of operating revenues in the Electric Fund was from one industrial class customer. No other customers provided greater than 10% of total Electric Fund operating revenues.

e. Risk and Uncertainties

The Electric Fund is subject to certain business risks that could have a material impact on future operations and financial performance. These risks include prices on the wholesale markets for short-term power transactions; water conditions, weather, and natural disaster disruptions; collective bargaining labor disputes and governmental regulation.

f. Environmental Risks

Certain facilities are subject to federal, state, and local regulations relating to the discharge of materials into the environment. Compliance with these provisions has not had, nor does the Village expect such compliance to have, any material effect upon the capital expenditures or financial condition of the Village. The Village believes that its current practices and procedures for control and disposition of regulated wastes comply with applicable federal, state, and local requirements.

NOTE 11 - ACCOUNTING STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes accounting and financial reporting requirements intended to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is effective for the Village as of May 31, 2012.

VILLAGE OF SOLVAY, NEW YORK

NOTES TO FINANCIAL STATEMENTS - STATUTORY BASIS
May 31, 2011

NOTE 11 - ACCOUNTING STANDARDS ISSUED BUT NOT YET IMPLEMENTED - Continued

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting pronouncements issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

This statement also supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that statement for enterprise funds and business-type activities to apply post-November 30, 1989, FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989, FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this statement.

GASB Statement No. 62 is effective for financial statements for periods beginning after December 15, 2011; however, early adoption is encouraged.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The objective of this statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. This statement is effective for all state and local governments for periods beginning after December 15, 2011.

In June 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. The objective of this statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. This statement is effective for periods beginning after June 15, 2011, with earlier application encouraged.

Management has not estimated the extent of the potential impact of these statements on the Village's financial statements.



December 1, 2011

Board of Trustees
Village of Solvay, New York
1100 Woods Road
Solvay, New York 13209-1547

Dear Members of the Board:

We are pleased to present this report related to our audit of the financial statements of the Village of Solvay, New York (Village) for the year ended May 31, 2011. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Village's financial reporting process.

This report is intended solely for the information and use of the Board of Trustees and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to the Village.

Very truly yours,

BOLLAM, SHEEDY, TORANI & CO. LLP

A handwritten signature in black ink, appearing to read 'William C. Freitag', written in a cursive style.

William C. Freitag, Partner

WCF/dmc

BOLLAM, SHEEDY, TORANI & CO. LLP
Certified Public Accountants
Albany, New York

VILLAGE OF SOLVAY, NEW YORK

COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE
Year Ended May 31, 2011

The American Institute of Certified Public Accountants issued Statement on Auditing Standards No. 114 titled, *The Auditor's Communication to Those Charged With Governance*, which requires that we communicate certain matters to keep those charged with governance adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. The following summarizes these communications.

Auditor's Responsibility Under Professional Standards

Our responsibility under auditing standards generally accepted in the United States of America has been described to you in our arrangement letter dated July 29, 2011.

Accounting Practices

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Village. The Village did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period.

Significant or Unusual Transactions

We identified one significant transaction within the Electric Fund that required adjustment to the accounting records:

- Accrual of additional power costs purchased from NYPA that were not previously recognized due to the "budget based" billing provided by NYPA for the 2010/2011 winter period. This additional power cost was approximately \$1 million.

In connection with the above, it was also necessary to record an unbilled receivable of approximately \$1 million, to recognize the pass-through of these power costs to the Electric Fund's customers.

We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Alternative Treatments Discussed with Management

We did not discuss with management any alternative treatments within accounting principles generally accepted in the United States of America for accounting policies and practices related to material items during the current audit period.

Management's Judgments and Accounting Estimates

Summary information about the process used by management in formulating particularly sensitive accounting estimates is in the attached Exhibit A, Summary of Accounting Estimates.

VILLAGE OF SOLVAY, NEW YORK

**COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE
Year Ended May 31, 2011**

Financial Statement Disclosures

In our meetings with management, we discussed the following items as they relate to the neutrality, consistency, and clarity of the disclosures in the financial statements.

- Accounting standards issued, but not yet implemented by the Village.
- Financial statements are prepared using statutory accounting practices prescribed by the New York State Office of the State Comptroller and the New York Power Authority, for reporting to those agencies.
- The budget billing implemented by the New York Power Authority for the Electric Fund's purchased power.

Audit Adjustments

Audit adjustments recorded by the Village are shown on the attached Exhibit B, Summary of Recorded Audit Adjustments.

Unposted Adjustments

There are no unposted adjustments.

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed with Management

No significant issues arising from the audit were discussed or were the subject of correspondence with management.

Difficulties Encountered in Performing the Audit

We did not encounter any difficulties in dealing with management during the audit.

Certain Written Communications between Management and Our Firm

Copies of certain written communications between our firm and the management of the Village are attached as Exhibit C.

VILLAGE OF SOLVAY, NEW YORK

COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE
Year Ended May 31, 2011

Significant Deficiencies and Material Weaknesses

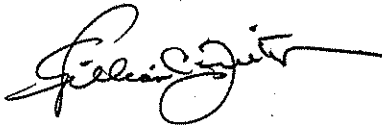
Our consideration of internal control over financial reporting was for the limited purpose of expressing an opinion on the financial statements, and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal controls over financial reporting that we consider to be material weaknesses.

We will be pleased to respond to any questions you have about these matters. We appreciate the opportunity to be of continued service to you.

This letter is intended solely for the information and use of the Board of Trustees and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

BOLLAM, SHEEDY, TORANI & CO. LLP

A handwritten signature in black ink, appearing to read "William C. Freitag", written in a cursive style.

William C. Freitag, Partner

WCF/dmc

VILLAGE OF SOLVAY, NEW YORK
SUMMARY OF ACCOUNTING ESTIMATES
Year Ended May 31, 2011

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The following describes the significant accounting estimates reflected in the Village's May 31, 2011, financial statements:

Area	Accounting Policy	Estimation Process
Allowance for Uncollectible Receivables	Electric Fund receivables are reduced to their net realizable amount on a periodic basis.	Management calculates the allowance for the utility billings receivables based on historic experience and by using 100% of account balances over 120 days and 50% of account balances in the 60-120 day category.
Compensated Absences	The Village recognizes the estimated liability for unused vacation and compensated time.	Unused sick and compensated time is aggregated, any contractual caps on time accrued are considered, and current employee pay rates are applied to generate the extended liability.
Landfill Post-Closure Accrual	The Village is required to estimate and recognize the liability for the post-closure monitoring costs of its landfill.	The Village uses the engineering consultant's cost estimate per year of required monitoring multiplied by the remaining years to monitor the landfill.
Depreciation Expense	Depreciation is computed based on asset groups, using the straight-line method.	The estimated lives used in determining depreciation are based on recommendations of the Federal Energy Regulatory Commission and the historical experience of the Village.

VILLAGE OF SOLVAY, NEW YORK

SUMMARY OF RECORDED AUDIT ADJUSTMENTS
Year Ended May 31, 2011

Description	Effect - Increase (Decrease)				
	Assets	Liabilities	Equity/ Fund Balance	Revenue	Expenditure/ Expense
Capital Projects					
To record Dormitory Authority grant as deferred revenue instead of revenue (outside period of availability)	\$ -	\$ 190,000	\$ -	\$ (190,000)	\$ -
To record DPW garage expenses recorded in Electric Fund instead of Capital Projects	-	83,558	-	-	83,558
Electric Fund					
To record effects of difference between actual NYPA costs versus budgeted payments	944,185	944,185	-	944,185	944,185
To reverse various other funds' expenses recorded and properly record activity in those funds	118,473	-	-	-	(118,473)
To adjust surplus for amounts entered in prior year	(16,006)	-	(16,006)	-	-
Trust and Agency					
To balance due to/from with General Fund	(10)	(10)	-	-	-
General Fund					
To record paving and firehouse lighting originally recorded in Electric Fund	20,915	55,830	-	-	34,915
General Long-Term Debt Account Group					
To adjust long-term debt accounts for change in annual monitoring costs and monitoring years remaining	36,000	36,000	-	-	-
General Fixed Assets Account Group					
To capitalize DPW garage expenses originally recorded in Electric Fund	83,558	-	83,558	-	-
To remove street paving considered maintenance and not a capital asset and adjust accumulated depreciation	(280,833)	-	(280,833)	-	-
Total Combined Statement of Revenues, Expenditures, and Changes in Fund Balance Effect			(190,000)	\$ 754,185	\$ 944,185
Total Combined Balance Sheet Effect	\$ 906,282	\$ 1,309,563	\$ (403,281)		

VILLAGE OF SOLVAY, NEW YORK

**CERTAIN WRITTEN COMMUNICATIONS BETWEEN
MANAGEMENT AND OUR FIRM
Year Ended May 31, 2011**

Representation Letter

Management Letter

VILLAGE OF SOLVAY

Village Hall
1100 Woods Road
Solvay, New York 13209

KATHLEEN A. MARINELLI

MAYOR

Telephone:
(315) 468-1652
Email: kmarinelli@villageofsolvay.com

December 1, 2011

Bollam, Sheedy, Torani & Co. LLP
26 Computer Drive West
Albany, New York 12205

In connection with your audit of the financial statements - statutory basis of the Village of Solvay, New York (Village) as of and for the year ended May 31, 2011, we confirm, that we are responsible for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with accounting principles prescribed by the New York State Office of the State Comptroller and the New York Power Authority for preparing and submitting annual financial reports to those offices.

We confirm to the best of our knowledge and belief, as of the date of your independent auditor's report, the following representations made to you during your audit.

1. The statutory basis financial statements referred to above are fairly presented in conformity with accounting principles prescribed by the New York State Office of the State Comptroller and the New York Power Authority for preparing and submitting annual financial reports to those office. The Village's accounting principles, and the practices and methods followed in applying them, are as disclosed in the financial statements, and there have been no changes during the year ended May 31, 2011, in the Village's accounting principles and practices.
2. We have identified for you all of our funds and account groups and have properly classified them.
3. We are responsible for compliance with laws and regulations applicable to the Village, including adopting, approving, and amending budgets.
4. We have identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
5. We have made available to you:
 - a. All financial records and related data of all funds and account groups, including those of all special funds, programs, departments, projects, activities, etc., in existence at any time during the period covered by your audit.
 - b. All minutes of the meetings of the governing board and committees of board members or summaries of actions of recent meetings for which minutes have not yet been prepared.
6. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.
7. We have no knowledge of any allegations of fraud or suspected fraud affecting the Village received in communications from employees, former employees, analysts, regulators, short sellers, or others.

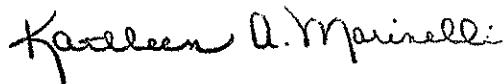
8. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Village's ability to record, process, summarize, and report financial data.
9. There has been no:
 - a. Fraud involving management or employees who have significant roles in internal control.
 - b. Fraud involving other employees that could have a material effect on the financial statements.
 - c. Communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial statements.
10. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
11. The following have been properly reflected and/or disclosed in the financial statements:
 - a. Related party transactions, including those as defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements, and guarantees, all of which have been recorded in accordance with the economic substance of the transactions.
 - b. Any other liens and/or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
 - c. Debt issue provisions.
 - d. Reserves of fund equities.
 - e. The effect on the financial statements of GASB Statements No. 54, 62, 63, and 64 as described in footnote 11, which have been issued, but which we have not yet adopted.
 - f. Concentration of credit risk.
12. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:
 - a. To reduce receivables to their estimated net collectible amounts.
 - b. To reduce obsolete, damaged, or excess inventories to their estimated net realizable values.
 - c. For risk retention, including uninsured losses or loss retentions (deductibles) attributable to events occurring through May 31, 2011, and/or for expected retroactive insurance premium adjustments applicable to periods through May 31, 2011.
 - d. For pension obligations, post-retirement benefits other than pensions, and deferred compensation agreements attributable to employee services rendered through May 31, 2011.

- e. For any material loss to be sustained in the fulfillment of, or from the inability to fulfill, any service commitments.
 - f. For closure and post-closure care costs associated with the operation of the Village municipal solid waste landfill.
13. There are no:
- a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Federal Environmental Protection Agency or any equivalent state agencies in connection with any environmental contamination.
 - b. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Statement No. 10.
 - c. Guarantees, whether written or oral, under which the Village is contingently liable.
 - d. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.
 - e. Agreements to repurchase assets previously sold.
 - f. Security agreements in effect under the Uniform Commercial Code.
 - g. Contractual obligations for plant construction or purchase of real property or equipment not included in the liabilities or encumbrances recorded on the books.
 - h. Liabilities which are subordinated in any way to any other actual or possible liabilities.
 - i. Debt issue repurchase options or agreements, or sinking fund debt repurchase ordinance requirements.
 - j. Leases or material amounts of rental obligations under long-term leases.
 - k. Authorized but unissued bonds or notes.
 - l. Risk financing activities.
 - m. The fair value of investments.
 - n. Derivative financial instruments.
 - o. Component units.
 - p. Organizations for which the nature or significance of their relationship with the Village of Solvay, New York are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.
14. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with GASB Statement No. 10.

15. We have no direct or indirect, legal or moral, obligation for any debt of any organization, public or private that is not disclosed in the financial statements.
16. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
17. We have satisfactory title to all owned assets
18. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining if we are subject to the requirements of the Single Audit Act and OMB Circular A-133. We have not received, expended, or otherwise been the beneficiary of any federal awards over \$500,000 during the period of this audit.
19. We are responsible for and agree to the proposed adjustments to the trial balances identified during the audit and will post all adjustments accordingly.
20. We are responsible for determining that significant events or transactions that have occurred since the balance sheet date and through December 1, 2011, have been recognized or disclosed in the financial statements. No events or transactions other than those disclosed in the financial statements have occurred subsequent to the balance sheet date and through December 1, 2011, that would require recognition or disclosure in the financial statements.
21. We are responsible for establishing and maintaining effective internal control over financial reporting and compliance. We are not aware of any material internal control weaknesses or significant deficiencies that should be reported.
22. We have responded fully to all inquiries made to us by you during your audit.
23. During the course of your audit, you may have accumulated records containing data which should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.
24. Michael Fecco, Clerk-Treasurer, has overseen the services, as listed below, and has established and maintained internal controls, including the monitoring of ongoing activities related to the non-attest services as follows:
 - a. Adjusting journal entries;
 - b. Drafting of financial statements - statutory basis,

Very truly yours,

VILLAGE OF SOLVAY, NEW YORK



Kathleen Marinelli, Mayor



Michael Fecco, Clerk-Treasurer



December 1, 2011

Ms. Kathleen Marinelli, Mayor
Mr. Mike Fecco, Clerk-Treasurer
Village of Solvay, New York
1100 Woods Road
Solvay, New York 13209

Dear Kathleen and Mike:

This letter includes observations and suggestions with respect to matters that came to our attention in connection with our audit of the statutory basis financial statements of the Village of Solvay, New York (Village) for the year ended May 31, 2011, on which our report, dated December 1, 2011, expressed an unqualified opinion. These items are offered as constructive suggestions to be considered part of the ongoing process of modifying and improving the Village's practices and procedures.

1. Contributions to General Fund

Observation - The New York Power Authority (NYPA), which regulates the Village's Electric Fund, has specific guidelines to calculate the Electric Fund's annual allowable contribution to the General Fund.

The contribution, which can be made up of donated electric service, PILOT payments, donated cash, donated labor/material, and other donations, is limited to 3% of the net book value of the Electric Fund's operating property. The net book value of the Electric Fund's operating property at May 31, 2011, was approximately \$16,911,000. Under NYPA's guidelines, the allowable contribution to the General Fund for 2011 was approximately \$507,000 (\$16,911,000 x 3%).

Contributions made to the General Fund during 2010 consisted of \$60,476 of donated electric services; \$360,000 in PILOT payments, and \$400,000 in cash contributions, for a total contribution of \$820,476. These contributions were in excess of NYPA's allowable contribution.

As these contributions are required to be reported in the Electric Fund's Annual Report to NYPA, it is quite probable that NYPA will question the excess contributions.

Suggestion - It is our understanding that the Village has discussed the excess contributions with NYPA, and a reduction over a number of years will occur to bring the contribution more in line with the allowable limits.

2. Master Password List

Observation - The Village was informed in a recent risk assessment audit performed by the OSC that the master password list for all employees' computers should be maintained by the Clerk-Treasurer (CFO) and provided to the IT consultant on an as-needed basis. However, best practices would support that the CFO position should not have full access to all employees' computers and all of the different levels of access to the financial software those passwords provide to avoid the potential for fraudulent activity to occur by utilizing an employee's computer.

Suggestion - As a best practice, the master password list should be maintained by the individual responsible for IT services who can monitor the users and change access rights to employees only after the approval of the CFO.

3. Information Technology Policy

Observation - The Village does not have a formal written information technology policy that would incorporate items such as the overall documentation of the IT systems and operations, the frequency of changing passwords, the frequency and storage location of system back up, security detail of the network and hardware, etc.

Suggestion - The Village should establish a formal IT policy and document the systems and operations of the Village to allow for adequate monitoring of the systems. The ability to make informed decisions on hardware and software purchases is among other important benefits of having this documentation prepared and regularly updated.

This letter is solely for the information and use of the management and others within the Village and is not intended to be and should not be used by anyone other than the specified parties. We appreciate serving Village of Solway and would be happy to assist you in addressing and implementing any of the comments and suggestions in this letter.

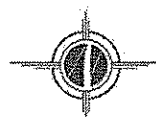
Very truly yours,

BOLLAM, SHEEDY, TORANI & CO. LLP



William C. Freitag, Partner

WCF/dmc





December 1, 2011

Board of Trustees
Village of Solvay
1100 Woods Road
Solvay, New York 13209

Dear Board Members and Management:

In planning and performing our audit of the statutory basis financial statements of the Village of Solvay, New York (Village) as of and for the year ended May 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following control deficiency to be significant deficiency:

Journal Entry Review and Approval

Finding: In performing audit procedures regarding general journal entries, it was noted there are not always supporting documentation for the journal entries, and there is no sign off on the entries indicating review and approval.

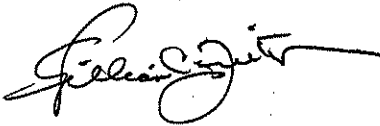
Recommendation: The Village should establish a policy and procedure for the preparation and review of journal entries and to ensure that all supporting documentation is filed with a copy of the approved journal entry.

Village of Solvay
December 1, 2011
Page 2

This communication is intended solely for the information and use of the Board of Trustees, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

BOLLAM, SHEEDY, TORANI & CO. LLP

A handwritten signature in black ink, appearing to read "William C. Freitag". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

William C. Freitag, Partner

WCF/dmc

APPENDIX C

FORMS OF BOND COUNSEL'S LEGAL OPINIONS FOR THE BONDS AND THE NOTES

January 10, 2012

Village of Solvay
County of Onondaga
State of New York

Re: Village of Solvay, Onondaga County, New York
\$1,486,450 Public Improvement (Serial) Bonds, 2012

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an issue of \$1,486,450 Public Improvement (Serial) Bonds, 2012 (the "Obligations"), of the Village of Solvay, County of Onondaga, State of New York (the "Obligor"), dated January 10, 2012, initially issued in registered form in denominations such that one bond shall be issued for each maturity of the Obligations in such amounts as hereinafter set forth, bearing interest at the rate of ___ per centum (___%) per annum as to bonds maturing in each of the years 2012 through 2032, payable on February 1, 2012 and semi-annually thereafter on August 1 and February 1, and maturing in the amount of \$56,450 on February 1, 2012, \$55,000 on February 1, in each of the years, 2013 to 2016, both inclusive, \$60,000 on February 1, 2017, \$65,000 on February 1, 2018, \$70,000 on February 1, in each of the years 2019 and 2020, both inclusive, \$75,000 on February 1, in each of the years 2021 to 2023, both inclusive and \$80,000 on February 1, in each of the years 2024 to 2032, both inclusive.

The Bonds maturing on or before February 1, 2019 will not be subject to redemption, in whole or in part, prior to maturity. The Bonds maturing on or after February 1, 2020 will be subject to redemption prior to maturity, at the option of the Village, on February 1, 2019 or on any date thereafter, in whole or in part, and if in part, in any order of their maturity and in any amount within a maturity (selected by lot within a maturity), at par (100%) plus accrued interest to the date of redemption.

We have examined:

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

We also have examined a certified copy of proceedings of the finance board of the Obligor and other proofs authorizing and relating to the issuance of the Obligations, including the form of the Obligations. In rendering the opinions expressed herein we have assumed the accuracy and truthfulness of all public records, documents and

proceedings, including factual information, expectations and statements contained therein, examined by us which have been executed or certified by public officials acting within the scope of their official capacities, and have not verified the accuracy or truthfulness thereof. We also have assumed the genuineness of the signatures appearing upon such public records, documents and proceedings and the certifications thereof.

In our opinion:

(a) The Obligations have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the Obligor, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the obligations and interest thereon, subject to applicable statutory limitations; provided, however that the enforceability (but not the validity) of the Obligations; (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights, and (ii) may be subject to the exercise of judicial discretion in appropriate cases.

(b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligations; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights.

(c) Interest on the Obligations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Interest on the Obligations is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe such interest is included in adjusted current earnings in calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Obligations.

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

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

The scope of our engagement in relation to the issuance of the Obligations has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein. Such opinions are not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the Obligor, together with other legally available sources of revenue, if any, will be sufficient to enable the Obligor to pay the principal of or interest on the Obligations as the same respectively become due and payable. Reference should be made to the Official Statement prepared by the Obligor in relation to the Obligations for factual information which, in the

judgment of the Obligor, could materially affect the ability of the Obligor to pay such principal and interest. While we have participated in the preparation of such Official Statement, we have not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, we express no opinion as to whether the Obligor, in connection with the sale of the Obligations, has made any untrue statement of a material fact or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

Very truly yours,

/s/ Orrick, Herrington & Sutcliffe LLP

February 9, 2012

Village of Solvay,
County of Onondaga,
State of New York

Re: Village of Solvay, Onondaga County, New York
\$4,070,000 Bond Anticipation Notes, 2012 (Renewals)

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an issue of \$4,070,000 Bond Anticipation Notes, 2012 (Renewals) (the "Obligations"), of the Village of Solvay, County of Onondaga, State of New York (the "Obligor") dated February 9, 2011, numbered 2-R, of the denomination of \$_____, bearing interest at the rate of ____% per annum, payable at maturity and maturing February 7, 2013.

Ladies and Gentlemen:

We have examined:

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

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

In our opinion:

- (a) The Obligations have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the Obligor, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Obligations and interest thereon, subject to applicable statutory limitations; provided however, that the enforceability (but not the validity) of the Obligations:
 - (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said

State or the Federal government affecting the enforcement of creditors' rights, and (ii) may be subject to the exercise of judicial discretion in appropriate cases.

- (b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligations; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights.
- (c) Interest on the Obligations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Interest on the Obligations is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, nor is it included in adjusted current earnings in calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Obligations.

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

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

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

Very truly yours,

Orrick, Herrington & Sutcliffe LLP

RATING

Standard & Poor's has assigned the Village an underlying rating of BBB+/Stable and is expected to assign the Bonds the rating of "AA-/Stable," based upon issuance by AGM of its standard form of Municipal Bond Insurance Policy, as indicated on the revised cover page of the Official Statement. Such rating will reflect only the view of such rating agency and any desired explanation of the significance of such rating should be obtained from such rating agency as follows: Standard & Poor's Credit Market Services, 55 Water Street, 38th Floor, New York, New York, 10041, (212) 438-2118. Generally, rating agencies base their ratings on rating investigation, studies and assumptions they have made in addition to the information and materials provided by the issuer. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of such rating could have an adverse effect on the market price of the Bonds. Such rating should not be taken as a recommendation to buy or hold the Bonds.

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

ASSURED GUARANTY MUNICIPAL CORP.

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. ("Holdings"). Holdings is an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

AGM's financial strength is rated "AA-" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "Aa3" (negative outlook) by Moody's Investors Service, Inc. ("Moody's"). An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On November 30, 2011, S&P published a Research Update in which it downgraded AGM's financial strength rating from "AA+" to "AA-". At the same time, S&P removed the financial strength rating from CreditWatch negative and changed the outlook to stable. AGM can give no assurance as to any further ratings action that S&P may take. Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

The most recent rating action by Moody's on AGM took place on December 18, 2009, when Moody's issued a press release stating that it had affirmed the "Aa3" insurance financial

strength rating of AGM, with a negative outlook. Reference is made to the press release, a copy of which is available at www.moodys.com, for the complete text of Moody's comments. Moody's is in the process of reviewing AGL and its subsidiaries and there can be no assurance as to any ratings action that Moody's may take with respect to AGM.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2010, as amended by its Form 10-K/A; its Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2011 and June 30, 2011, each as amended by its Form 10-Q/A; and its Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2011.

Capitalization of AGM

At September 30, 2011, AGM's consolidated policyholders' surplus and contingency reserves were approximately \$3,105,604,840 and its total net unearned premium reserve was approximately \$2,207,101,966, in each case, in accordance with statutory accounting principles.

AGM's statutory financial statements for the fiscal year ended December 31, 2010 and for the quarterly periods ended March 31, 2011, June 30, 2011 and September 30, 2011, which have been filed with the New York State Department of Financial Services and posted on AGL's website at <http://www.assuredguaranty.com>, are incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2010, as amended by Amendment No. 1 on Form 10-K/A (filed by AGL with the SEC on March 1, 2011 and October 31, 2011, respectively);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011, as amended by Amendment No. 1 on Form 10-Q/A (filed by AGL with the SEC on May 10, 2011 and November 14, 2011, respectively);
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011, as amended by Amendment No. 1 on Form 10-Q/A (filed by AGL with the SEC on August 9, 2011 and November 14, 2011, respectively); and
- (iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2011 (filed by AGL with the SEC on November 14, 2011).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof

from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM or one of its affiliates may purchase a portion of the Bonds or any uninsured bonds offered under this Official Statement and may hold such Bonds or uninsured bonds for investment or may sell or otherwise dispose of such Bonds or uninsured bonds at any time or from time to time.

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "APPENDIX E – BOND INSURANCE".



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer