

FINAL OFFICIAL STATEMENT DATED APRIL 19, 2011

RENEWALS

BOND ANTICIPATION NOTES

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

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

TOWN OF WATERTOWN JEFFERSON COUNTY, NEW YORK (the "Town")

\$4,927,200

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

\$1,927,200

Interest Rate: 1.54% CUSIP: N/A Not Reoffered

JPMORGAN CHASE BANK, N.A.

\$3,000,000

Interest Rate: 1.50% CUSIP: 9420952E9 Reoffer @ 1.00%

ROOSEVELT & CROSS, INCORPORATED

Notes Dated: April 28, 2011

Maturity Date: April 26, 2012

Security and Sources of Payment: The Notes will constitute general obligations of the Town and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Notes, and, unless paid from other sources, all the taxable real property within the Town will be subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for such purpose.

Prior Redemption: The Notes will NOT be subject to redemption, prior to their maturity. Interest on the Notes will be calculated on a 30-day month and 360-day year basis, payable at maturity.

The \$1,927,200 portion of the Notes will be issued as registered Notes and will be registered in the name of the purchaser. 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 such purchaser. The Notes will be issued in registered form in denominations of \$5,000, or integral multiples thereof (except for one Note of an odd denomination), as may be determined by the purchaser.

The \$3,000,000 portion of the Notes will be issued through DTC and will be registered in the name of Cede & Co. as nominee of DTC, which will act as securities depository for the Notes. Individual purchases of the Notes will be made in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof. Purchasers of the Notes will not receive certificates representing their ownership interest in the Notes. Payments of principal of and interest on the Notes will be made by the Town to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Notes as described herein. See "Book-Entry-Only System" herein.

The Notes are offered when, as and if issued and received by the purchaser and subject to the receipt of the legal opinion as to the validity of the Notes of Hrabchak, Gebo & Langone, P.C., Bond Counsel, of Watertown, New York, and certain other conditions. It is anticipated that the \$1,927,200 portion of the Notes will be available for delivery, at such place as may be agreed upon with purchaser and that the \$3,000,000 portion of the Notes will be available for delivery in New York, New York, on or about April 28, 2011.

THE REVISED COVER SUPPLEMENTS THE OFFICIAL STATEMENT OF THE TOWN DATED APRIL 11, 2011 RELATING TO THE OBLIGATIONS THEREOF DESCRIBED THEREIN AND HEREIN BY INCLUDING CERTAIN INFORMATION OMITTED FROM SUCH OFFICIAL STATEMENT IN ACCORDANCE WITH SECURITIES AND EXCHANGE COMMISSION RULE 15C2-12 (THE "RULE"). OTHER THAN AS SET FORTH ON THIS REVISED COVER PAGE, THERE HAVE BEEN NO REVISIONS TO SAID OFFICAL STATEMENT.

OFFICIAL STATEMENT DATED APRIL 11, 2011

RENEWALS

BOND ANTICIPATION NOTES

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

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

**TOWN OF WATERTOWN
JEFFERSON COUNTY, NEW YORK
(the "Town")**

\$4,927,200

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

Notes Dated: April 28, 2011

Maturity Date: April 26, 2012

Security and Sources of Payment: The Notes will constitute general obligations of the Town and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Notes, and, unless paid from other sources, all the taxable real property within the Town will be subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for such purpose.

Prior Redemption: The Notes will NOT be subject to redemption, prior to their maturity. Interest on the Notes will be calculated on a 30-day month and 360-day year basis, payable at maturity.

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

If the Notes will be issued through DTC, the Notes will be registered in the name of Cede & Co. as nominee of DTC, which will act as securities depository for the Notes. Individual purchases of the Notes will be made in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof (except for one Note of an odd denomination), as may be determined by such purchaser. Purchasers of the Notes will not receive certificates representing their ownership interest in the Notes. Payments of principal of and interest on the Notes will be made by the Town to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Notes as described herein. See "Book-Entry-Only System" herein.

If the Notes are registered in the name of the purchaser, principal of and interest on the Notes will be payable in Federal Funds at such bank(s) or trust company(ies) located and authorized to do business in the State of New York as may be selected by the such purchaser(s). In such case, the Notes will be issued in registered form in denominations of \$5,000, or integral multiples thereof (except for one Note of an odd denomination), as may be determined by such purchaser.

The Notes are offered when, as and if issued and received by the purchaser and subject to the receipt of the legal opinion as to the validity of the Notes of Hrabchak, Gebo & Langone, P.C., Bond Counsel, of Watertown, New York, and certain other conditions. It is anticipated that the Notes will be available for delivery in New York, New York or at such other place as may be agreed with the purchaser on or about April 28, 2011.

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

**TOWN OF WATERTOWN
JEFFERSON COUNTY, NEW YORK**

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[jrbsupervisor@gisco.net](mailto:jrb-supervisor@gisco.net)

TOWN OFFICIALS

Joel R. Bartlett, Supervisor

BOARD MEMBERS

| | |
|---------------|--------------|
| Paul Desormo | Stephen Rich |
| David Prosser | Edward Smith |

* * *

Catherine Rich, Town Clerk
Pam Desormo, Deputy Clerk
Joseph Russell, Esq., Town Attorney

* * *

BOND COUNSEL

Hrabchak, Gebo and Langone, P.C.
216 Washington Street
Watertown, New York 13601

* * *

FINANCIAL ADVISOR

MUNICIPAL SOLUTIONS, INC.
Municipal Financial Advisory Service

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LeRoy, New York 14482
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Fax: 585-768-2133

2528 State Route 21
Canandaigua, New York 14424
Phone: 585-394-4090
Fax: 585-394-4092

E-mail: yharris@municipalsolution.com
Website: <http://www.municipalsolution.com>

No person has been authorized by the Town 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. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, any of the Notes in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. 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 Town since the date hereof.

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OFFICIAL STATEMENT

TOWN OF WATERTOWN JEFFERSON COUNTY, NEW YORK (the "Town")

\$4,927,200

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

This Official Statement, which includes the cover page and appendices hereto, presents certain information relating to the Town of Watertown in the County of Jefferson, in the State of New York (the "Town," "County" and "State," respectively) in connection with the sale of the Town's \$4,927,200 Bond Anticipation Notes, 2011.

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

THE NOTES

Description of the Notes

The Notes will be dated April 28, 2011 and will mature on April 26, 2012, with interest payable at maturity at the annual rate specified by the purchaser(s). Interest on the Notes shall be calculated on a 30-day month and a 360-day year basis.

The Notes will be general obligations of the Town, and will contain a pledge of the Town's faith and credit for the payment of the principal thereof and interest thereon as required by the Constitution and laws of the State of New York (State Constitution, Article VIII, Section 2; Local Finance Law, Section 100.00).

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

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

Optional Redemption

The Notes will NOT be subject to redemption, prior to their maturity.

Book-Entry Only System

The following is relevant only if the Notes are issued in book-entry form. DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered Notes registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for all Notes, bearing the same rate of interest and CUSIP number, in the aggregate principal amount of such issue, 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 regulate 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"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

Redemption proceeds, distributions, and dividend payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town, on payable date in

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

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

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

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

Source: The Depository Trust Company

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

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

THE INFORMATION CONTAINED HEREIN CONCERNING DTC AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC AND THE TOWN 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 THEREOF.

Certificated Notes

At the option of the purchaser(s) the Notes may be registered in the name of the purchaser(s). In such event, principal of and interest on the Notes will be payable in Federal Funds at such bank or trust company located and authorized to do business in the State of New York as may selected by the successful bidder(s). In such case, the Notes will be issued in registered form in denominations of \$5,000, or multiples thereof (except for one Note of an odd denomination), as may be determined by such successful bidder(s).

Authorization and Purpose of Issue

The Notes are being issued pursuant to the Constitution and Laws of the State of New York, including among others, the Local Finance Law, Town Law and various bond resolutions duly adopted by the Town Board as shown below:

| <u>Date</u> | <u>Purpose</u> | <u>Amount</u> <u>Authorized</u> | <u>Amount</u> <u>Outstanding</u> | <u>Amount</u> <u>to be paid</u> | <u>Amount</u> <u>to be</u> <u>Borrowed</u> |
|-------------|-----------------------------|------------------------------------|-------------------------------------|------------------------------------|--|
| 07/10/86 | Sewer District #2 | \$1,000,000 | \$102,590 | \$12,590 | \$90,000 |
| 03/08/07 | Water District #1 | 1,937,000 | 1,743,200 | 65,000 | 1,678,200 |
| 10/25/07 | Two Plow Trucks & Payloader | 600,000 | 365,000 | 25,000 | 340,000 |
| 02/08/07 | Sewer District #1 | 510,000 | 212,500 | 12,500 | 200,000 |
| 08/26/08 | Water District #6 | 185,000 | 172,688 | 7,688 | 165,000 |
| 03/12/09 | Water District #3 | 247,100 | 240,597 | 15,597 | 225,000 |
| 03/12/09 | Water District #4 | 351,050 | 339,349 | 19,349 | 320,000 |
| 08/13/09 | Water District #1 | 200,000 | 190,000 | 10,000 | 180,000 |
| 07/08/10 | Sewer District #2 | 1,384,000 | 1,384,000 | 50,000 | 1,334,000 |
| 07/08/10 | Sewer District #3 | 260,000 | 260,000 | 15,000 | 245,000 |
| 09/06/10 | Sewer District #4 | 160,000 | 160,000 | 10,000 | 150,000 |
| | | <u>\$6,834,150</u> | <u>\$5,169,924</u> | <u>\$242,724</u> | <u>\$4,927,200</u> |

Source: Town Officials

The proceeds of the Notes in the amount of \$4,927,200, together with available funds of the Town in the amount of \$242,724, will be used to redeem outstanding bond anticipation notes of the Town in the amount of \$5,169,924, as described above.

For further information regarding bond authorizations of the Town for capital purposes and other matters relating thereto see "Indebtedness of the Town".

Security and Source of Payment

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

The Notes are general obligations of the Town and will contain a pledge of the faith and credit of the Town for the payment of the principal thereof and the interest thereon. For the payment of such principal and interest, the Town has the power and statutory authorization to levy *ad valorem* taxes on all taxable real property in the Town without limitation as to rate or amount.

Under the Constitution of the State, the Town is required to pledge its faith and credit for the payment of the principal of and interest on the Notes, and the State is specifically precluded from restricting the power of the Town to levy taxes on real estate therefore.

Remedies of Note Holders on Default

Upon default in payment in full of the principal of or interest on the Notes, a holder of such defaulted Note has a contractual right to sue the Town for the amount then due thereon. Such holder may obtain a judgment against the Town with interest as provided by law from the date of default in such payment or the date of demand therefore, if later. Execution or attachment of Town property cannot be obtained to satisfy the judgment. The General Municipal Law of the State provides that if the Town fails to pay a final judgment for such principal and/or interest, it shall be the duty of the Town Board of the Town 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 said 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 Town fails to provide in its annual budget an amount sufficient to meet payment of principal of or interest on the Notes, the Town shall set aside from the first revenues thereafter received an amount necessary to pay such amounts which were required to be included in the Town's annual budget. In addition, the Town Supervisor may be required to set apart and apply such revenues to the payment of principal and interest on the Notes at the suit of any holder of the Notes. However, such right is subject to the discretionary power of the enforcing court and may be abridged by federal laws affecting creditors' rights or laws involving financial emergencies. (See "Special Provisions Affecting Remedies Upon Default.")

Special Provisions Affecting Remedies Upon Default

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

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

The Federal Bankruptcy Code (the "Bankruptcy Code") allows public bodies such as the Town 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 Town 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 Town in respect of its indebtedness within ninety days of the filing of a bankruptcy petition with respect to the Town were voidable preferences. If these assertions were made and sustained by the bankruptcy court, the recipients of those preferential payments could be required to refund them, and their claims would then be treated as if the preferential payments had not been made.

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

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

THE TOWN

General Description

The Town which was incorporated in 1800, is situated in the central area of Jefferson County and surrounds the City of Watertown to the City's south, east and west. The Town includes a mix of suburban residential, agriculture and commercial facilities which represents the major portion of Jefferson County's commercial and retail corridor. The Jefferson County Industrial Park is also located within the Town wherein several hundred area residents are employed.

The Town has experienced substantial population growth and development since the arrival of the 10th Mountain Division at Fort Drum. The Fort itself has undergone a significant transformation in recent years in response to the Global War on Terrorism. A substantial increase in the personnel assigned to Fort Drum has already occurred with approximately 5,500 additional personnel assigned to Fort Drum between 2004 and 2006. By 2013, it is expected that approximately 19,500 troops will be permanently assigned to the post and nearly as many family members will accompany them. The Town has 200 units of U.S. Army Military off base housing which assists the Federal and local effort in providing housing for military and non-military housing needs. The units were completed in 2010 and are currently fully occupied. In addition, the Town also is home to the Dry Hill Correctional Facility, a medium security New York State Prison.

Transportation needs to and from the area are served by Interstate Route 81 and Watertown International Airport. Watertown is served by one independent bus line and several interstate trucking firms. CSX provides rail freight service. Within Watertown, the City operates a fleet of four public buses and provides paratransit services.

Water and sewer service is purchased under contracts with the City of Watertown and consists of five water districts and six sewer districts, one of which is Town owned and serves 104 parcels located in what is known as the Lettiere Tract Subdivision. Electric and natural gas are provided by National Grid and major telecommunications services are provided by Verizon. Police protection is provided by State and County forces. Fire protection is provided by the Town of Watertown Volunteer Fire Department. Ambulance and Emergency Management System (EMS) services are provided by the Town of Watertown Ambulance, Inc. a not for profit 501C-3 corporation and has back up support from local County shared service EMS providers. The official newspaper is the Watertown Daily Times.

Source: Town Officials

Governmental Organization

Four independently governed school districts are located wholly or partially within the Town which rely on their own taxing powers granted by the State to raise revenues. The school districts use the Town's assessment roll as their basis for taxation of property located within the Town.

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

The Town Board is comprised of four board members, all elected at-large (representing the entire Town, not a specific area), and the Supervisor. Together, these five elected officials comprise the legislative branch of the government. Each member has one vote with a majority vote required for the passage of most legislation. The Supervisor, who is the Chief Executive Officer and also the head of the executive branch of government, does not have veto power. Board members are elected to four year terms during odd numbered years, where only two may run at a time, board members are responsible for passage of all legislation. They are responsible for the adoption of the Town's capital budget and making all decisions relating to personnel matters and property rezoning. Every year, each board member is assigned various liaisons by the Supervisor.

Source: Town Officials

Employees

The Town provides services through approximately 36 full and part-time employees, some of whom are represented by the following unit of organized labor:

| <u>Union</u> | <u>No. of Members</u> | <u>Contract Expiration Date</u> |
|-------------------------------|-----------------------|---------------------------------|
| NYS Teamsters Union Local 687 | 9 | December 31, 2011 |

Source: Town Officials

DEMOGRAPHIC AND STATISTICAL INFORMATION

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

Population

| <u>Year</u> | <u>Town of Watertown</u> | <u>Jefferson County</u> | <u>New York State</u> | <u>United States</u> |
|-------------|--------------------------|-------------------------|-----------------------|----------------------|
| 1990 | 4,341 | 110,943 | 17,990,455 | 249,632,692 |
| 2000 | 4,482 | 111,738 | 18,976,457 | 281,421,906 |

Source: U.S. Census Bureau

Median Household Income

| <u>Year</u> | <u>Town of Watertown</u> | <u>Jefferson County</u> | <u>New York State</u> | <u>United States</u> |
|-------------|--------------------------|-------------------------|-----------------------|----------------------|
| 1990 | \$33,932 | \$25,929 | \$32,965 | \$30,056 |
| 2000 | 41,961 | 34,006 | 43,393 | 41,994 |

Source: U.S. Census Bureau

Per Capita Income

| <u>Year</u> | <u>Town of Watertown</u> | <u>Jefferson County</u> | <u>New York State</u> | <u>United States</u> |
|-------------|--------------------------|-------------------------|-----------------------|----------------------|
| 1990 | \$12,839 | \$11,160 | \$16,501 | \$14,420 |
| 2000 | 21,786 | 16,202 | 23,389 | 21,587 |

Source: U.S. Census Bureau

Unemployment Rate Statistics

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

| <u>Annual Averages:</u> | <u>Jefferson County</u> | <u>New York State</u> | <u>United States</u> |
|----------------------------|-------------------------|-----------------------|----------------------|
| 2006 | 5.6% | 4.6% | 4.6% |
| 2007 | 5.5 | 4.5 | 4.6 |
| 2008 | 6.7 | 5.3 | 5.8 |
| 2009 | 8.7 | 8.4 | 9.3 |
| 2010 | 9.6 | 8.6 | 9.6 |
| <u>2011 Monthly Rates:</u> | | | |
| January | 11.7% | 8.9% | 9.8% |
| February | 11.7 | 8.7 | 9.5 |

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> |
|-------------------------------|-------------------|---------------------------------------|
| Salmon Run Mall | Retail | 500 |
| Wal-Mart | Retail | 350 |
| COR Retail Plaza Town Center | Retail | 300 |
| Davidson Auto Group | Retail Auto Sales | 300 |
| F.X. Caprara Auto Dealerships | Auto Dealership | 250 |
| Car-Freshner Corp. | Manufacturing | 220 |
| Dry Hill Corrections | State Prison | 190 |
| Sam's Club | Retail/Grocery | 175 |
| Timeless Frames | Manufacturing | 175 |

Source: Town Officials

INDEBTEDNESS OF THE TOWN

Constitutional Requirements

The New York State Constitution and Local Finance Law limit the power of the Town (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 Town and the Notes, include the following:

Purpose and Pledge: Subject to certain enumerated exceptions, the Town 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 Town may contract indebtedness only for a Town purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

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

There is no constitutional limitation on the amount that may be raised by the Town by tax on real estate in any fiscal year to pay interest and principal on all indebtedness.

General: The Town is further subject to constitutional limitation by the general constitutionally imposed duty of the State Legislature to restrict the power of taxation, assessment, borrowing money, contracting indebtedness and loaning the credit of the Town so as to prevent abuses in taxation and assessments and in contracting indebtedness; however, as has been noted under "Security and Source of Payment," the State Legislature is prohibited by a specific constitutional provision from restricting the power of the Town to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted.

Statutory Procedure

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

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

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

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

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

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

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

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

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

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

Debt Limit

The Town has the power to contract indebtedness for any Town purpose so long as the principal amount thereof shall not exceed seven per centum of the average full valuation of taxable real estate of the Town and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional and statutory method for determining full valuation is by taking the total assessed valuation of taxable real estate for the last completed assessment roll of the Town and dividing the same by the equalization rate, or the ratio which such assessed valuation bears to the full valuation, as determined by the New York State Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio

shall be determined. Average full valuation is determined by taking the sum of the full valuations of such last completed assessment roll and the four preceding assessment rolls and dividing such sum by five.

There is no constitutional limitation on the amount that may be raised by the Town by tax on real estate in any fiscal year to pay interest and principal on all indebtedness.

Details of Short-Term Indebtedness Outstanding

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

| <u>Type</u> | <u>Maturity</u> | <u>Purpose</u> | <u>Amount</u> |
|------------------------|-----------------|-----------------------------|--------------------|
| Bond Anticipation Note | 4/29/2011 | Water District #1 | \$1,743,200 |
| Bond Anticipation Note | 4/29/2011 | Water District #1 | 190,000 |
| Bond Anticipation Note | 4/29/2011 | Two Plow Trucks & Payloader | 365,000 |
| Bond Anticipation Note | 4/29/2011 | Sewer District #1 | 212,500 |
| Bond Anticipation Note | 4/29/2011 | Water District #6 | 172,688 |
| Bond Anticipation Note | 4/29/2011 | Sewer District #2 | 1,384,000 |
| Bond Anticipation Note | 4/29/2011 | Sewer District #3 | 260,000 |
| Bond Anticipation Note | 4/29/2011 | Sewer District #4 | 160,000 |
| Bond Anticipation Note | 5/20/2011 | Water District #3 | 240,597 |
| Bond Anticipation Note | 5/20/2011 | Water District #4 | 339,349 |
| Bond Anticipation Note | 6/24/2011 | Sewer District #2 | 102,590 |
| Bond Anticipation Note | 8/12/2011 | Water District #4 | 1,509,336 |
| | | | <u>\$6,679,260</u> |

Source: Town Note Records

Note: ¹ To be paid in full with proceeds of this issue and \$242,724 of available funds of the Town.

Revenue and Tax Anticipation Notes

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

Status of Outstanding Bond Issues

| | | |
|-----------------------------|-------------------|-------------------|
| Dated: | 4/21/1982 | 3/20/2003 |
| Amount Issued | \$128,000 | \$2,155,000 |
| Last Maturity: | 5/1/2019 | 8/15/2026 |
| Interest Rate/Instrument: | 5.00% - SB | Various - EFC SB |
| Purpose: | Water District #3 | Sewer District #4 |
| Balance Principal 12-31-10: | \$45,000 | \$1,585,000 |

| Fiscal Year | | | | |
|----------------------------|------------------|-----------------|--------------------|------------------|
| <u>Ending December 31:</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2011 | \$5,000 | \$2,500 | \$75,000 | \$87,668 |
| 2012 | 5,000 | 2,250 | 80,000 | 84,274 |
| 2013 | 5,000 | 2,000 | 80,000 | 80,526 |
| 2014 | 5,000 | 1,750 | 85,000 | 76,586 |
| 2015 | 5,000 | 1,500 | 85,000 | 72,290 |
| 2016 | 5,000 | 1,250 | 90,000 | 67,892 |
| 2017 | 5,000 | 1,000 | 90,000 | 63,144 |
| 2018 | 5,000 | 750 | 95,000 | 58,316 |
| 2019 | 5,000 | 500 | 100,000 | 53,142 |
| 2020 | | | 100,000 | 47,608 |
| 2021 | | | 105,000 | 41,982 |
| 2022 | | | 110,000 | 35,770 |
| 2023 | | | 115,000 | 29,180 |
| 2024 | | | 120,000 | 22,334 |
| 2025 | | | 125,000 | 15,186 |
| 2026 | | | 130,000 | 5,742 |
| Totals: | <u>\$45,000</u> | <u>\$13,500</u> | <u>\$1,585,000</u> | <u>\$843,639</u> |

Total Annual Bond Principal and Interest Due

| Fiscal Year | | | Total | |
|----------------------------|--------------------|------------------|---------------------|---------------|
| <u>Ending December 31:</u> | <u>Principal</u> | <u>Interest</u> | <u>Debt Service</u> | <u>% Paid</u> |
| 2011 | \$80,000 | \$90,168 | \$170,168 | 4.91% |
| 2012 | 85,000 | 86,524 | 171,524 | 10.12% |
| 2013 | 85,000 | 82,526 | 167,526 | 15.34% |
| 2014 | 90,000 | 78,336 | 168,336 | 20.86% |
| 2015 | 90,000 | 73,790 | 163,790 | 26.38% |
| 2016 | 95,000 | 69,142 | 164,142 | 32.21% |
| 2017 | 95,000 | 64,144 | 159,144 | 38.04% |
| 2018 | 100,000 | 59,066 | 159,066 | 44.17% |
| 2019 | 105,000 | 53,642 | 158,642 | 50.61% |
| 2020 | 100,000 | 47,608 | 147,608 | 56.75% |
| 2021 | 105,000 | 41,982 | 146,982 | 63.19% |
| 2022 | 110,000 | 35,770 | 145,770 | 69.94% |
| 2023 | 115,000 | 29,180 | 144,180 | 76.99% |
| 2024 | 120,000 | 22,334 | 142,334 | 84.36% |
| 2025 | 125,000 | 15,186 | 140,186 | 92.02% |
| 2026 | 130,000 | 7,741 | 137,741 | 100.00% |
| Totals: | <u>\$1,630,000</u> | <u>\$857,139</u> | <u>\$2,487,139</u> | |

Source: Town Bond Records

Other Obligations

As of the date of this Official Statement, the Town has no other financing related obligations.

Trend of Outstanding Debt

| | Fiscal Year Ending December 31: | | | | |
|-------------------------------|---------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> |
| Bonds | \$1,938,000 | \$1,864,000 | \$1,789,000 | \$1,710,000 | \$1,630,000 |
| Bond Anticipation Notes | 1,941,586 | 3,681,036 | 3,844,366 | 4,115,996 | 6,535,405 |
| Total Debt Outstanding | <u>\$3,879,586</u> | <u>\$5,545,036</u> | <u>\$5,633,366</u> | <u>\$5,825,996</u> | <u>\$8,165,405</u> |

Source: Annual Financials of the Town

Computation of Debt Limit and Calculation of Net Debt Contracting Margin

(As of April 11, 2011)

| Fiscal Year <u>Ending December 31:</u> | Assessed <u>Valuation</u> | State Equalization <u>Ratio</u> ¹ | Full Valuation |
|---|-------------------------------|--|-------------------------------|
| 2007 | \$242,640,255 | 73.00% | \$332,383,911 |
| 2008 | 254,161,596 | 66.00% | 385,093,327 |
| 2009 | 262,836,468 | 64.50% | 407,498,400 |
| 2010 | 274,668,674 | 64.00% | 429,169,803 |
| 2011 | <u>278,629,314</u> | 68.00% | <u>409,748,991</u> |
| Total Five Year Full Valuation | <u>\$1,312,936,307</u> | | <u>\$1,963,894,433</u> |
| Average Five Year Full Valuation | | | \$392,778,887 |
| Debt Limit - 7% of Average Full Valuation | | | \$27,494,522 |
| Inclusions: | | | |
| Serial Bonds | | | \$1,630,000 |
| Bond Anticipation Notes | | | <u>6,679,260</u> |
| Total Inclusions | | | <u>\$8,309,260</u> |
| Exclusions: | | | |
| Water Indebtedness ² | | | \$4,240,170 |
| Budgeted Appropriations ² | | | <u>200,090</u> |
| Total Exclusions | | | <u>\$4,440,260</u> |
| Total Net Indebtedness³ | | | <u>\$3,869,000</u> |
| Net Debt Contracting Margin | | | <u>\$23,625,522</u> |

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

² Water indebtedness and budgeted appropriations are automatically excluded pursuant to provisions of Article VIII, Section 5B of the New York State Constitution and Section 136.00 of the Local Finance Law.

³ Represents 14.07% of the Town's debt limit

Authorized and Unissued Indebtedness

As of the date of this Official Statement the Town has the following remaining unissued debt:

| <u>Date of Bond Resolution</u> | <u>Purpose</u> | <u>Amount Authorized</u> | <u>Amount Unissued</u> |
|------------------------------------|-----------------------------|------------------------------|----------------------------|
| 10/25/2007 | Two Plow Trucks & Payloader | \$600,000 | \$155,000 |
| 10/27/2007 | Sewer District #1 | 510,000 | 260,000 |
| 8/26/2008 | Water District #6 | 185,000 | 12,312 |
| 3/12/2009 | Water District #3 | 247,100 | 6,503 |
| | | \$1,542,100 | \$433,815 |

Source: Town Officials

Note: The Town does not anticipate borrowing the unissued monies.

Capital Project Plans and Anticipated Future Borrowings

The Town is currently in the study and development phase for a new water district which will provide water service to 275 residential properties located in the northeast section of the Town. A funding application is being prepared for submittal to the New York State Environmental Facilities Corporation (“EFC”) and the United States Department of Agriculture Rural Development (“USDA RD”) for project funding. The preliminary cost estimates provided by the Town’s contracted engineer for district development is \$6.2 million dollars. It is necessary to obtain a certain percentage of grant funding to make the project viable and fall within the New York State Comptroller’s limits on annual maximum cost apportioned to each property owner. It is anticipated that the overall size and scope of the intended district service area will be reduced to conform with the annual debt service limits apportioned to each property owner with the final district design and mapping. This could reduce the overall cost of construction by several hundred thousand dollars.

An engineer’s map plan and preliminary report has been completed detailing the costs associated with the relocation and reconstruction of an old water service main and lateral service connections in Water District #1. The estimated amount of future indebtedness to reconstruct the infrastructure is \$260,000.

Direct and Overlapping Indebtedness

In addition to the Town, 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 Town.

The real property taxpayers of the Town are responsible for a proportionate share of outstanding debt obligations of the political subdivisions located within the Town’s boundaries. Such taxpayer’s share of this overlapping debt is based upon the amount of the Town’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 Town and the appropriate magnitude of the burden on taxable property of the Town of the debt issued and outstanding by such overlapping entities, as of the dates shown.

Calculation of Estimated Overlapping and Underlying Indebtedness

| Overlapping Units | Date of Report | Applicable Total Indebtedness | Exclusions ¹ | Applicable Net Indebtedness | Full Value of Town in Municipality | Total Full Value of Municipality | % Within Town | Estimated Applicable Overlapping Debt |
|----------------------------------|----------------|-------------------------------|-------------------------|-----------------------------|------------------------------------|----------------------------------|---------------|---------------------------------------|
| County: | | | | | | | | |
| Jefferson | 2010 | \$25,392,900 | \$137,900 | \$25,255,000 | \$409,748,991 | \$7,288,662,494 | 5.62% | \$1,419,768 |
| School Districts: | | | | | | | | |
| Copenhagen | 2010 | 8,179,665 | 7,737,963 | 441,702 | 125,595 | 160,988,909 | 7.80% | 34,459 |
| General Brown | 2010 | 5,483,000 | 5,186,918 | 296,082 | 28,568,412 | 706,590,387 | 4.04% | 11,962 |
| South Jefferson | 2010 | 22,622,496 | 21,400,881 | 1,221,615 | 56,538,106 | 579,956,568 | 9.75% | 119,107 |
| Watertown City | 2010 | 41,460,000 | 39,221,160 | 2,238,840 | 193,397,201 | 1,543,983,860 | 12.53% | 280,527 |
| Total Net Overlapping Debt: | | | | | | | | \$1,865,823 |
| Total Net Direct Debt: | | | | | | | | 3,869,000 |
| Net Direct and Overlapping Debt: | | | | | | | | <u>\$5,734,823</u> |

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

Note: ¹ Exclusions consist of indebtedness deductible from gross indebtedness for debt limit purposes pursuant to constitutional and statutory provisions (including water and sewer debt and revenue 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 Town's direct and overlapping indebtedness as of April 11, 2011:

| | <u>Amount</u> | <u>Debt Per Capita</u> ¹ | <u>Debt Full Value</u> ² |
|---|------------------|-------------------------------------|-------------------------------------|
| Net Direct Debt | \$3,869,000 | \$863.23 | 0.94% |
| <u>Total Direct & Applicable Total Overlapping Debt</u> | <u>5,734,823</u> | <u>1,279.52</u> | <u>1.40%</u> |

Notes: ¹ The 2000 population of the Town is 4,482 according to the US Census Bureau 2000 census.

² The full valuation of real property located in the Town for the 2011 fiscal year is \$409,748,991

FINANCES OF THE TOWN

Financial Statements and Accounting Procedures

The Town maintains its financial records in accordance with the Uniform System of Accounts for Towns prescribed by the State Comptroller. The financial affairs of the Town are subject to periodic compliance review by the Office of the State Comptroller to ascertain whether the Town 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 requires 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 Town to implement this standard for the fiscal year ending December 31, 2003. The Town is not in compliance with this requirement.

The Statements of Revenues, Expenditures and Changes in Fund Balances presented in Appendix A of this Official Statement are based on the Annual Update Documents for the Town for the 2006 – 2010 fiscal years as submitted to the office of the New York State Comptroller.

Investment Policy

The primary objectives of the Town’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 Town 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 Town may also temporarily invest moneys in: (1) obligations of the United States of America; (2) obligations of the State of New York; (3) In repurchase agreements involving the purchase and sale of direct obligations of the United States; (4) certificates of deposit issued by a bank or trust company authorized to do business in New York State; (5) time deposit accounts in a bank or trust company authorized to do business in New York State; (6) in the case of moneys held in certain reserve funds established by the Town pursuant to law, in obligations of the Town.

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 obligations issued by the Town itself.

Reserve funds may be invested in obligations of the Town.

All of the foregoing investments are required to be payable or redeemable at the option of the owner within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable in any event, at the option of the owner, within two years of the date of purchase. Unless registered or inscribed in the name of the Town, 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 Town Board has adopted an investment policy and such policy conforms with applicable laws of the State governing the deposit and investment of public moneys. All deposits and investments of the Town are made in accordance with such policy.

Budgetary Procedures

The Town operates on a fiscal year beginning January 1 and ending December 31. The Town Supervisor, prepares a preliminary budget to be submitted to the Town Clerk no later than September 30 of each fiscal year for the fiscal year commencing the following January 1. By October 5, the Town Clerk must present the tentative budget to the Town Board, which then prepares the preliminary budget prior to the mandatory public hearing. Five days prior to such public hearing, notice of such public hearing must be published. Subsequent to the budget hearing, revisions, if any, are made and the budget is then adopted by the Town Board as its final budget for the coming fiscal year which is filed with the county on or before November 20th. The budget of the Town is not subject to voter approval.

The Town 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 Town Law.

The special grants, capital project and special purpose recreation funds appropriations are not included in the Town's annual budget. Instead appropriations are approved through a Town Board resolution at the project's inception and lapse upon termination of the project.

Financial Operations

The Town Supervisor functions as the chief fiscal officer of the Town as provided by Section 2 of the Local Finance Law. In this role, the Supervisor is responsible for the Town's accounting and financial reporting activities. The Supervisor is also the Town's budget officer and must, therefore, prepare the annual tentative budget for submission to the Town Board. Budgetary control during the year is the responsibility of the Supervisor.

Pursuant to Section 30 of the Local Finance Law, the Supervisor has been authorized to issue or renew certain specific types of notes. As required by law, the Supervisor must execute an authorizing certificate which then becomes a matter of public record.

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

Town finances are operated primarily through the General, Highway, Sewer and Water Funds. All real property taxes and most of the other Town revenues are credited to these funds. Current operating expenditures are paid from these funds subject to available appropriations.

Basis of Accounting

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

Expenditures are generally recognized under the modified accrual basis of accounting, that is when the related fund liability is incurred. An exception to this general rule is un-matured interest on general long-term debt which is recognized when due.

Revenues

The Town receives most of its revenues from non-property sales tax which, in the year ending December 31, 2010, accounted for 72.74% of all General Fund revenue, respectively.

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

Real Property Taxes

See “Real Property Tax Information”, herein.

State Aid

The Town is dependent in part on financial assistance from New York State (the "State"). However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the Town, in any year, the Town may be affected by a delay, until sufficient State taxes have been received by the State to make State aid payments to the Town.

The State is not constitutionally obligated to maintain or continue State aid to the Town. 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 Town requiring either a counterbalance increase in revenues from

other sources to the extent available, or a curtailment of expenditures. (See also "Noteholder Risks.")

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.

Expenditures

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

Pension System

Substantially all employees of the Town are members of the New York State and Local Employees' Retirement System ("ERS"). The ERS is generally also known as the "Common Retirement Fund". The Retirement System is cost-sharing multiple public employee 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 System offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service. The Retirement System Law generally provides that all participating employers in each retirement system are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers.

Generally, all employees, except certain part-time employees, participate in the Retirement Systems. The Retirement 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.

For the five years ending December 31, 2006 through 2010 and budgeted for fiscal year 2011, the Town's contributions to the Retirement System are as follows:

| <u>Fiscal Year Ending December 31:</u> | <u>ERS</u> |
|--|------------|
| Budgeted 2011 | \$71,600 |
| 2010 | 38,673 |
| 2009 | 38,506 |
| 2008 | 50,158 |
| 2007 | 54,670 |
| 2006 | 53,688 |

Chapter 49 of the Laws of 2003 changed the cycle of billing to better match budget cycles of the Town and other governmental employers. Under the previous method, the Town 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 Town is now able to more accurately include the cost of the contribution into its budget. The Town 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. As a result of the foregoing, New York State Comptroller Thomas DiNapoli has announced that the employer contribution rate for the State's Retirement System in 2011 year and subsequent years will be higher than the minimum contribution rate established by Chapter 49. For the year 2011 ERS contributions will be 16.3% and PFRS will be 21.6% of payroll. The Fund posted a 25.9% return for the fiscal year ended March 31, 2010.

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

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

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

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

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

The investment of monies, and assumptions underlying same, of the Retirement Systems covering the Town’s employees is not subject to the direction of the Town. 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 Town 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.

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

Other Post-Employment Benefits

It should be noted that the Town provides post-employment healthcare benefits to various categories of 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.

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

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

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

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

GASB 45 does not require that the unfunded liability actually be amortized nor that it be advance funded, only that the municipality or school district account for its unfunded accrued liability and its compliance in meeting its ARC. The Town is currently reviewing their options with respect to implementation of GASB 45 for the 2011 fiscal year but has not, as of the this date, made any definitive determinations of potential liability.

Actuarial valuation will be required every two years for OPEB plans with more than 200 members, every three years if there are less than 200 members.

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

REAL PROPERTY TAX INFORMATION

Real Property Taxes

The Town 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 Levy and Collection Record | | | | |
|-----------------------------|---------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | Fiscal Year Ending May 31: | | | | |
| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
| Taxes on Roll | \$3,421,252 | \$3,566,817 | \$3,604,354 | \$3,651,240 | \$3,743,612 |
| Adjustments | 0 | 0 | 0 | 0 | 0 |
| Net Tax Levy | <u>\$3,421,252</u> | <u>\$3,566,817</u> | <u>\$3,604,354</u> | <u>\$3,651,240</u> | <u>\$3,743,612</u> |
| Collected During Year | \$2,776,549 | \$2,718,072 | \$2,783,494 | \$3,229,293 | \$2,800,384 |
| Total Uncollected Taxes | \$644,703 | \$848,745 | \$820,860 | \$421,947 | \$943,228 |
| Per Cent Collected Prior to | | | | | |
| Return to County | 81.16% | 76.20% | 77.23% | 88.44% | 74.80% |

Source: Town Officials

Tax Collection Procedure

Taxes are due January 1, payable without penalty to and including January 31. Penalties thereafter are 1% if paid in February and March. In April, the tax roll is returned to the County and taxes plus penalties are payable to the County Treasurer.

As far as the Town is concerned, there are no uncollected taxes. The Town is assured of 100% collection of its annual levy by the County.

Assessed and Full Valuations

| | Fiscal Year Ending December 31: | | | | |
|-----------------------------------|---------------------------------|---------------|---------------|---------------|---------------|
| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
| Taxable Assessed Valuations: | \$242,640,255 | \$254,161,596 | \$262,836,468 | \$274,668,674 | \$278,629,314 |
| NYS Equalization Rate: | 73.00% | 66.00% | 64.50% | 64.00% | 68.00% |
| Full Valuation: | \$332,383,911 | \$385,093,327 | \$407,498,400 | \$429,169,803 | \$409,748,991 |
| Tax Rate / \$1,000 Assessed Value | \$14.10 | \$14.03 | \$13.02 | \$13.29 | \$13.44 |

Sources: Town Officials

Ten Largest Taxpayers

2010 Assessment Roll for 2011 Taxes

| <u>Name</u> | <u>Type</u> | <u>Assessed Valuation</u> |
|-------------------------------------|-------------------------------|----------------------------------|
| Salmon Run Shopping Ctr. LLC | Retail Mall | \$43,120,000 |
| COR Route 3 Company LLC | Retail Mall | 12,698,900 |
| Wal-Mart Real Estate Business Trust | Retail | 7,817,500 |
| Target Corporation | Retail | 6,071,000 |
| Lowe's Home Centers Inc. | Retail | 5,000,000 |
| Car-Freshner Corp. | Manufacturing | 3,500,000 |
| Lexington Trank Want Rem LLC | Retail | 3,500,000 |
| Sams Real Estate Business Trust | Wholesale/Retail | 3,150,000 |
| Salmon Run Plaza LLC | Retail Mall | 3,000,000 |
| CANI Building LLC | Professional Medical Building | 2,823,500 |
| | Total | <u>\$90,680,900</u> ¹ |

Source: Town Officials

Note: ¹ Represents 32.55% of the Town's 2011 assessed value of \$278,629,314 of the Town.

LITIGATION

In common with other local governments and school districts, the Town from time to time receives notices of claim and is party to litigation. In the opinion of the Town, 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 Town has not asserted a substantial and adequate defense, nor which, if determined against the Town, would have an adverse material effect on the financial condition of the Town.

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 Town, threatened against or affecting the Town to restrain or enjoin the issuance, sale or delivery of the Notes or the levy and collection of taxes or assessments to pay same, or in any way contesting or affecting the validity of the Notes or any proceedings or authority of the Town taken with respect to the authorization, issuance or sale of the Notes or contesting the corporate existence or boundaries of the Town.

NOTEHOLDER RISKS

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

There are a number of factors which could have a detrimental effect on the ability of the Notes to continue to generate revenues, particularly its property taxes. For instance, the termination of a major commercial enterprise or an unexpected increase in certiorari proceedings could result in a large reduction in the assessed valuation of taxable real property in the Notes.

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

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

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

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

TAX EXEMPTION

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

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

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

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

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

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

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

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

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

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

DOCUMENTS ACCOMPANYING DELIVERY OF THE NOTES

Absence of Litigation

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

Legal Matters

The legality of the authorization and issuance of the Notes will be covered by the legal opinion of Hrabchak, Gebo & Langone, P.C., Bond Counsel, of Watertown, New York. Such legal opinion will state that in the opinion of Bond Counsel (i) the Notes have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the Town, are payable as to principal and interest from *ad valorem* taxes levied upon all the taxable real property within the Town, without limitation as to rate or amount; provided, however, that the enforceability (but not the validity) of the Notes may be limited or otherwise affected by (a) any applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or similar statute, rule, regulation or other law affecting the enforcement of creditors' rights and remedies heretofore or hereafter enacted or (b) by the unavailability of equitable remedies or the application thereto of equitable principles and (ii) interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof, including The City of New York.

Such legal opinion also will state that (i) in rendering the opinions expressed therein, Bond Counsel has assumed, without inquiry or other investigation, (a) the legal capacity of each natural person, (b) the full power and authority of each person other than the Town to execute and deliver certain documents and to perform certain acts, (c) no modification of any provision of any document, no waiver of any right or remedy and no exercise of any right or remedy other than in a commercially reasonable and conscionable manner and in good faith, (d) the genuineness of each signature, the completeness of each document submitted to Bond Counsel, the authenticity of each document submitted to Bond Counsel as an original, the conformity to the original of each document submitted to Bond Counsel as a copy and the authenticity of the original of each document submitted to Bond Counsel as a copy, (e) the accuracy on the date of this letter of certain reviewed documents, (f) the truthfulness of each statement as to any factual matter contained in such reviewed documents, and (g) the due and timely filing of certain filed documents; (ii) the scope of Bond Counsel's engagement in relation to the issuance of the Notes has extended solely to rendering the opinions expressed therein, (iii) the opinions expressed therein are not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the Town, together with other legally available sources of revenue, if any, will be sufficient to enable the Town to pay the principal of and interest on the Notes as the same respectively become due and payable, and (iv) no opinion is expressed by Bond Counsel as to whether the Town, in connection with the sale of the Notes, has made any untrue statement of a material fact, or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

DISCLOSURE UNDERTAKING

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

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) in the case of credit enhancement, if any, provided in connection with the issuance of the Notes, unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Note, or other material events affecting the tax status of the Notes;
- (g) modifications to rights of Note holders, if material;
- (h) note calls, if material and tender offers;
- (i) defeasances;
- (j) release, substitution, or sale of property securing repayment of the Notes;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the Town;
- (m) the consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of the assets of the Town, 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 Town does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the securities.

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

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

The Town 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 Town's obligations under its material event notices undertaking and any failure by the Town to comply with the provisions of the undertaking will neither be a default with respect to the Notes nor entitle any holder of the Notes to recover monetary damages.

The Town 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 Town; provided that the Town agrees that any such modification will be done in a manner consistent with the Rule.

Annual information and notices of material events can be obtained from the Town of Watertown, 22867 County Route 67, Watertown, New York, 13601 telephone: 315-782-2069

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

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

RATING

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

FINANCIAL ADVISOR

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

ADDITIONAL INFORMATION

Additional information may be obtained upon request from the office of the Town Supervisor, 22867 County Route 67, Watertown, New York, 13601 Telephone: 315-782-2069 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 Town and the original purchasers or holders of the Notes.

This Official Statement is submitted only in connection with the sale of the Notes by the Town 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 Town's management's beliefs as well as assumptions made by, and information available to, the Town 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 Town files

with the repositories. When used in Town documents or oral presentations, the words “anticipate”, “estimate”, “expect”, “objective”, “projection”, “forecast”, “goal”, or similar words are intended to identify forward-looking statements.

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TOWN OF WATERTOWN

April 11, 2011
Watertown, New York

By: _____
Joel R. Bartlett
Town Supervisor 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 Changes in Fund Balances
General Fund - Town of Watertown**

| | Fiscal Year Ending December 31: | | | | |
|---|---------------------------------|--------------------|--------------------|--------------------|--------------------|
| | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> |
| Revenues: | | | | | |
| Real Property Tax Items | \$8,571 | \$14,202 | \$12,946 | \$1,190 | \$10,082 |
| Non-Property Taxes | 482,264 | 763,039 | 725,394 | 673,493 | 788,195 |
| Departmental Income | 50,745 | 51,172 | 63,407 | 55,698 | 63,380 |
| Intergovernmental Charges | 1,619 | 1,531 | 1,606 | 1,669 | 1,363 |
| Use of Money and Property | 4,631 | 9,218 | 10,908 | 733 | 848 |
| Licenses and Permits | 2,724 | 2,324 | 3,035 | 2,050 | 1,937 |
| Fines and Forfeitures | 97,902 | 121,025 | 112,127 | 146,364 | 75,449 |
| Sale of Property and Comp. for Loss | 9,148 | 14,480 | 4,661 | 10,315 | 5,762 |
| Miscellaneous | 3,577 | 1,091 | 2,878 | 29 | 1,925 |
| State Aid | 144,123 | 230,434 | 169,061 | 133,632 | 134,619 |
| Total Revenues | <u>\$805,304</u> | <u>\$1,208,516</u> | <u>\$1,106,023</u> | <u>\$1,025,173</u> | <u>\$1,083,560</u> |
| Expenditures: | | | | | |
| General Government Support | \$431,203 | \$382,806 | \$411,302 | \$509,666 | \$456,655 |
| Public Safety | 31,874 | 80,964 | 43,291 | 98,706 | 163,645 |
| Health | 924 | 1,344 | 1,331 | 1,261 | 1,201 |
| Transportation | 76,199 | 81,565 | 68,071 | 32,220 | 93,293 |
| Economic Assistance & Opportunity | 79,388 | 74,642 | 83,755 | 104,744 | 52,800 |
| Culture and Recreation | 7,990 | 8,160 | 5,660 | 5,950 | 5,920 |
| Home and Community Services | 81,860 | 70,694 | 82,481 | 63,941 | 51,562 |
| Employee Benefits | 161,196 | 172,369 | 180,793 | 181,898 | 191,990 |
| Debt Service | 0 | 0 | 0 | 0 | 0 |
| Total Expenditures | <u>\$870,634</u> | <u>\$872,544</u> | <u>\$876,684</u> | <u>\$998,386</u> | <u>\$1,017,066</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (\$65,330) | \$335,972 | \$229,339 | \$26,787 | \$66,494 |
| Other Financing Sources (Uses): | | | | | |
| Operating Transfers In (Out) | <u>(\$250,000)</u> | <u>(\$150,000)</u> | <u>(\$100,000)</u> | <u>(\$155,473)</u> | <u>(\$202,616)</u> |
| Total Other Fin. Sources (Uses) | <u>(\$250,000)</u> | <u>(\$150,000)</u> | <u>(\$100,000)</u> | <u>(\$155,473)</u> | <u>(\$202,616)</u> |
| Excess (Deficiency) of Revenues & Other Sources Over Exp and Other Uses | (\$315,330) | \$185,972 | \$129,339 | (\$128,686) | (\$136,122) |
| Fund Balance Beginning of Year | 1,037,465 | 722,135 | 908,107 | 1,037,446 | 908,760 |
| Prior Period Adjustment | 0 | 0 | 0 | 0 | 0 |
| Fund Balance End of Year | <u>\$722,135</u> | <u>\$908,107</u> | <u>\$1,037,446</u> | <u>\$908,760</u> | <u>\$772,638</u> |

Source: Annual Update Documents as submitted to the New York State Comptroller

Note: This table is NOT audited

Statement of Revenues, Expenditures and Fund Balances
Highway Town-Wide Fund - Town of Watertown

| | Fiscal Year Ending December 31: | | | | |
|-----------------------------------|---------------------------------|-------------------------|------------------------|------------------------|---------------------------|
| | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> |
| Revenues: | | | | | |
| Non-Property Tax Items | \$279,937 | \$560,167 | \$520,930 | \$461,680 | \$470,293 |
| Intergovernmental Charges | 174,991 | 169,975 | 102,538 | 234,768 | 119,867 |
| Use of Money and Property | 92,827 | 130,686 | 1,315 | 31,900 | 14,934 |
| Sale of Property/Comp. for Loss | 0 | 3,170 | 0 | 0 | 4,891 |
| Miscellaneous | 0 | 0 | 0 | 0 | 350 |
| State Aid | 48,524 | 109,756 | 66,830 | 0 | 0 |
| Interfund Transfers | 250,000 | 150,000 | 100,000 | 155,473 | 202,616 |
| Total Revenues | <u>\$846,279</u> | <u>\$1,123,754</u> | <u>\$791,613</u> | <u>\$883,821</u> | <u>\$812,951</u> |
| Expenditures: | | | | | |
| Transportation | \$619,366 | \$769,550 | \$739,413 | \$680,076 | \$737,092 |
| Employee Benefits | 154,986 | 170,802 | 159,772 | 181,193 | 206,440 |
| Debt Service | 0 | 0 | 0 | 58,066 | 61,641 |
| Subtotal: Expenditures | <u>\$774,352</u> | <u>\$940,352</u> | <u>\$899,185</u> | <u>\$919,335</u> | <u>\$1,005,173</u> |
| Excess (Deficit) Revenues | | | | | |
| Over Expenditures | \$71,927 | \$183,402 | (\$107,572) | (\$35,514) | (\$192,222) |
| Net Adjustments to Fund Balances | 0 | 0 | 0 | 0 | 0 |
| Fund Balances Beg. of Fiscal Year | <u>(79,442)</u> | <u>(7,515)</u> | <u>175,887</u> | <u>68,315</u> | <u>32,801</u> |
| Fund Balances End of Fiscal Year | <u><u>(\$7,515)</u></u> | <u><u>\$175,887</u></u> | <u><u>\$68,315</u></u> | <u><u>\$32,801</u></u> | <u><u>(\$159,421)</u></u> |

Source: Annual Update Documents as submitted to the New York State Comptroller
Note: This table NOT audited

**Statement of Revenues, Expenditures and Fund Balances
Sewer Fund - Town of Watertown**

| | Fiscal Year Ending December 31: | | | | |
|-----------------------------------|---------------------------------|------------------|------------------|------------------|-------------------|
| | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010*</u> |
| Revenues: | | | | | |
| Real Property Taxes | \$80,000 | \$75,988 | \$83,700 | \$90,302 | \$79,305 |
| Departmental Income | 373,107 | 382,172 | 419,817 | 436,917 | 461,315 |
| Use of Money and Property | 5,639 | 5,921 | 3,750 | 1,154 | 2,352 |
| Total Revenues | <u>\$458,746</u> | <u>\$464,081</u> | <u>\$507,267</u> | <u>\$528,373</u> | <u>\$542,972</u> |
| Expenditures: | | | | | |
| Home and Community Services | \$318,755 | \$429,447 | \$404,286 | \$548,366 | \$439,204 |
| Debt Service | 136,101 | 138,696 | 171,736 | 172,664 | 165,935 |
| Subtotal: Expenditures | <u>\$454,856</u> | <u>\$568,143</u> | <u>\$576,022</u> | <u>\$721,030</u> | <u>\$605,139</u> |
| Excess (Deficit) Revenues | | | | | |
| Over Expenditures | \$3,890 | (\$104,062) | (\$68,755) | (\$192,657) | (\$62,167) |
| Net Adjustments to Fund Balances | 0 | 0 | 0 | 0 | 0 |
| Fund Balances Beg. of Fiscal Year | <u>409,224</u> | <u>413,114</u> | <u>309,052</u> | <u>240,297</u> | <u>47,640</u> |
| Fund Balances End of Fiscal Year | <u>\$413,114</u> | <u>\$309,052</u> | <u>\$240,297</u> | <u>\$47,640</u> | <u>(\$14,527)</u> |

Source: Annual Update Documents as submitted to the New York State Comptroller

Notes: * The deficit in the Water and Sewer Funds consist of interfund loans from the General Fund. The Town Board is taking actions to increase revenues to extinguish these loans over time.

This table NOT audited

Statement of Revenues, Expenditures and Fund Balances
Water Fund - Town of Watertown

| | Fiscal Year Ending December 31: | | | | |
|-----------------------------------|---------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> |
| Revenues: | | | | | |
| Real Property Taxes | \$113,264 | \$123,176 | \$286,345 | \$274,259 | \$267,603 |
| Departmental Income | 301,130 | 339,020 | 349,608 | 350,909 | 363,763 |
| Use of Money and Property | 5,623 | 5,106 | 13,962 | 25,948 | 21,664 |
| Interfund Transfers | <u>37,272</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Revenues | <u>\$457,289</u> | <u>\$467,302</u> | <u>\$649,915</u> | <u>\$651,116</u> | <u>\$653,030</u> |
| Expenditures: | | | | | |
| Home and Community Services | \$290,686 | \$305,855 | \$377,305 | \$427,127 | \$341,168 |
| Debt Service | 114,141 | 122,982 | 263,990 | 239,543 | 271,762 |
| Interfund Transfers | <u>37,272</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Subtotal: Expenditures | <u>\$442,099</u> | <u>\$428,837</u> | <u>\$641,295</u> | <u>\$666,670</u> | <u>\$612,930</u> |
| Excess (Deficit) Revenues | | | | | |
| Over Expenditures | \$15,190 | \$38,465 | \$8,620 | (\$15,554) | \$40,100 |
| Net Adjustments to Fund Balances | 0 | 0 | 0 | 0 | 0 |
| Fund Balances Beg. of Fiscal Year | <u>(332,308)</u> | <u>(317,118)</u> | <u>(278,653)</u> | <u>(270,033)</u> | <u>(285,587)</u> |
| Fund Balances End of Fiscal Year | <u><u>(\$317,118)</u></u> | <u><u>(\$278,653)</u></u> | <u><u>(\$270,033)</u></u> | <u><u>(\$285,587)</u></u> | <u><u>(\$245,487)</u></u> |

Source: Annual Update Documents as submitted to the New York State Comptroller

Notes: * The deficit in the Water and Sewer Funds consist of interfund loans from the General Fund. The Town Board is taking actions to increase revenues to extinguish these loans over time.

This table NOT audited

Balance Sheet
Combined Funds - Town of Watertown

Fiscal Year Ending December 31, 2010

| | <u>General</u> | <u>Highway Town-Wide</u> | <u>Water</u> | <u>Sewer</u> |
|--|---------------------------|------------------------------|---------------------------|--------------------------|
| Assets: | | | | |
| Cash | \$53,466 | \$0 | \$35,646 | \$40,849 |
| Cash in Time Deposits | 75,116 | 1,245 | 116,828 | 35,849 |
| Petty Cash | 850 | 0 | 0 | 0 |
| Other Receivables | 150 | 0 | 1,015 | 2,730 |
| Due From Other Funds | 1,448,487 | 527,597 | 1,503,181 | 822,257 |
| Prepaid Expenses | 4,619 | 0 | 0 | 0 |
| Total Assets | <u><u>\$1,582,688</u></u> | <u><u>\$528,842</u></u> | <u><u>\$1,656,670</u></u> | <u><u>\$901,685</u></u> |
| Liabilities: | | | | |
| Accrued Liabilities | \$295 | \$0 | \$0 | \$0 |
| Accounts Payable | 0 | 108 | 92 | 0 |
| Due to Other Funds | 774,589 | 688,155 | 1,902,065 | 916,212 |
| Due to Other Governments | 35,166 | 0 | 0 | 0 |
| Total Liabilities | <u><u>\$810,050</u></u> | <u><u>\$688,263</u></u> | <u><u>\$1,902,157</u></u> | <u><u>\$916,212</u></u> |
| Fund Balances: | | | | |
| Unreserved Fund Balance - Unappropriated | <u><u>\$772,638</u></u> | <u><u>(\$159,421)</u></u> | <u><u>(\$245,487)</u></u> | <u><u>(\$14,527)</u></u> |
| Total Fund Balance | <u><u>\$772,638</u></u> | <u><u>(\$159,421)</u></u> | <u><u>(\$245,487)</u></u> | <u><u>(\$14,527)</u></u> |
| Total Liabilities and Fund Balances | <u><u>\$1,582,688</u></u> | <u><u>\$528,842</u></u> | <u><u>\$1,656,670</u></u> | <u><u>\$901,685</u></u> |

Source: Annual Update Documents as submitted to the New York State Comptroller.

Note: This table NOT audited

Budget Summaries
Combined Funds - Town of Watertown
Fiscal Year Ending December 31, 2011

| | <u>General</u> | <u>Highway Town-Wide</u> | <u>Water</u> | <u>Sewer</u> |
|-------------------------------------|--------------------|------------------------------|------------------|--------------------|
| Revenues: | | | | |
| Real Property Taxes | \$0 | \$0 | \$202,896 | \$241,538 |
| Real Property Tax Items | 2,000 | 0 | 0 | 0 |
| Non-Property Tax Items | 680,297 | 487,944 | 0 | 0 |
| Departmental Income | 4,625 | 0 | 406,678 | 542,410 |
| Intergovernmental Charges | 0 | 230,000 | 0 | 0 |
| Use of Money & Property | 500 | 50,250 | 21,550 | 100 |
| Licenses and Permits | 1,490 | 0 | 0 | 0 |
| Fines and Forfeitures | 112,827 | 0 | 0 | 0 |
| Sale of Prop. / Comp. for Loss | 69,200 | 2,500 | 0 | 0 |
| Miscellaneous Items | 1,320 | 0 | 0 | 0 |
| State Aid | 147,700 | 130,000 | 0 | 0 |
| Interfund Transfers | 0 | 100,000 | 0 | 0 |
| Appropriated Fund Balance | 121,755 | 0 | 72,972 | 237,192 |
| Total Revenues | <u>\$1,141,714</u> | <u>\$1,000,694</u> | <u>\$704,096</u> | <u>\$1,021,240</u> |
| Expenditures: | | | | |
| General Governmental Support | \$439,977 | \$0 | \$0 | \$0 |
| Public Safety | 164,660 | 0 | 0 | 0 |
| Health | 1,381 | 0 | 0 | 0 |
| Transportation | 91,693 | 697,657 | 0 | 0 |
| Economic Assistance and Opportunity | 41,500 | 0 | 0 | 0 |
| Culture and Recreation | 6,170 | 0 | 0 | 0 |
| Home and Community Services | 84,749 | 0 | 425,527 | 560,448 |
| Employee Benefits | 211,584 | 252,488 | 0 | 0 |
| Debt Service | 0 | 50,549 | 225,948 | 303,412 |
| Interfund Transfers | 100,000 | 0 | 52,621 | 157,380 |
| Total Expenditures | <u>\$1,141,714</u> | <u>\$1,000,694</u> | <u>\$704,096</u> | <u>\$1,021,240</u> |

Source: Adopted Budget of the Town

Note: This table NOT audited