

# OFFICIAL STATEMENT DATED JULY 28, 2010

## NEW ISSUE

## BOND ANTICIPATION NOTES

*In the opinion of Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the Issuer described herein, interest on the Notes is excluded from gross income for Federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Notes is however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. Bond Counsel is further of the opinion that, under existing statutes, 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. See "TAX EXEMPTION" herein regarding certain other tax considerations.*

*The Notes will be designated by the City as "qualified tax-exempt obligations" pursuant to the provisions of Section 265 of the Code.*

### CITY OF JOHNSTOWN FULTON COUNTY, NEW YORK (the "City")

**\$1,530,000**

### BOND ANTICIPATION NOTES - 2010 (the "Notes")

Dated Date: August 19, 2010

Maturity Date: August 19, 2011

**Security and Sources of Payment:** The Notes will constitute general obligations of the City and will contain a pledge of its faith and credit for the punctual payment of the principal of and interest on the Notes, and all the taxable real property within the City 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.

At the option of the purchaser(s), the Notes will be issued in registered form. If the Notes are issued in registered form, the Notes may be either registered to the purchaser(s) or registered in the name of Cede & Co., as nominee for the Depository Trust Company, New York, New York ("DTC") as book-entry notes. Note certificates shall be delivered to the purchaser(s) of notes requested in registered form to the purchaser(s), and each such note certificate shall bear a single rate of interest and shall be in a denomination equal to the aggregate principal amount awarded to such purchaser at such interest rate.

**Form and Denomination:** The Notes to be issued in book-entry only form will be issued as registered notes, and, when issued, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as the Securities Depository for the Notes. A single note certificate will be issued for those Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Individual purchases of the Notes to be issued in book-entry only form may be made only in book-entry form in denominations of \$5,000 or integral multiples thereof. Noteholders will not receive certificates representing their ownership interest in the Notes to be issued in book-entry only form purchased. See "Book-Entry Only System" herein.

**Payment:** Payment of the principal of and interest on the Notes to be issued in book-entry only form will be made by DTC Participants and Indirect Participants in accordance with standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name." Payment will be the responsibility of the DTC Participant or Indirect Participant and not of DTC or the City, subject to any statutory and regulatory requirements as may be in effect from time to time. See "Book-Entry Only System" herein. Payment of the principal of and interest on the Notes issued in bearer form or in the form registered to the Purchaser(s) will be payable 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.

For those Notes issued in registered form, the City will act as Paying agent for the Notes. Paying agent fees, if any, will be paid by the purchaser(s).

Proposals for the Notes will be received at 10:30 A.M. (Prevailing Time) on August 10, 2010 at the office of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776.

*The Notes are offered when, as and if issued and received by the Purchasers and subject to the receipt of the unqualified legal opinion as to the validity of the Notes of Nixon Peabody LLP, Bond Counsel of New York, New York. It is anticipated that the Notes will be available for delivery in Jericho, New York, on or about August 19, 2010.*

Nixon Peabody LLP, has not participated in the preparation of this Official Statement, nor verified the accuracy, completeness or fairness of the information contained herein, and, accordingly, expresses no opinion with respect thereto.

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

**CITY OF JOHNSTOWN  
FULTON COUNTY, NEW YORK**

City Hall  
33-41 East Main Street  
Johnstown, New York 12095  
Telephone: 518/736-4017  
Fax: 518/736-4066

Sarah J. Slingerland, Mayor

**COUNCIL MEMBERS**  
(As of January 1, 2010)

Cynthia Lakata, Ward 1

Brett Preston, Ward 3

J. Christopher Foss, Ward 2

Kay B. Cole, Ward 4

Bryan C. Marcucci, Council Member-At-Large

Michael C. Gifford, City Treasurer

Cathy A. VanAlystine, City Clerk

Susan Palmer Johnson, Esq., City Attorney

\* \* \*

**BOND COUNSEL**

Nixon Peabody, LLP  
New York, New York

\* \* \*

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MUNISTAT SERVICES, INC.

Municipal Finance Advisory Service

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Website: <http://www.munistat.com>

## **OFFICIAL STATEMENT**

**\$1,530,000**

### **CITY OF JOHNSTOWN FULTON COUNTY, NEW YORK**

#### **BOND ANTICIPATION NOTES - 2010 [BOOK-ENTRY-ONLY NOTES]**

#### **THE NOTES**

This Official Statement presents certain information relating to the City of Johnstown, in the County of Fulton, in the State of New York (the "City," "County," and "State," respectively) in connection with the sale of \$1,530,000 Bond Anticipation Notes for Various Purposes - 2010.

#### **General**

At the option of the purchaser(s), the Notes will be issued in registered form. If the Notes are issued in registered form, the Notes may be either registered to the purchaser(s) or registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC") as book-entry notes.

Note certificates shall be delivered to the purchaser(s) of notes requested in registered form to the purchaser(s), and each such note certificate shall bear a single rate of interest and shall be in a denomination equal to the aggregate amount awarded to such purchaser at such interest rate. Principal of and interest on such Notes will be payable in lawful money of the United States of America (Federal Funds) at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder.

For those Notes issued as book-entry only notes registered to Cede & Co., DTC will act as securities depository for the Notes and owners will not receive certificates representing their interest in the Notes. Individual purchases of such registered Notes may be made in denominations of \$5,000 or integral multiples thereof. A single note certificate will be issued for those Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Principal of and interest on said Notes will be paid in Federal Funds by the City to Cede & Co., as nominee for 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.

For those Notes issued in registered form, the City will act as Paying Agent for the Notes. Paying agent fees, if any, will be paid by the purchaser(s). The City's contact information is as follows: Michael C. Gifford, City Treasurer, City of Johnstown, City Hall, 33-41 East Main Street, Johnstown, NY 12095, Phone (518) 736-4017, Fax (518) 736-4066 and email: michael.gifford@cityofjohnstown-ny.com.

#### **Book-entry-only System**

DTC will act as securities depository for the Bonds (the "Bonds"). The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity, 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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.

Redemption proceeds, distributions, and dividend payments on the Bonds 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 City, 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 Bonds 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 City, 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 City, 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 Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond 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 City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

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Source: DTC

### **Authorization and Purpose**

The Notes are being issued pursuant to the Constitution and status of the State of New York, including the City Charter and the Local Finance Law. The proceeds of the Notes will be used to pay for improvements to the water system of the City, pursuant to the bond resolution duly adopted by the City on March 1, 2010.

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

The Notes will be sold to the Purchaser at par plus accrued interest, if any, from August 19, 2010 plus a premium, if any.

### **Security and Source of Payment**

Each Note when duly issued and paid for will constitute a contract between the City and the holder thereof. (See "Governmental Organization", herein.)

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

Under the Constitution of the State, the City 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 City to levy taxes on real estate therefor.

### **Remedies of Noteholders on Default**

Upon default in payment in full of the principal of or interest on the Notes, a holder of such defaulted Note has a contractual right to sue the City for the amount then due thereon. Such holder may obtain a judgment against the City with interest as provided by law from the date of default in such payment or the date of demand therefor, if later. Execution or attachment of City property cannot be obtained to satisfy the judgment. The General Municipal Law of the State provides that if the City fails to pay a final judgment for such principal and/or interest, it shall be the duty of the Common Council 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 City fails to provide in its annual budget an amount sufficient to meet payment of principal of or interest on the Notes, the City shall set aside from the first revenues thereafter received an amount necessary to pay such amounts which were required to be included in the City's annual budget. In addition, the City Treasurer of the City 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 City 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 City may not be enforced by levy and execution against property owned by the City.

The Federal Bankruptcy Code (the "Bankruptcy Code") allows public bodies such as the City 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 City 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 City in respect of its indebtedness within ninety days of the filing of a bankruptcy petition with respect to the City 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 City of its faith and credit for the payment of such obligations.

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

## **THE CITY OF JOHNSTOWN**

### **Description**

The City, with a land area of 3.4 square miles and a population of 8,610 according to the 2000 U.S. Census is located in the south central portion of Fulton County and lies about midway between Albany to the east and Utica to the west. Incorporated in 1895 the City is the County Seat of Fulton County.

The City together with the adjacent City of Gloversville and Fulton County has a number of industries which include: leather tanning, and processing, glovemaking, knitting, knitwear, sporting goods, machines and tools, chemicals, glue manufacturers, dyeing and finishing, electronics, communications, trucking distribution and food processing. Residents not employed in the industries located in the City find employment in the industrial and governmental operations in Gloversville, Amsterdam, Canajoharie, Schenectady and Albany.

Rail & passenger service by Amtrak is available in nearby Amsterdam. The Barge Canal located just to the south provides direct water transportation to the Port of New York and the Great Lakes at Buffalo. The New York State Thruway has an interchange just south of the City at Fultonville; other major highways include New York State Routes 29, 30A and 67. Air transportation is provided by the Fulton County Airport, which has a 400 x 75 ft. asphalt runway and is located two (2) miles east of the City of Johnstown.

### **Governmental Organization**

The Mayor is the chief executive officer of the City and is elected at large for a four-year term.

The Common Council is the legislative branch of government and consists of five council members, one from each of the four wards, and the Council Member-At-Large. Each Council Member is elected to a four-year term by the voters within the ward he or she represents. The Council Member-At-Large is elected at large for a four-year term. Voting for the Mayor and Council Members is staggered, so that in 2009 elections were held for Mayor, Council Member-At-Large and Council Members for Wards 2 and 4. In 2011 elections will be held for Council Members in Wards 1 and 3.

The City Treasurer is the chief fiscal officer of the City and is elected for a four-year term. The current City Treasurer has been the chief fiscal officer of the City since January 1, 1997.

A regular meeting of the Common Council is held on the third Monday of every month. Committee meetings are held the first Monday of each month as needed.

### **Employees**

The City provides services through approximately 95 full-time employees and 29 part-time employees. Some of such employees are represented by organized labor as follows:

<u>Employee Organization</u>	<u>Term of Contract</u>	<u>Est. No. of Employees</u>
C.S.E.A. ....	Dec. 31, 2010 <sup>a</sup>	27
Johnstown Firefighters Assoc. ....	Dec. 31, 2010 <sup>a</sup>	24
Johnstown P.B.A. ....	Dec. 31, 2009 <sup>a</sup>	23

<sup>a</sup>.in negotiations

There have been no strikes against the City and its labor relations have been amicable.

### **Building Permits**

<u>Year</u>	<u>Total</u>	<u>Estimated Costs</u>
2005 .....	417	8,161,361
2006 .....	466	4,706,921
2007 .....	472	6,047,769
2008 .....	525	5,641,255
2009.....	443	11,260,856

## DEMOGRAPHIC AND STATISTICAL INFORMATION

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

### Population

1920 .....	10,908
1930 .....	10,801
1940 .....	10,666
1950 .....	10,923
1960 .....	10,390
1970 .....	10,045
1980 .....	9,360
1990 .....	9,058
2000 .....	8,511
2008 .....	8,438

Source: U.S. Bureau of Census

### Income Data

	Per Capita Income		
	1990	2000	2008*
City of Johnstown	\$11,959	\$17,324	\$ NA
County of Fulton	11,330	16,844	23,700
State of New York	16,501	23,389	30,804

	Median Household Income		
	1990	2000	2008*
City of Johnstown	\$23,382	\$32,603	\$ NA
County of Fulton	23,862	33,663	44,157
State of New York	32,965	43,393	55,401

Source: United States Bureau of the Census

\*Note: Based on American Community Survey 3-Year Estimates (2006-2008)

### Unemployment Rate Statistics

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

	Fulton County	New York State
Annual Averages:		
2005 .....	5.6%	5.0%
2006 .....	5.4	4.6
2007 .....	5.5	4.5
2008 .....	6.7	5.3
2009 .....	9.6	8.4
2010 (6 Months) .....	10.1	8.6

Source: Department of Labor, State of New York

**Selected Listing of Larger Employers (Estimated)**

Fulton County Offices .....	840
Walmart Regional Center .....	830
EX EL.....	370
Johnstown City School District .....	350
Finkle Distribution .....	350
Lexington Center .....	230
Price Chopper .....	200
Robison and Smith, Inc. ....	190
Wells Nursing Home .....	175
Community Health Center .....	160
Pearl Leather Finishers .....	125
City of Johnstown .....	120
Fage USA Dairy Industry Inc. ....	101
Pioneer Window.....	109

**INDEBTEDNESS OF THE CITY**

**Constitutional Requirements**

The New York State Constitution limits the power of the City (and other municipalities and city school districts of the State) to issue obligations and to contract indebtedness. Such constitutional limitations in summary form, and as generally applicable to the City and the Bonds include the following:

**Purpose and Pledge.** Subject to certain enumerated exceptions, the City 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 City may contract indebtedness only for a City 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 financed by such indebtedness as determined by statute; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the City determines to issue debt amortizing on the basis of substantially level or declining debt service. The City is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds or such required annual installments on its notes.

**Debt Limit.** The City has the power to contract indebtedness for any City 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 City and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional method for determining average full valuation is by taking the assessed valuations of taxable real estate for the last five completed assessment rolls and applying thereto the ratio which such assessed valuation bears to the full valuation as determined by the State Board of Equalization and Assessment. The State Legislature is required to prescribe the manner by which such ratio shall be determined.

**Statutory Procedure**

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

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

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 so authorized 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 contains the statutorily-prescribed estoppel clause and is thereafter published with a statutory form of notice, the validity of the bonds authorized thereby may be contested only if:

- 1) Such obligations are authorized for a purpose for which the City is not authorized to expend money, or
- 2) The provisions of law which should be complied with at the date of such publication are not substantially complied with,

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

- 3) Such obligations are authorized in violation of the provisions of the Constitution.

The bond resolution authorizing the Bonds contains the prescribed estoppel clause and was duly published with the statutory form of notice. More than 20 days have elapsed and no action, suit or proceeding has been commenced contesting the validity of the Bonds.

The Common Council, as the finance board of the City, has the power to adopt bond resolutions. In addition, such finance board has the power to authorize the sale and issuance of obligations. However, such finance board may delegate the power to sell the obligations to the City Treasurer, the chief fiscal officer of the City, pursuant to the Local Finance Law.

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

The following pages present certain information regarding the status of the indebtedness of the City as of the date of the Debt Statement prepared in connection with the sale of the Bonds.

#### Trend of Indebtedness

	Fiscal Year Ending December 31:				
	2005	2006	2007	2008	2009
<b>Outstanding Debt:</b>					
Subject to Debt Limit:					
Bonds.....	\$ 3,454,600	\$ 3,106,600	\$ 2,758,600	\$ 2,393,600	\$2,103,600
Bond Anticipation Notes .....	4,900,000	4,900,000	4,100,000	9,946,000	9,577,000
Other Notes .....	0	0	0	0	0
Sub-Total .....	<u>\$ 8,354,600</u>	<u>\$ 8,006,600</u>	<u>\$ 6,858,600</u>	<u>\$12,339,600</u>	<u>\$11,680,600</u>
Not Subject to Debt Limit:					
Bonds .....	\$ 5,170,000	\$ 4,908,400	\$ 4,646,400	\$4,371,000	\$4,091,400
Bond Anticipation Notes .....	0	0	0	0	0
Other Notes .....	0	0	0	0	0
Sub-Total .....	<u>\$ 5,170,000</u>	<u>\$ 4,908,400</u>	<u>\$ 4,646,400</u>	<u>\$4,371,400</u>	<u>\$4,091,400</u>
Total Debt Outstanding .....	<u>\$13,524,600</u>	<u>\$12,915,000</u>	<u>\$11,505,000</u>	<u>\$16,711,000</u>	<u>\$15,772,000</u>

### Debt Service Requirements - Outstanding Bonds

Fiscal Year Ending <u>December 31:</u>	<u>Principal</u>	<u>Interest</u> <sup>1</sup>	<u>Total</u>
2010 .....	\$400,000	\$288,758	\$688,758
2011 .....	395,000	271,898	666,898
2012 .....	410,000	255,076	665,076
2013 .....	410,000	237,540	647,540
2014 .....	425,000	219,582	644,582
2015 .....	195,000	202,212	397,212
2016 .....	205,000	193,288	398,288
2017 .....	210,000	183,550	393,550
2018 .....	215,000	173,575	388,575
2019 .....	225,000	163,287	388,287
2020 .....	225,000	152,450	377,450
2021 .....	235,000	141,613	376,613
2022 .....	240,000	130,300	370,300
2023 .....	250,000	118,750	368,750
2024 .....	255,000	106,250	361,250
2025 .....	200,000	95,000	295,000
2026 .....	210,000	85,000	295,000
2027 .....	220,000	74,500	294,500
2028 .....	235,000	63,500	298,500
2029 .....	240,000	51,750	291,750
2030 .....	250,000	39,750	289,750
2031 .....	265,000	27,250	292,250
2032 .....	<u>280,000</u>	<u>14,000</u>	<u>294,000</u>
Totals .....	<u>\$6,195,000</u>	<u>\$ 3,288,879</u>	<u>\$9,483,879</u>

1. Rounded to nearest dollar.

### Details of Short-Term Indebtedness Outstanding

As of the date of this Statement, the City has short-term debt outstanding, in the amount of \$9,577,000 which matures on October 1, 2010.

#### Computation of Debt Limit (As of July 28, 2010)

Fiscal Year Ending <u>December 31:</u>	<u>Assessed Valuation</u>	<u>State Equalization Rate</u>	<u>Full Valuation</u>
2006 .....	202,054,093	93.23	216,726,475
2007 .....	203,998,972	82.18	248,234,329
2008 .....	204,713,484	73.32	279,205,515
2009 .....	230,863,745	66.95	344,830,089
2010 .....	252,214,929	70.00	<u>360,307,041</u>
Total Five Year Full Valuation .....			\$1,449,303,449
Average Five Year Full Valuation .....			289,860,689
Debt Limit - 7% of Average Full Valuation .....			20,290,248

**Calculation of Total Net Indebtedness**  
(As of July 28, 2010)

Inclusions:

Outstanding Bonds:	
General Purposes .....	\$1,968,600
Excluded Sewer <sup>1</sup> .....	0
Water Purposes .....	4,091,400
Sub-Total: Outstanding Bonds .....	<u>6,060,000</u>
Bond Anticipation Notes .....	9,577,000
Other Debt .....	<u>-0-</u>
Total Inclusions Before Issuing the BAN's .....	<u>15,637,000</u>
The Notes .....	1,530,000
Less BAN's to be Paid from Proceeds .....	<u>0</u>
Net Effect of Issuing the Notes .....	1,530,000
Total Inclusions After Issuing the BANs .....	<u>17,167,000</u>
Exclusions:	
Excluded Sewer <sup>1</sup> .....	0
Water Purposes .....	4,091,400
Appropriations and Cash on Hand for Debt .....	155,000
Other Exclusions .....	<u>-0-</u>
Total Exclusions .....	<u>4,246,400</u>
Total Net Indebtedness .....	<u>12,920,600<sup>2</sup></u>

1. Sewer Debt excluded in the Calculation of Total Net Indebtedness above pursuant to a certificate issued by the office of the State Comptroller.
2. Represents approximately 63.68% of the Debt Limit of \$20,290,248.

**Calculation of Estimated Overlapping and Underlying Indebtedness**

<u>Overlapping Units</u>	<u>Date of Report</u>	<u>Percentage Applicable</u>	<u>Applicable Total Indebtedness</u>	<u>Applicable Net Indebtedness</u>
County of Fulton .....	6-15-10	12.69%	\$ 124,362	\$ 124,362
Johnstown City CSD .....	6-30-09	68.46	<u>13,115,477</u>	<u>1,101,700</u>
Totals .....			<u>\$13,239,839</u>	<u>\$1,226,062</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.

**Authorized But Unissued Debt**

As of the date of this Statement the City has the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
Closure and Remediation of the Johnstown Landfill .....	\$4,000,000
Improvements to the Water System.....	3,530,000 <sup>1</sup>
Purchase of a Fire Truck.....	224,000
Purchase of a Bucket Loader.....	130,000
Total .....	<u>\$7,884,000</u>

<sup>1</sup>.\$1,530,000 will be funded by the BANs

**FINANCIAL MATTERS**

**Financial Statements and Accounting Procedures**

The City maintains its financial records in accordance with the Uniform System of Accounts for Cities prescribed by the State Comptroller. The financial records of the City are audited by independent accountants. The last such audit made available for public inspection covers the fiscal year ended December 31, 2005. In addition, the financial affairs of the City are subject to periodic compliance review by the Office of the State Comptroller to ascertain whether the City has complied with the requirements of various State and Federal statutes.

Balance Sheets of the General Fund at the close of the 2009 fiscal year and the Analysis of Fund Balance and Statements of Revenues and Expenses of the General Fund, the Water Fund and the Sewer Fund for the years 2005 to 2009 and the 2010 Budget are presented in Appendix A.

*Fund Structure and Accounts*

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

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

The City maintains the following governmental funds: General Fund, Water Fund, Sewer Fund, Special Grant Fund, Public Library Fund and Capital Projects Fund. The General Fund is the operating fund of the City and accounts for general tax revenues, miscellaneous receipts not allocated by law or contractual agreement to other funds, general operating expenses, and fixed charges. The Water Fund is used to account for water operations which are not required to be accounted for on an enterprise basis. The Sewer Fund is used to account for sewer operations which are not required to be accounted for on an enterprise basis. The Special Grant Fund is used to account for Community Development Block Grants, Urban Development Action Grants and other community development programs. The Capital Projects Fund is used to account for moneys used for the acquisition of capital facilities and improvements. Fiduciary funds consist of the Trust and Agency Fund.

*Basis of Accounting*

The City maintains its records and reports on the modified accrual basis of accounting for recording transactions in its Governmental Funds. Under this method, (1) revenues are recorded when received in cash except for revenues which are material and susceptible to accrual (measurable and available to finance the year's operations) which are recorded when earned, and (2) expenditures, other than retirement plan contributions, vacation and sick pay and accrued interest on bond anticipation notes and general long-term debt, are recorded at the time liabilities are incurred.

## **Cash Management and Investment Policy**

Pursuant to its adopted Cash Management and Investment Policy, the City is generally permitted to deposit moneys in banks or trust companies located and authorized to do business in the City. 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.

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 City, such instruments and investments must be purchased through, delivered to and held in custody of a bank or trust company with which the City has entered into a custodial agreement.

The City Council of the City 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 City are made in accordance with such policy.

## **Budgetary Procedures**

The Mayor is responsible for preparing the Tentative Budget and presenting such Tentative Budget to the Common Council of the City by October 1<sup>st</sup> of each year. The Common Council reviews the Tentative Budget, makes revisions it deems necessary and appropriate and holds a public hearing on such revised tentative budget on or before November 25<sup>th</sup> each year. After such public hearing, the Common Council may make additional revisions to said budget, subject to certain restrictions and conditions, and said budget is adopted not later than December 1 each year. The budget is not subject to referendum.

## **Revenues**

The City receives most of its revenues from real property taxes and assessments. A summary of such revenues and other financings sources for the five most recently completed fiscal years may be found under the Statements of Revenues, Expenditures and Changes in Fund Balance in Appendix A hereto.

### *Real Property Taxes*

See "Real Property Tax Information", herein.

### *Sales Tax*

In 2009, sales tax revenues comprised 33.49% of total General Fund revenues. In the 2010 budget, sales tax revenues are expected to be \$3,250,000 or 32.07% of total General Fund revenues.

## **State Aid**

The City receives financial assistance from the State. If the State should not adopt its budget in a timely manner, municipalities and school districts in the State, including the City, may be affected by a delay in the payment of State aid. Additionally, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the City, in this year or future years, the City may be affected by a delay in the receipt of State aid until sufficient State taxes have been received by the State to make State aid payments.

Based on the unaudited Annual Financial Update Document of the City, the City received approximately 20.50 % of its total General Fund operating revenue from State aid in 2009. There is no assurance, however, that State appropriations for aid to municipalities will continue, either pursuant to existing formulas or in any form whatsoever. The State is not constitutionally obligated to maintain or continue such aid and, in fact, the State has drastically reduced funding to municipalities and school districts in the last several years in order to balance its own budget.

Although the City cannot predict at this time whether there will be any delays and/or reductions in State aid in the current year or in future fiscal years or whether there will be additional Federal Stimulus Act monies made available to pay State aid in future years, the City may be able to mitigate the impact of any delays or reductions by reducing expenditures, increasing revenues appropriating other available funds on hand, and/or by any combination of the foregoing.

### **Expenditures**

The major categories of expenditure for the City are General Government Support, Public Safety, Transportation, Culture and Recreation, Employee Benefits and Debt Service. A summary of the expenditures for the five most recently completed fiscal years and the estimated expenditures for the current fiscal year may be found in Appendix A - Financial Statements.

### **Pension Systems**

Substantially all employees of the City are members of the New York State and Local Employees' Retirement System (the "Retirement System" or "ERS"). The Retirement System is a cost-sharing multiple public employer retirement system. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement System and Social Security Law (the "Retirement System Law"). The Retirement System offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service. The Retirement System Law generally provides that all participating employers in the Retirement System are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement System. The Retirement System is non-contributory with respect to members hired prior to July 27, 1976. All members hired on or after July 27, 1976 must contribute three percent of their gross annual salary towards the costs of retirement programs until they attain ten years in the Retirement System, at such time contributions become voluntary. On December 10, 2009, the Governor Paterson signed into law the creation of a new Tier 5, which is effective for new ERS employees hired after January 1, 2010. New ERS employees in Tier 5 will now contribute 3% of their salaries. There is no provision for these contributions to cease for Tier 5 employees after a certain period of service.

On May 14, 2003, the Governor signed a pension reform bill into law as Chapter 49 of the Law of 2003 ("Chapter 49"). Chapter 49 changed the billing cycle for employer contributions to the ERS retirement system to match budget cycles of the City. Under the previous method, the City was not provided with required payment until after the budget was implemented. Under the reforms implemented by Chapter 49, the employer contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1, instead of the following April 1. As a result, the City is notified of and can include the actual cost of the employer contribution in its budget. Chapter 49 also required a minimum payment of 4.5% of payroll each year, including years in which investment performance of the fund would make a lower employer contribution possible.

During its 2004 Session the New York State Legislature enacted further pension relief in the form of Chapter 260 of the Laws of 2004 ("Chapter 260"). Chapter 260 changed the pension payment date for all local governments from December 15 to February 1 and permits the legislative body of a municipality to establish a retirement contribution reserve fund for the purpose of financing retirement contributions in the future.

The New York State Retirement System has advised the City that municipalities can elect to make employer contribution payments in the December or the following February, as required. If such payments are made in the December prior to the scheduled payment date in February, such payments may be made at a discount amount. The City has prepaid its employer contributions each December since the option was made available in 2004.

As a result of 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, it is anticipated that the employer contribution rate for the State's Retirement System in future years may be significantly higher than the minimum contribution rate established by Chapter 49. However, at this time the City is unable to predict the amount of any such increase

## Retirement System Billing Procedures

The City's current contributions to the Retirement Systems are due on or before December 15 of each year. Such contributions are based on salaries estimated to be paid during the fiscal year ending on March 31 of the next calendar year. Chapter 62 of the Laws of 1989 deferred the Retirement Systems contributions based on salaries paid during the fiscal years ending March 31, 1988 and March 31, 1989. The liability may be paid in 17 installments which began on December 15, 1989 but may be prepaid on any annual installment due date (December 15). In September 1993, the City issued bonds to prepay in full the remaining balance of this liability.

The State Legislature enacted certain other changes to NYSRSSL in 1990 which significantly reduced the City's Retirement Systems contributions paid on December 15, 1990. Pursuant to Chapter 210 of the Laws of 1990, the actuarial funding method used to calculate the Retirement Systems contributions was changed from the aggregate cost method to the modified projected unit credit method. The new funding method was utilized to compute normal contributions for the fiscal year ending March 31, 1991 (payable on December 15, 1990). In addition, there was a retroactive change in the method of valuing assets which resulted in contribution credits for the fiscal years ending March 31, 1989 and March 31, 1990. Chapter 53 of the Laws of 1990 further provided that the City's State aid be reduced by 35% of the retirement savings realized from changes to NYSRSSL.

In 1990, three actions were commenced in Supreme Court, Albany County (McDermott, et al. V. Regan, et al.; Puma, et al. V. Regan, et al.; and Guzdek, et al. V. Regan, et al.) challenging the constitutionality of chapter 210 of the laws of 1990. In a decision dated August 10, 1992, the Supreme Court, Albany County, granted summary judgment to plaintiffs in all three actions on the grounds that the challenged legislation was an unconstitutional attempt to divest public employees of a contract right to an independent trustee, the State Comptroller. The decision mentioned that the State Comptroller projected that the challenged legislation would result in a reduction of state and local employer contributions of approximately \$800 million for the 1990-91 fiscal year alone which amount, together with amounts applicable to subsequent years, could be ordered paid to the pension systems by the court. The State appealed the decision of the Supreme Court, Albany County and on July 1, 1993, the Appellate Division, Third Department affirmed the lower court's ruling. The State further appealed the decision of the Appellate Division to the Court of Appeals (the State's highest court).

On November 16, 1993, the Court of Appeals, affirming the order of the Appellate Division, ruled that the pension funding method change for the common retirement fund made pursuant to Chapter 210 of the laws of 1990 violated Article V, Section 7 of the State Constitution which states that there is a contractual relationship between the retirement systems and employees who are its beneficiaries, the benefits of which "shall not be diminished or impaired."

On December 6, 1993, the State Comptroller announced his plan to implement the Court's decision. The implementation of the Court's decision through the State Comptroller's plan will not have a material adverse effect on the financial condition of the City.

The amount of payments by the City to the respective Retirement Systems for the past five years and the current year is presented below:

### Contributions to the Retirement Systems

Fiscal Year Ending December 31:	Employees Retirement System	Policemen's & Firemen's Retirement System	Total
2005 .....	\$178,611	\$324,006	\$502,617
2006 .....	181,019	365,020	546,039
2007 .....	153,848	373,244	527,092
2008 .....	144,729	358,947	503,676
2009 .....	128,094	340,329	468,423
2010 (Budget) .....	213,000	450,000	663,000

**Other Post Employment Benefits**

The City provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. Accounting rules now require governmental entities, such as the City, to account for post-retirement health care benefits as its accounts for vested pension benefits. GASB Statement No. 45 (“GASB 45”) described below requires such accounting.

GASB 45 and OPEB. OPEB refers to "other post-employment benefits," meaning 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 as current expenses in the year paid and were not reported as a liability on governmental financial statements.

GASB 45 requires municipalities and school districts to account for OPEB liabilities in the same manner as they already account for pension liabilities. It requires 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") is 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 liability actually be amortized nor that it be funded only that the municipality or school district account for its unfunded accrued liability and comply in meeting its ACR. The City has not retained an independent firm to conduct the actuarial valuation, as of the date of this statement.

Actuarial Valuation will be required every 2 years for OPEB plans with more than 200 members, every 3 years if there are less than 200 members.

The City of Johnstown’s financial statements are prepared in conformity with the New York State Office of the Comptroller’s guidelines. Cost is recognized on a pay-as-you-go basis.

**REAL PROPERTY TAXES**

**Constitutional Tax Margin - 2009**

Five Year Average Full Valuation .....	\$290,082,767
Tax Limit: (2%) thereof .....	5,801,655
Tax Levy for City Purposes .....	3,952,000
Exclusion for Debt Service .....	<u>757,100</u>
Gross Taxing Power .....	\$ 3,194,900
Constitutional Tax Margin .....	<u>\$ 2,606,755</u>
Percentage of Unused Taxing Power .....	55.07%

**Tax Collection Procedure**

Taxes are due April 1, payable without penalty to April 30. A 1% penalty shall be added monthly, thereafter. Tax Sales are held annually.

### Tax Levy and Collection Record

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
City Taxes .....	\$3,480,050	\$3,191,914	\$3,201,718	\$3,179,202	\$2,543,516	\$3,951,541
County Taxes .....	<u>3,256,661</u>	<u>2,479,575</u>	<u>2,192,572</u>	<u>2,147,896</u>	<u>3,688,895</u>	<u>2,609,940</u>
Total Taxes .....	\$6,736,711	\$5,671,489	\$5,394,290	\$5,327,098	\$6,232,411	6,561,481
Cancellations During Year .....	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Tax Levy .....	\$6,736,716	\$5,671,489	\$5,394,290	\$5,327,098	\$6,232,411	6,561,481
Collected During Year .....	<u>6,450,924</u>	<u>5,475,490</u>	<u>5,225,117</u>	<u>5,148,063</u>	<u>6,025,163</u>	<u>6,106,891<sup>1</sup></u>
Total Uncollected Taxes .....	\$ 285,787	\$ 195,999	\$ 169,173	\$ 179,035	\$ 207,248	454,590
Per Cent Collected .....	95.76%	96.54%	96.86%	96.64%	96.67%	93.07%
Tax Rate per \$1,000 Assessed						
Valuation:						
City: Homestead .....	\$17.28	\$15.80	\$15.80	\$ 15.53	\$15.98	\$16.36
County .....	16.17	12.28	10.82	10.50	11.03	10.87

1. As of June 17, 2010; City collection takes place during April of each year.

### Selected Listing of Large Taxable Properties 2010 Assessment Roll<sup>1</sup>

<u>Name</u>	<u>Type</u>	
<u>Valuation</u>		
Wal-Mart Stores East Inc. ....	Distribution Center	\$27,535,656
FAGE USA Dairy Industry Inc. ....	High Tech Manufacturing	18,037,500
Johnstown Comrie Assoc. ....	Shopping	9,108,600
Niagara Mohawk Power Corp. ....	Utility	7,096,877
Citizens Telecom Company ....	Utility	2,170,813
Crest Enterprises Inc. ....	Motel	2,206,100
Pearl Leather .....	Industrial	2,121,300
Benjamin Moore & Company .....	Industrial	2,020,600
Maple Knoll Apartments .....	Apartments	1,445,000
Rx Johnstown Owners LLC (Rite Aid).....	Shopping Center	1,264,000
Red Carpet Housing .....	Manufactured Hsg.	1,128,400
Stewarts .....	Mini-mart	1,110,800
Johnstown Plaza Inc. ....	Shopping	1,110,000
Marck Industries Inc .....	Manufacturing	1,046,950
DHC of Johnstown LLC .....	Motel	982,800
Shepard Family/Trackside Homes .....	Apts./Office Bldg.	932,500
Diya Sun Inc. ....	Motel	<u>920,000</u>
		<u>\$ 80,237,896<sup>2</sup></u>

1. Assessment Roll established in 2010 for levy and collection of taxes in 2011.

2. Represents 31.81% of the total taxable assessed valuation of the City for 2010.

## LITIGATION

In common with other cities, the City from time to time receives notices of claim and is party to litigation. In the opinion of the corporation counsel for the City, 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 City has not asserted a substantial and adequate defense, nor which, if determined against the City, would have a adverse material effect on the financial condition of the City, in view of the City's ability to fund the same through use of appropriate funding mechanisms provided by the Local Finance Law.

## TAX EXEMPTION

### *Federal Income Taxes*

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Bonds. The City has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Bonds from gross income for Federal income tax purposes pursuant to Section 103 of the Code.

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the aforementioned covenants, interest on the Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Bonds is however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

### *New York State Taxes*

Bond Counsel is also of the opinion that, under existing statutes, interest on the Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof, including The City of New York.

### *Certain Federal Tax Information*

*General.* The following is a discussion of certain additional tax matters under existing statutes. It does not purport to deal with all aspects of federal taxation that may be relevant to particular investors. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

*Social Security and Railroad Retirement Payments.* The Code provides that interest on tax-exempt obligations is included in the calculation of modified adjusted gross income in determining whether a portion of Social Security or railroad retirement benefits received are to be included in taxable income.

*Branch Profits Tax.* The Code provides that interest on tax-exempt obligations is included in effective connected earnings and profits for purposes of computing the branch profits tax on certain foreign corporations doing business in the United States.

*Borrowed Funds.* The Code provides that interest paid (or deemed paid) on borrowed funds used during a tax year to purchase or carry tax-exempt is not deductible. In addition, under rules used by the Internal Revenue Service for determining when borrowed funds are considered used for purpose of purchasing or carrying particular assets, the purchase of obligations may be considered to have been made with borrowed funds even though the borrowed funds are not directly traceable to the purchase of such obligations.

*Property and Casualty Insurance Companies.* The Code contains provisions relating to property and casualty insurance companies whereunder the amount of certain low deductions otherwise allowed is reduced (in certain cases below zero) by a specified percentage of, among other things, interest on tax-exempt obligations acquired August 7, 1986.

*Financial Institutions.* The Code provides that commercial banks, thrift institutions and other financial institutions may not deduct the portion of their interest expense allocable to tax exempt obligations acquired after August 7, 1986, other than certain “qualified” obligations. The Bonds are “qualified” obligations for this purposes.

*S Corporations.* The Code imposes a tax on excess net passive income of certain S corporations that have subchapter C earnings and profits. Interest on tax-exempt obligations must be included in passive investment income for purposes of this tax.

*Earned Income Credit.* For any taxable year beginning after December 31, 1995, the Code denies the earned income credit to persons otherwise eligible for it if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds \$2,200, subject to adjustment for inflation for taxable years beginning after December 31, 1996. Interest on the Bonds will constitute disqualified income for this purpose.

*Changes in Federal Tax Law and Post Issuance Events.* From time to time proposals are introduced in Congress that, if enacted into law, could have an adverse impact on the potential benefits of the exclusion from gross income for Federal income tax purposes of the interest on the Bonds, and thus on the economic value of the Bonds. This could result from reductions in Federal income tax rates, changes in the structure of the Federal income tax rates, changes in the structure of the federal income tax or its replacement with another type of tax, repeal of the exclusion of the interest on the Bonds from gross income for such purposes, or otherwise. It is not possible to predict whether any legislation having an adverse impact on the tax treatment of holders of the Bonds may be proposed or enacted.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Bonds may affect the tax status of interest on the Bonds. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

## **LEGAL MATTERS**

The legality of the authorization and issuance of the Bonds will be covered by the unqualified legal opinion of Nixon Peabody LLP, Bond Counsel, New York, New York, which opinion on such matters will read substantially as follows:

- a. The Bonds 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 City.
- b. The City has pledged its faith and credit for the payment of the principal of and interest on the Bonds and, unless paid from other sources, the City is authorized to levy on all real property subject to taxation by the City such ad valorem taxes as may be necessary to pay the Bonds and the interest thereon, without limitation as to rate or amount.

It is understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

## **Closing Certificates**

Upon delivery of the Bonds, the purchaser will be furnished, without cost, the following, dated as of the date of the delivery of and payment for the Bonds: (i) a Certificate of the City Treasurer of the City certifying, to the best of his knowledge after due inquiry, among other things, that (a) as of this date of this Official Statement furnished by the City in relation to the Bonds and at all times subsequent thereto,

up to and including the time of the delivery of the Bonds, this Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading, subject to the condition that while information in this Official Statement obtained from sources other than the City is not guaranteed as to accuracy, completeness or fairness, the City Treasurer has no reason to believe and does not believe that such information is materially inaccurate or misleading, and (b) since the time of the sale to the time of the delivery of the Bonds, there has been no material adverse change in the financial condition of the City as shown in this Official Statement other than as disclosed in or contemplated by this Official Statement; (ii) a Closing Certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is now pending or, to the knowledge of the signers, threatened, restraining or enjoining (i) the issuance or delivery of the Bonds, (ii) the levy and collection of taxes to pay the principal of and interest thereon, or (iii) in any way questioning or affecting the validity of the Bonds or the proceedings or authority for the issuance thereof, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; (iii) an Attorney's Certificate of No Litigation signed by the corporation counsel of the City including statements that (a) no litigation is now pending or to the knowledge of the signer, threatened, restraining or enjoining the issuance and delivery of the Bonds, and (b) no litigation is now pending or, to the knowledge of the signer, threatened, restraining, enjoining or questioning the validity of the levy or collection of taxes to pay the principal and interest thereon, or the authority or proceedings for the issuance thereof, or contesting the corporate existence or boundaries of the City nor the title of any of the officers of the City to their respective offices; (iv) a certificate of the City Treasurer evidencing the City's covenant as set forth in the section entitled "Continuing Disclosure Undertaking"; (v) a Tax Certificate dealing with the use and investment of the proceeds of the Bonds; and (vi) the approving opinion of the law firm of Nixon Peabody LLP, Bond Counsel.

#### **COVENANT TO MAKE CONTINUING FINANCIAL DISCLOSURE**

In connection with the issuance of the Bonds, the City will make a covenant for the benefit of the Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the City for each fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain events, as enumerated below, if material. The Annual Report and the notices of material events will be provided by the City to the Municipal Securities Rulemaking Board (the "MSRB") or any successor thereto named by the Securities and Exchange Commission. In the event that a State Information Depository (the "NYSID") shall at any time hereafter be established by the State of New York, each Annual Report and notice of material event will thereafter also be provided by the City to the NYSID. This covenant is being made in order to assist the underwriters of the Bonds to comply with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "Rule"). The types of information to be contained in the Annual Report and in the notices of material events is summarized below:

Annual Report - Each Annual Report will provide financial information and operating data for the City, for the most recently ended fiscal year of the City, of the same type as included in this Official Statement. Operating data is quantitative information about the operations of the City. It is anticipated that the Annual Report will include financial information for the City of the same type as set forth herein under the headings "The City"; "Demographic and Statistical Information"; "Indebtedness of the City"; "Financial Matters"; "Real Property Taxes"; "Litigation"; and Appendices A and B.

In addition, the Annual Report shall include the general purpose financial statements of the City, for the most recently ended fiscal year of the City, prepared in accordance with generally accepted accounting principles, together with the report thereon of a firm of independent certified public accountants based on an audit performed in accordance with generally accepted auditing standards.

The Annual Report for each fiscal year shall be provided within six months after the end of each fiscal year, commencing with the fiscal year commencing January 1, 2008, except that if the audited financial statements shall not be available by that date in any year such audited financial statements shall be provided as soon as they become available, but in no event shall such audited financial statements be provided later than 365 days after the end of each fiscal year of the City.

The Annual Report may consist of one document or a set of documents which together contain at least all of the required information, including one or more preliminary official statements and official statements prepared in connection with the sale of City obligations and the City's audited financial statements for the fiscal year ending prior to the due date.

If the City is unable to provide the MSRB an Annual Report within six months after the end of the fiscal year commencing January 1, 2010 or any fiscal year thereafter, the City Treasurer will send a notice to the MSRB, setting forth the date by which the City expects to provide or complete the Annual Report.

#### Notices of Material Events

- a. If available and if material, notices of the occurrence of any of the following events with respect to the Bonds shall be given in a timely manner.
  1. Principal and interest payment delinquencies.
  2. Non-payment related defaults. (It should be noted, however, that neither the Bonds, the proceedings of the City authorizing the Bonds, the Local Finance Law, nor any other law, makes any provision for non-payment related defaults on the Bonds or other general obligations issued by the City).
  3. Unscheduled draws on debt service reserves reflecting difficulties. (It should be noted, however, that the City is not legally authorized to establish, nor has it established, a debt service reserve securing the Bonds).
  4. Unscheduled draws on credit enhancements reflecting financial difficulties. (It should be noted, however, that this provisions will not be applicable unless the initial purchaser elects to obtain a municipal bond insurance policy.)
  5. Substitution of credit or liquidity providers, or their failure to perform. (It should be noted, however, that this provision will not be applicable unless the initial purchaser elects to obtain a municipal bond insurance policy.)
  6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds.
  7. Modifications to rights of holders or beneficial owners;
  8. Bond calls;
  9. Defeasances;
  10. Release, substitution, or sale of property securing repayment of the Bonds; and
  11. Rating changes.

With regard to the above list of material events, the City has not obtained or provided, and does not expect to obtain or provide, any debt service reserves, credit enhancements or credit or liquidity providers for the Bonds, and repayment of the Bonds is not secured by a lien on any property capable of release or sale or for which other property may be substituted.
- b. The City's failure to provide the Annual Information within the time specified above.
- c. Any change in the accounting principles applied in the preparation of its annual financial statements, any change in its fiscal year, its failure to appropriate funds to meet costs to be incurred to perform the Agreement, and of the termination of the Agreement.

The City will reserve the right to amend the Continuing Disclosure Agreement, and to obtain the waiver of noncompliance with any provision of the Agreement, as may be necessary or appropriate to achieve its compliance with any applicable federal securities law or rule, to cure any ambiguity, inconsistency or formal defect or omission, and to address any change in circumstances arising from a change in legal requirements, change in law, or change in the identity, nature, or status of the City, or type of business conducted by the City. Any such amendment or waiver will not be effective unless the Agreement (as amended or taking into account such waiver) would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any applicable amendments to or official interpretations of the Rule, as well as any change in circumstances, and until the City shall have received either (i) a written opinion of bond or other qualified independent special counsel selected by the City that the amendment or waiver would not materially impair the interests of holders or beneficial owners of the Bonds, or (ii) the written consent to the amendment or waiver of the holders of at least a majority of the principal amount of the Bonds then outstanding.

The Continuing Disclosure Agreement will be solely for the benefit of the holders and beneficial owners from time to time of the Bonds. The exclusive remedy for any breach of the Agreement by the City is to be limited to a right of holders and beneficial owners to institute and maintain, or to cause to be instituted and maintained, such proceedings as may be authorized at law or in equity to obtain the specific performance by the City of its obligations under the Agreement. Any individual holder or beneficial owner may institute and maintain, or cause to be instituted and maintained, such proceedings to require the City to provide or cause to be provided a pertinent filing if such a filing is due and has not been made. Any such proceedings to require the City to perform any other obligation under the Agreement (including any proceedings that contest the sufficiency of any pertinent filing) may be instituted and maintained only by (i) a trustee appointed by the holders and beneficial owners of not less than 25% in principal amount of the Bonds then outstanding, which trustee may, and upon request of holders and beneficial owners of not less than 25% in principal amount of the Bonds then outstanding would be required to, institute and maintain such proceedings, or (ii) holders and beneficial owners of not less than 10% in principal amount of the Bonds then outstanding.

The performance by the City of the Continuing Disclosure Agreement will be subject to the City's annual appropriation of any funds that may be necessary to perform it.

The Continuing Disclosure Agreement will remain in effect only for such period that the Bonds are outstanding in accordance with their terms and the City remains an obligated person with respect to the Bonds within the meaning of the Rule. The obligation of the City to provide the Annual Information and notices of the events described above will terminate, if and when the City no longer remains such an obligated person.

The City is in compliance with all previous undertakings made pursuant to Rule 15c2-12.

#### **BOND RATING**

The City has not applied for a rating for the Notes. Moody's Investors Service currently rates the outstanding long-term debt of the City "A2<sup>+</sup>". This rating reflects only the view of such rating agency and an explanation of the significance of such rating should be obtained from Moody's. There can be no assurance that such rating will not be revised or withdrawn, if in the judgment of Moody's circumstances so warrant. Any change or withdrawal of such rating may have an adverse effect on the market price of the Notes or the availability of a secondary market for the Notes.

#### **FINANCIAL ADVISOR**

Munistat Services, Inc. has assisted the City as financial advisor in certain matters with respect to the sale and issuance of the Bonds.

## OTHER MATTERS

The statutory authority for the power to spend money for the object or purpose, or to accomplish the object or purpose, for which the Bonds are to be issued is the City Charter and the Local Finance Law.

The procedure for the validation of bonds and notes provided in Title 6 of Article 2 of the Local Finance Law has been complied with.

There is no district corporation as such term is defined in the Local Finance Law, Section 102.00(a), situated in the City.

There is no bond or note principal or interest past due.

The Fiscal year of the City is the calendar year.

This Official Statement does not include the financial data of any political subdivision of the State of New York having power to levy taxes within the City, except as expressed in the "Calculation of Estimated Overlapping and Underlying Indebtedness."

## ADDITIONAL INFORMATION

Additional information may be obtained from the office of the City Treasurer, City of Johnstown, City Hall, 33-41 East Main Street, Johnstown, New York 12095, telephone number 518/736-4017, email: michael.gifford@cityofjohnstown-ny.com or from Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number 631/331-8888, Website: www.munistat.com.

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

Nixon Peabody, LLP, expresses no opinion on the accuracy or completeness of any documents prepared by or on behalf of the City for use in connection with the offer and sale of the Bonds, including this Official Statement.

Munistat Services, Inc. has assisted the City as financial advisor in certain matters with respect to the sale and issuance of the Bonds.

The preparation and distribution of this Official Statement has been approved by the City Treasurer of the City pursuant to the power delegated to him by the authorizing bond resolutions to sell and deliver the Bonds.

CITY OF JOHNSTOWN, NEW YORK

By: /s/ MICHAEL C. GIFFORD  
City Treasurer

Dated: July 28, 2010

**APPENDIX A**

Financial Statements

Balance Sheet

Budget Summary

Tax Levy and Collection Record

Tax Rates Per \$1,000 Assessed Valuation

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**General Fund**

	Fiscal Year Ending December 31:				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Revenues:</b>					
Real Property Taxes	\$ 3,352,901	\$ 3,504,808	\$ 3,594,586	\$ 3,557,009	\$ 3,793,165
Non-Property Taxes	2,399,607	3,065,148	3,221,667	3,207,691	3,235,439
Departmental Income	18,833	17,897	47,488	34,080	31,490
Use of Money and Property	100,372	108,837	102,764	21,112	83,827
Licenses and Permits	30,664	46,248	36,483	35,329	37,950
Fines and Forfeitures	82,411	101,521	76,814	64,127	64,215
Sale of Property and Comp for Loss	22,924	12,362	47,120	164,368	59,723
Miscellaneous & Local sources	145,026	5,395	7,707	122,753	31,194
Interfund Revenues	75,449	0	0	0	0
State Aid	1,447,799	1,563,654	1,612,559	1,931,570	1,912,697
Federal Aid	33,759	48,495	0	8,750	82,620
<b>Total Revenues</b>	<u>7,709,745</u>	<u>8,474,365</u>	<u>8,747,188</u>	<u>9,146,789</u>	<u>9,332,320</u>
<b>Other Sources:</b>					
Operating Transfers	45,740	19,346	121,570	365,933	21,635
<b>Total Revenues and Other Sources</b>	<u>7,755,485</u>	<u>8,493,711</u>	<u>8,868,758</u>	<u>9,512,722</u>	<u>9,353,955</u>
<b>Expenditures:</b>					
General Government Support	874,892	926,520	831,679	1,006,967	889,383
Public Safety	2,668,266	2,873,469	2,953,333	3,193,355	3,123,964
Health	5,000	0	0	5,000	5,000
Transportation	1,561,169	1,163,331	1,471,436	1,748,598	1,645,629
Economic Assistance and Opportunity	0	21,914	0	1,415	270
Culture and Recreation	122,915	133,813	136,186	241,382	166,184
Home and Community Services	185,312	173,415	201,130	327,485	214,883
Employee Benefits	1,992,051	2,107,967	2,256,248	2,404,507	2,522,852
Debt Service	357,086	349,790	338,380	345,943	430,609
<b>Total Expenditures</b>	<u>7,766,691</u>	<u>7,750,219</u>	<u>8,188,392</u>	<u>9,274,652</u>	<u>8,998,774</u>
<b>Other Uses:</b>					
Operating Transfers	336,309	448,700	249,669	401,200	386,700
<b>Total Expenditures and Other Uses</b>	<u>8,103,000</u>	<u>8,198,919</u>	<u>8,438,061</u>	<u>9,675,852</u>	<u>9,385,474</u>
Revenues & Other Sources Over (Under) Expenditures & Other Uses	(347,515)	294,792	430,697	(163,130)	(31,519)
Other Changes in Fund Balance	1,115,951	0	0	0	(583,523)
Net Increase (Decrease)	768,436	294,792	430,697	(163,130)	(615,042)
Fund Balance Beginning of Year	1,206,344	1,974,780	2,269,572	2,700,269	2,537,139
Fund Balance End of Year	\$ <u>1,974,780</u>	\$ <u>2,269,572</u>	\$ <u>2,700,269</u>	\$ <u>2,537,139</u>	\$ <u>1,922,097</u>

Source: Audited Financial Reports of the City (2005) &  
Unaudited Annual Update Document (2006, 2007, 2008 & 2009)

NOTE: This Schedule NOT audited.

**Statement of Revenues, Expenditures and Fund Balances**

**Special Revenue Funds<sup>1</sup>**

	Fiscal Year Ending December 31:				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Revenues:</b>					
Real Property Taxes and Tax Items	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Departmental Income	2,380,299	2,540,084	2,630,855	3,173,660	3,063,828
Intergovernmental Charges	0	0	0	13,000	13,624
Use of Money and Property	62,355	27,677	49,828	63,037	26,239
Fines and Forfeitures	0	0	0	0	0
Sale of Property and Comp for Loss	117,492	170,308	37,537	40,381	4,773
Miscellaneous	511,390	471,872	311,633	175,275	210,277
State Aid	0	0	0	0	0
Federal Aid	553,656	560,942	504,828	524,962	641,365
<b>Total Revenues</b>	<u>3,625,192</u>	<u>3,770,883</u>	<u>3,534,681</u>	<u>3,990,315</u>	<u>3,960,106</u>
<b>Other Sources:</b>					
Operating Transfers	222,000	256,120	277,030	252,223	1,346,550
<b>Total Revenues and Other Sources</b>	<u>3,847,192</u>	<u>4,027,003</u>	<u>3,811,711</u>	<u>4,242,538</u>	<u>5,306,656</u>
<b>Expenditures:</b>					
General Government Support	467,942	351,587	253,881	246,143	249,511
Culture and Recreation	246,664	254,268	276,270	300,522	295,810
Home and Community Services	1,949,257	1,795,167	2,317,936	2,318,354	2,103,569
Employee Benefits	188,717	189,570	200,298	196,910	208,109
Debt Service	546,708	574,045	557,303	546,625	868,671
<b>Total Expenditures</b>	<u>3,399,288</u>	<u>3,164,637</u>	<u>3,605,688</u>	<u>3,608,554</u>	<u>3,725,670</u>
<b>Other Uses:</b>					
Operating Transfers	20,416	19,346	286,685	182,140	21,635
<b>Total Expenditures and Other Uses</b>	<u>3,419,704</u>	<u>3,183,983</u>	<u>3,892,373</u>	<u>3,790,694</u>	<u>3,747,305</u>
<b>Revenues &amp; Other Sources Over (Under) Expenditures &amp; Other Uses</b>	<u>427,488</u>	<u>843,020</u>	<u>(80,662)</u>	<u>451,844</u>	<u>1,559,351</u>
<b>Other Changes in Fund Balance</b>	<u>1,624,561</u>	<u>0</u>	<u>0</u>	<u>(1,198,337)</u>	<u>0</u>
<b>Net Increase (Decrease)</b>	<u>2,052,049</u>	<u>843,020</u>	<u>(80,662)</u>	<u>(746,493)</u>	<u>1,559,351</u>
<b>Fund Balance Beginning of Year</b>	<u>901,439</u>	<u>2,953,488</u>	<u>3,796,508</u>	<u>3,715,846</u>	<u>2,969,353</u>
<b>Fund Balance End of Year</b>	<u>\$ 2,953,488</u>	<u>\$ 3,796,508</u>	<u>\$ 3,715,846</u>	<u>\$ 2,969,353</u>	<u>\$ 4,528,704</u>

1. Includes Special Grant Fund, Water Fund, Sewer Fund & Library Fund.

Source: Audited Financial Reports of the City (2005) &  
Unaudited Annual Update Document (2006, 2007, 2008 & 2009)

NOTE: This Schedule NOT audited.

**Balance Sheet - General Fund**  
Fiscal Year Ending December 31, 2009

ASSETS:	
Cash	\$ 1,558,687
Taxes Receivable	693,140
Other Receivables	84,509
Due from Other Governments	412,607
Due from Other Funds	252,743
Prepaid Expenses	<u>106,654</u>
 Total	 \$ <u>3,108,340</u>
LIABILITIES:	
Accounts Payable and Accrued Liabilities	\$ 258,797
Due to Other Funds	15,000
Due to Other Governments	293,256
Deferred Revenues	<u>619,190</u>
 Total Liabilities	 <u>1,186,243</u>
EQUITY:	
Fund Balance (Deficit) - Unreserved:	
Reserved for Encumbrances	63,049
Designated for Subsequent Year's Expenditures	290,000
Undesignated	<u>1,569,048</u>
 Total Unreserved	 <u>1,922,097</u>
 Total Equity	 <u>1,922,097</u>
 Total Liabilities and Equity	 \$ <u>3,108,340</u>

Source: Unaudited Annual Update Document of the City (2009).

## Budget Summaries

Fiscal Year Ending December 31, 2010

	General Fund	Sewer Fund	Water Fund
Revenues:			
Real Property Taxes	\$ 3,952,000	\$ 0	\$ 0
Real Property Tax Items	247,000	0	0
Non-Property Taxes	85,000	0	0
Sales Tax	3,250,000	0	0
Departmental Income	144,300	1,956,000	1,312,500
Use of Money and Property	12,300	8,000	40,000
Licenses & Permits	106,400		
Fines & Forfeitures	65,000		
Sale of Property	5,000		
State Aid	1,844,900		
Federal Aid	50,000		
Miscellaneous	10,000	0	10,000
Interfund Items	23,500	0	0
Transfer - Sewer	50,000	0	0
Transfer From Debt Service		0	0
Appropriated Fund Balance	290,000	0	0
 Total Revenues	 \$ 10,135,400	 \$ 1,964,000	 \$ 1,362,500
Expenditures:			
General Government Support	\$ 1,090,400	\$ 0	\$ 263,800
Public Safety	3,224,200	0	0
Transportation	1,824,300	0	0
Health	5,000	0	0
Culture and Recreation	54,200	0	0
Home and Community Services	383,400	1,391,000	554,600
Employee Benefits	2,980,000	0	232,800
Debt Service	296,700	610,600	288,000
Fund Balance Add (Subtract)		(87,600)	0
Interfund Transfers	277,200	50,000	23,300
 Total Expenditures	 \$ 10,135,400	 \$ 1,964,000	 \$ 1,362,500

Source: Adopted Budget of the City.