

VILLAGE OF DEPEW, NEW YORK

FINANCIAL STATEMENTS

MAY 31, 2015

VILLAGE OF DEPEW, NEW YORK

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Village of Depew, New York

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of Village of Depew, New York (the Village) as of and for the year ended May 31, 2015, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of the Village as of May 31, 2015, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the schedule of funding progress postemployment benefit plan be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Lumaden & McCormick, LLP

September 17, 2015

Village of Depew, New York
Management's Discussion and Analysis
May 31, 2015
(Unaudited)

Introduction

Management's Discussion and Analysis (MD&A) of Village of Depew, New York (the Village) provides an overview of the Village's financial performance and activities for the year ended May 31, 2015. The information contained in the MD&A should be considered in conjunction with the information presented in the Village's financial statements that follow. This MD&A, the financial statements and notes thereto are essential to obtaining a full understanding of the Village's financial position and results of operations. The Village's financial statements have the following components: (1) government-wide financial statements; (2) governmental fund financial statements; (3) reconciliations between the government-wide and governmental fund financial statements; (4) agency fund statements; (5) notes to the financial statements; and (6) required supplementary information.

The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances in a manner similar to a private-sector business. The statement of net position presents information on all of the Village's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between them reported as net position. The statement of activities presents information showing how the Village's net position changed during each year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future periods. The government-wide financial statements present information about the Village as a whole. All of the activities of the Village are considered to be governmental activities.

Governmental fund financial statements focus on near-term inflows and outflows of resources, as well as on balances of resources available at the end of the year. Such information may be useful in evaluating the Village's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the Village's near-term financing decisions. The reconciliation portion of the financial statements facilitates the comparison between governmental funds and governmental activities.

Agency funds are used to account for resources held for the benefit of parties outside of the Village. Agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village's programs. The notes to the financial statements provide additional information that is essential for a full understanding of the government-wide and governmental fund financial statements.

Condensed Statement of Net Position	2015	2014	Change	
			\$	%
Current assets	\$ 5,558,000	\$ 3,225,000	\$ 2,333,000	72.3%
Capital assets	9,256,000	8,754,000	502,000	5.7%
Total assets	<u>14,814,000</u>	<u>11,979,000</u>	<u>2,835,000</u>	<u>23.7%</u>
Long-term liabilities outstanding	5,150,000	5,654,000	(504,000)	-8.9%
Other liabilities	6,306,000	2,942,000	3,364,000	114.3%
Total liabilities	<u>11,456,000</u>	<u>8,596,000</u>	<u>2,860,000</u>	<u>33.3%</u>
Net Position:				
Net investment in capital assets	2,602,000	2,282,000	320,000	14.0%
Restricted	507,000	486,000	21,000	4.3%
Unrestricted	249,000	615,000	(366,000)	-59.5%
Total net position	<u>\$ 3,358,000</u>	<u>\$ 3,383,000</u>	<u>\$ (25,000)</u>	<u>-0.7%</u>

Net position at May 31, 2015 and 2014 was \$3,358,000 and \$3,383,000, respectively. Capital assets (infrastructure, buildings, improvements, vehicles and equipment) represent 62.5% (73.1% in 2014) of the Village's total assets. The largest portion of liabilities is outstanding debt directly related to the Village's investment in these capital assets. The Village uses capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Current assets increased by \$2,333,000 (decrease of \$1,087,000 or 25.2% in 2014). These balances consist of cash and receivables from other governments and third parties. For 2015, the increase is due to unspent bond anticipation note (BAN) proceeds of \$3,008,000. The purchase of vehicles, equipment and infrastructure projects resulted in an increase in capital assets of \$1,175,000 which when netted with current year depreciation of \$673,000, resulted in an increase of \$502,000. Total liabilities increased by \$2,860,000 (decrease of \$669,000 or 7.2% in 2014) also as a result of the BAN issuance.

The Village's unfunded actuarial accrued liability as of May 31, 2015 pursuant to GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions*, is estimated to be \$4,248,000 and is being amortized over a 30 year period.

Condensed Statement of Activities	2015	2014	Change	
			\$	%
Revenues				
Program revenues				
Charges for services	\$ 719,000	\$ 1,463,000	\$ (744,000)	-50.9%
Operating grants and contributions	924,000	700,000	224,000	32.0%
Capital grants and contributions	100,000	139,000	(39,000)	-28.1%
General revenues				
Property, sales and franchise taxes	11,843,000	11,831,000	12,000	0.1%
Other	329,000	189,000	140,000	74.1%
Total revenues	13,915,000	14,322,000	(407,000)	-2.8%
Expenses				
Support services				
General government	2,870,000	2,712,000	158,000	5.8%
Public safety	6,113,000	6,109,000	4,000	0.1%
Health	5,000	2,000	3,000	150.0%
Transportation	2,678,000	2,443,000	235,000	9.6%
Culture and recreation	723,000	767,000	(44,000)	-5.7%
Home and community services	1,402,000	2,017,000	(615,000)	-30.5%
Interest expense	149,000	158,000	(9,000)	-5.7%
Total expenses	13,940,000	14,208,000	(268,000)	-1.9%
Change in net position	(25,000)	114,000	(139,000)	-121.9%
Net position - beginning of year	3,383,000	3,269,000	114,000	3.5%
Net position - end of year	\$ 3,358,000	\$ 3,383,000	\$ (25,000)	-0.7%

Total revenues decreased by \$407,000 (increase of \$988,000 or 7.4% in 2014). Village property, sales and franchise taxes for the year ended May 31, 2015 account for 85.1% (82.6% in 2014) of the Village's total revenues and remained consistent with the prior year increasing by 0.1% (\$497,000 or 4.4% increase in 2014). While there was an increase in the tax levy of 1.6%, this increase was offset by a lack of revenue from Erie County for demolition costs on abandoned properties in 2015; \$128,000 was received for this purpose in 2014. The \$744,000 decrease in charges for services (increase of \$578,000 or 65.3% in 2014) resulted from the sale of garbage totes to residents in 2014 for \$643,000, offset by an increase in fines collected. The increase in operating grants and contributions of \$224,000 (\$147,000 or 26.6% increase in 2014) was due to \$230,000 in federal funds received for the major snow storm in November 2014.

Total expenses decreased by \$268,000 (increase of \$1,061,000 or 8.1% in 2014). The largest expenditure decrease was again a result of the purchase of garbage totes in 2014 totaling \$596,000 which did not recur in 2015. This purchase was reflected in home and community services. The increase of \$235,000 in transportation expense (\$538,000 or 28.2% in 2014) is largely due to costs associated with the November 2014 storm and is offset by federal emergency aid as previously stated. General government expense increased \$158,000 (\$70,000 or 2.6% increase in 2014) due to the demolition of abandoned houses within the Village.

Financial Analysis of the Village's Funds

Total fund balances for the governmental funds decreased by \$1,025,000 to a deficit balance of \$696,000 (\$904,000 decrease in 2014) as further described below:

- The capital projects fund balance deficit increased to \$3,079,000 due to a net decrease of \$610,000. Capital projects typically run deficit balances when temporary borrowings such as BANs are used to finance project costs. The fund will net to zero when permanent financing is secured to pay the BANs.
- The decrease in general fund revenue of \$344,000 or 2.5% (increase of \$987,000 or 7.8% in 2014) is explained in the previous section and results primarily from the sale of garbage totes in 2014 partially offset by federal funds received in 2015. Revenue in the other funds was consistent with 2014.
- General fund expenditures decreased \$139,000 or 1.0% (increase of \$947,000 or 7.4% in 2014) due to the cost of the garbage totes offset by the expenditures for snow removal as previously mentioned as well as purchases of equipment in 2015. Sewer fund expenditures decreased \$118,000 or 18.4% (an increase of \$208,000 or 47.9% in 2014) due to equipment purchases in 2014 which did not repeat in 2015.
- Payroll expense totaled \$5,474,000 and increased \$163,000 or 3.1% from the prior year. This increase reflects pay raises for employees as well as additional employees hired during the year.

General Fund Budgetary Highlights

The revised general fund revenue budget for fiscal year 2015 was \$13,038,000, with the difference due to federal emergency aid. Actual revenues (before other financing sources) were greater than budgeted revenues by \$224,000. The largest variances were in non-property taxes, with actual revenue exceeding the budgeted amount by \$132,000, and actual revenue from state sources exceeding budget by \$66,000.

Total expenditures including carryover encumbrances were \$70,000 under budget (before other financing uses). Controls on spending by department heads contributed to actual expenditures being less than budgeted across most departments and functional categories.

Capital Assets

	2015	2014
Land	\$ 343,000	\$ 343,000
Construction-in-progress	91,000	6,000
Infrastructure	5,413,000	5,413,000
Buildings and improvements	5,212,000	5,145,000
Equipment	10,048,000	9,603,000
Vehicles	4,821,000	4,243,000
	<u>25,928,000</u>	<u>24,753,000</u>
Accumulated depreciation	<u>(16,672,000)</u>	<u>(15,999,000)</u>
	<u>\$ 9,256,000</u>	<u>\$ 8,754,000</u>

Net capital assets increased by \$502,000 due to additions of \$1,175,000, including \$454,000 for a new fire truck and \$253,000 for two wheel loaders, offset by depreciation expense of \$673,000.

Debt Administration

At May 31, 2015, the Village had \$2,930,000 in bonds outstanding, with \$350,000 due within one year (\$3,295,000 outstanding in 2014). The Village's energy performance contract amounted to \$645,000, with \$65,000 due within one year (\$708,000 outstanding in 2014). Outstanding compensated absences payable were \$1,368,000 with \$30,000 expected to be paid during the next year (\$1,549,000 outstanding in 2014).

Additional information on the Village's long-term liabilities can be found in the notes to the financial statements.

Factors Impacting the Village's Future

Despite financial markets vastly improving since "The Great Recession," contribution rates to ERS and PFRS remain high. As shown by the recent full accrual actuarial analysis of the systems, ERS and PFRS are nearly 100% funded. The higher than perhaps required funding rates put a strain on budgets and monies available for the needs of the Village's residents.

The Village will continue to make every attempt to mitigate the impact of these expenses on the overall budget. The property tax levy cap and tax freeze further emphasize the importance of creative cost cutting measures. These issues and concerns require management to plan carefully and prudently to provide the resources necessary to meet the Village's needs.

The Village Trustees have given attention to the rate of growth for both residential and commercial properties and the Trustees are committed to attracting new commercial business to the area.

Contact for Village's Financial Management

This report is designed to provide a general overview of the finances of the Village of Depew for interested parties. Questions concerning any information within this report or requests for additional information should be addressed to Mayor Jesse Nikonowicz, 85 Manitou Street, Depew, New York.

VILLAGE OF DEPEW

Statement of Net Position

May 31, 2015

(with comparative total as of May 31, 2014)

	2015	2014
Assets		
Cash	\$ 4,814,708	\$ 2,595,044
Due from other governments	471,504	475,663
Accounts receivable	36,249	80,368
Prepaid expenses	167,282	-
Inventory	68,530	74,255
Capital assets (Note 5)	25,928,144	24,752,696
Accumulated depreciation	(16,672,377)	(15,998,991)
Total assets	14,814,040	11,979,035
Liabilities		
Accounts payable	102,411	18,271
Accrued liabilities	433,362	423,481
Bond anticipation notes	5,770,000	2,500,000
Long-term liabilities		
Due within one year		
Bonds and energy performance contract	415,055	428,537
Compensated absences	30,000	30,000
Due beyond one year		
Bonds and energy performance contract	3,159,621	3,574,676
Compensated absences	1,387,000	1,519,000
Other postemployment benefits	158,669	101,900
Total liabilities	11,456,118	8,595,865
Net Position		
Net investment in capital assets	2,602,134	2,281,635
Restricted	507,481	485,952
Unrestricted	248,307	615,583
Total net position	\$ 3,357,922	\$ 3,383,170

See accompanying notes.

VILLAGE OF DEPEW

Statement of Activities

For the year ended May 31, 2015

(with summarized comparative totals for May 31, 2014)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2015	2014
Governmental activities						
General government	\$ 2,870,127	\$ 4,295	\$ 364,753	\$ -	\$ (2,501,079)	\$ (2,336,563)
Public safety	6,112,444	342,169	559,563	-	(5,210,712)	(5,485,877)
Health	5,465	3,516	-	-	(1,949)	1,705
Transportation	2,678,071	-	-	-	(2,678,071)	(2,442,906)
Culture and recreation	722,676	357,403	-	-	(365,273)	(415,437)
Home and community services	1,401,956	11,609	-	100,000	(1,290,347)	(1,069,534)
Interest expense	149,354	-	-	-	(149,354)	(157,852)
	<u>\$ 13,940,093</u>	<u>\$ 718,992</u>	<u>\$ 924,316</u>	<u>\$ 100,000</u>	<u>(12,196,785)</u>	<u>(11,906,464)</u>
General revenues						
					11,842,743	11,830,710
					328,794	189,512
					<u>12,171,537</u>	<u>12,020,222</u>
					(25,248)	113,758
					3,383,170	3,269,412
					<u>\$ 3,357,922</u>	<u>\$ 3,383,170</u>

VILLAGE OF DEPEW

Balance Sheet - Governmental Funds

May 31, 2015

(with summarized comparative totals as of May 31, 2014)

	Major		Non-Major		Total	
	General	Capital Projects	Sewer	Community Development	Governmental Funds	
					2015	2014
Assets						
Cash	\$ 1,293,550	\$ 3,008,038	\$ 513,120	\$ -	\$ 4,814,708	\$ 2,595,044
Due from other governments	471,504	-	-	-	471,504	475,663
Accounts receivable	36,249	-	-	-	36,249	80,368
Prepaid expenses	167,282	-	-	-	167,282	-
Inventory	68,530	-	-	-	68,530	74,255
Due from other funds	305,720	-	-	-	305,720	528,469
Total assets	\$ 2,342,835	\$ 3,008,038	\$ 513,120	\$ -	\$ 5,863,993	\$ 3,753,799
Liabilities and Fund Balances						
Accounts payable	\$ 85,497	\$ 11,275	\$ 5,639	\$ -	\$ 102,411	\$ 18,271
Accrued liabilities	382,362	-	-	-	382,362	378,481
Due to other funds	-	305,720	-	-	305,720	528,469
Bond anticipation notes	-	5,770,000	-	-	5,770,000	2,500,000
Total liabilities	467,859	6,086,995	5,639	-	6,560,493	3,425,221
Fund Balances						
Nonspendable:						
Prepaid expenses	167,282	-	-	-	167,282	-
Inventory	68,530	-	-	-	68,530	74,255
Restricted:						
Sewer	-	-	507,481	-	507,481	485,952
Assigned:						
Subsequent year's expenditures	522,107	-	-	-	522,107	735,000
Other purposes	251,832	-	-	-	251,832	124,400
Unassigned	865,225	(3,078,957)	-	-	(2,213,732)	(1,091,029)
Total fund balances (deficit)	1,874,976	(3,078,957)	507,481	-	(696,500)	328,578
Total liabilities and fund balances	\$ 2,342,835	\$ 3,008,038	\$ 513,120	\$ -	\$ 5,863,993	\$ 3,753,799

VILLAGE OF DEPEW

**Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position**

May 31, 2015

Total fund balances - governmental funds \$ (696,500)

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. 9,255,767

Certain liabilities are not due and payable currently and therefore are not reported as liabilities of the governmental funds. These liabilities are:

Bonds and energy performance contract	(3,574,676)	
Accrued interest	(51,000)	
Compensated absences	(1,417,000)	
Other postemployment benefits	(158,669)	(5,201,345)

Net position - governmental activities \$ 3,357,922

VILLAGE OF DEPEW

**Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds**

For the year ended May 31, 2015
(with summarized comparative totals for May 31, 2014)

	Major		Non-Major		Total	
	General	Capital Projects	Sewer	Community Development	Governmental Funds 2015	2014
Revenues						
Real property taxes	\$ 9,205,820	\$ -	\$ 539,465	\$ -	\$ 9,745,285	\$ 9,743,230
Nonproperty taxes	2,097,458	-	-	-	2,097,458	2,087,480
Departmental income	390,918	-	-	-	390,918	373,209
Use of money and property	2,685	213	314	-	3,212	8,356
Licenses and permits	80,522	-	-	-	80,522	61,083
Fines and forfeitures	247,552	-	-	-	247,552	223,481
Miscellaneous local sources	4,790	5,886	6,748	-	17,424	9,136
Sale of property and compensation for loss	308,158	-	-	-	308,158	977,764
State sources	662,247	-	-	-	662,247	665,396
Federal sources	262,069	-	-	100,000	362,069	173,010
Total revenues	13,262,219	6,099	546,527	100,000	13,914,845	14,322,145
Expenditures						
General government	2,382,076	-	-	-	2,382,076	2,131,692
Public safety	3,866,845	453,889	-	-	4,320,734	3,620,196
Health	5,465	-	-	-	5,465	1,720
Transportation	1,758,693	-	-	159,338	1,918,031	1,900,653
Culture and recreation	526,964	-	-	-	526,964	464,252
Home and community services	1,042,292	217,310	180,381	-	1,439,983	2,546,929
Employee benefits	3,711,497	-	63,282	-	3,774,779	3,841,466
Debt service						
Principal	288,537	-	195,000	-	483,537	542,054
Interest	57,019	-	86,335	-	143,354	176,852
Total expenditures	13,639,388	671,199	524,998	159,338	14,994,923	15,225,814
Excess revenue (expenditures)	(377,169)	(665,100)	21,529	(59,338)	(1,080,078)	(903,669)
Other financings sources (uses)						
BANs redeemed from appropriations	-	55,000	-	-	55,000	-
Operating transfers	(59,338)	-	-	59,338	-	-
Total other financing sources (uses)	(59,338)	55,000	-	59,338	55,000	-
Net change in fund balances	(436,507)	(610,100)	21,529	-	(1,025,078)	(903,669)
Fund balances (deficit) - beginning	2,311,483	(2,468,857)	485,952	-	328,578	1,232,247
Fund balances (deficit) - ending	\$ 1,874,976	\$(3,078,957)	\$ 507,481	\$ -	\$ (696,500)	\$ 328,578

See accompanying notes.

VILLAGE OF DEPEW

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

For the year ended May 31, 2015

Total net change in fund balances - governmental funds \$ (1,025,078)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. In the statement of activities, the cost of the assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which capital outlays exceed depreciation expense. 502,062

Payments of long-term liabilities are reported as expenditures in governmental funds and as a reduction of debt in the statement of net position. 428,537

In the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds these expenditures are reported when paid.

These differences are:

Compensated absences	132,000	
Other postemployment benefits	(56,769)	
Interest	(6,000)	69,231
		<hr/>

Change in net position - governmental activities \$ (25,248)

VILLAGE OF DEPEW

Statement of Major Funds Revenues, Expenditures, and Changes in Fund Balances Budget (Non-GAAP) and Actual

For the year ended May 31, 2015

	General Fund			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Over/(Under)
	Original	Final		
Revenues				
Real property taxes	\$ 9,243,044	\$ 9,243,044	\$ 9,205,820	\$ (37,224)
Nonproperty taxes	1,965,000	1,965,000	2,097,458	132,458
Departmental income	360,800	360,800	390,918	30,118
Use of money and property	6,000	6,000	2,685	(3,315)
Licenses and permits	51,000	51,000	80,522	29,522
Fines and forfeitures	275,000	275,000	247,552	(27,448)
Miscellaneous local sources	7,520	7,520	4,790	(2,730)
Sale of property and compensation for loss	230,000	251,160	308,158	56,998
State sources	581,280	596,280	662,247	65,967
Federal sources	-	282,062	262,069	(19,993)
Total revenues	12,719,644	13,037,866	13,262,219	224,353
Expenditures				
General government	2,133,652	2,332,298	2,545,842	213,544
Public safety	3,706,295	3,976,543	3,833,584	(142,959)
Health	4,000	5,510	5,465	(45)
Transportation	1,207,202	1,819,386	1,763,130	(56,256)
Culture and recreation	520,695	546,645	520,244	(26,401)
Home and community services	1,105,630	1,073,330	1,041,502	(31,828)
Employee benefits	4,289,014	3,737,998	3,711,497	(26,501)
Debt service				
Principal	288,537	288,537	288,537	-
Interest	57,019	57,019	57,019	-
Total expenditures	13,312,044	13,837,266	13,766,820	(70,446)
Excess expenditures	(592,400)	(799,400)	(504,601)	294,799
Other financing sources (uses)				
Operating transfers out	(267,000)	(60,000)	(59,338)	(662)
Appropriated fund balance and carryover encumbrances	859,400	859,400	-	(859,400)
Total other financing sources (uses)	592,400	799,400	(59,338)	(858,738)
Excess expenditures and other financing uses	\$ -	\$ -	\$ (563,939)	\$ (563,939)

VILLAGE OF DEPEW

Balance Sheet - Fiduciary Fund

May 31, 2015

	<u>Agency</u>
Assets	
Cash	\$ 156,041
	<hr/>
Liabilities	
Agency liabilities	\$ 156,041
	<hr/>

VILLAGE OF DEPEW, NEW YORK

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The financial statements of Village of Depew, New York (the Village) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the Village's accounting policies are described below.

Financial Reporting Entity

The Village is governed by local laws and ordinances, its Village law, General Municipal Law, and other laws of the State of New York (the State). The governing body is the elected Village Board. The Mayor serves as the chief executive officer and the Administrator serves as the chief fiscal officer. The scope of activities included within the financial statements is those transactions which comprise the Village's operations and are governed by, or significantly influenced by, the Village Board. The primary functions of the Village are to provide basic services such as governmental administration, tax collection, highway, sewer, public safety, refuse collection, recreation, and community development.

The financial reporting entity includes all funds, account groups, functions, and organizations over which Village officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. The Village has no component units as defined by accounting principles.

Basis of Presentation

Government-Wide Statements: The statement of net position and the statement of activities display financial activities of the overall Village, except for fiduciary activities. Eliminations have been made to minimize double counting of internal activities. These statements are required to distinguish between *governmental* and *business-type* activities of the Village. Governmental activities generally are financed through taxes and franchise fees, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Village does not maintain any business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Village's governmental activities.

- Direct expenses are those that are specifically associated with a program or are clearly identifiable to a particular function. Indirect expenses relate to the administration and support of the Village's programs, including personnel, overall administration and finance. Employee benefits are allocated to functional expenses as a percentage of related payroll expense.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and fines and assessments collected for violations of traffic laws or Village ordinances, (b) grants and contributions that are restricted to meeting the operational requirements of a particular program, and (c) grants and contributions limited to the purchase or construction of specific capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Village's funds, including fiduciary funds. Separate statements for each fund category - *governmental and fiduciary* - are presented. The emphasis of the fund financial statements is on major governmental funds, each displayed in a separate column.

The Village reports the following major funds:

- *General fund.* This is the Village's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- *Capital projects fund.* This is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The Village reports the following non-major funds:

- *Sewer fund.* This is a special revenue fund whose specific revenue sources, including property taxes, are restricted to expenditures for the operations and support of the infrastructure surrounding the Village's sewer system.
- *Community development fund.* This is a special revenue fund used to account for financial resources and expenditures restricted and/or committed for specific economic development activities and restrictions placed by grantors.

The Village reports the following fiduciary fund:

- *Agency fund.* This accounts for assets held by the Village as agent for payroll and employee third party withholdings. The agency fund is custodial in nature and does not involve measurement of results of operations.

The financial statements include certain prior year summarized comparative information in total but not by separate governmental activities and major funds. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Village's financial statements for the year ended May 31, 2014, from which the summarized information was derived.

Basis of Accounting and Measurement Focus

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Village receives value directly without giving equal value in exchange, include property and sales taxes, franchise fees, grants, and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Village considers all revenues reported in the governmental funds to be available if they are collected within ninety days after year end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent that they have matured. Capital asset purchases are reported as expenditures in the governmental funds. Proceeds of long-term liabilities and equipment and property purchased under capital leases are reported as other financing sources.

Under the terms of grant agreements, revenues are recognized to the extent of program expenditures. Amounts received in advance of the expenditures are considered unearned and reported as revenue when the expense is incurred.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Property Taxes

Pursuant to the Erie County Tax Act, the Village is initially responsible for collecting its general and special assessment tax levies. On May 31, 1980, the County of Erie (the County) began a program whereby it reimburses the Village for all its outstanding delinquent taxes and disposition of any resulting liens. This program has been revised so that the Village is reimbursed in the same fiscal year in which the taxes are levied.

The process for the levy of real property taxes is:

- May 1 – Real property tax levied
- July 1 – Real property tax due; late payments are charged a 7.5% penalty through July 31, thereafter interest added at the rate of 1.5% per month
- November 1 – All outstanding real property taxes turned over to the County
- March 31 – The County reimburses the Village for delinquent taxes

Budget Process, Amendments and Encumbrances

Annual appropriations are adopted and employed for control of the general, sewer and community development funds. These budgets are adopted on a GAAP basis under the modified accrual basis of accounting. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations authorized for the current year are increased by the planned use of specific restricted, committed and assigned fund balances and subsequent budget amendments approved by the Village Board as a result of new revenue sources not included in the original budget.

No later than March 31st of each year, a tentative budget is submitted to the Village Board for the fiscal year commencing the following June 1. The tentative budget includes both proposed expenditures and the means of financing for all funds. After public hearings are conducted to obtain taxpayer comments, no later than May 1, the governing board adopts the budget. The Mayor exercises administrative budgetary control throughout the year. All modifications of the budget must be approved by the governing board.

Major capital expenditures are subject to individual project budgets based on the cost of the project and external financing rather than annual appropriations. For the capital projects fund, these budgets do not lapse at year end and are carried over to the completion of the project.

Encumbrance accounting is used to assure budgetary control over commitments related to unperformed (executory) contracts for goods or services outstanding at the end of each year. Encumbrances are budgetary expenditures in the year committed and again in the subsequent period when the expenditure is paid. All budget appropriations that are unencumbered lapse at the end of the fiscal year. Encumbrances outstanding at year end are presented for GAAP-related purposes as committed or assigned fund balances and do not constitute expenditures or liabilities. At June 1, encumbrances carried forward from the prior year are reestablished as budgeted appropriations.

Budgetary comparisons presented in these financial statements are on the budgetary basis and represent the budget as modified. The following is a reconciliation of expenditures for the general fund with encumbrances computed on a GAAP and a budgetary basis:

	<u>General</u>
GAAP basis expenditures	\$ 13,639,388
Encumbrances at May 31, 2015	251,832
Encumbrances at May 31, 2014	<u>(124,400)</u>
Budgetary basis expenditures	<u>\$ 13,766,820</u>

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid expenses.

Inventory

Inventory consists of items available for resale which are recorded at cost on a first-in, first-out basis.

Capital Assets

Capital assets including infrastructure are reported at actual or estimated historical cost. Contributed assets are recorded at fair value at the time received. Depreciation is provided in the government-wide statements over estimated useful lives using the straight-line method. Maintenance and repairs are expensed as incurred; significant improvements are capitalized.

Capitalization thresholds for determining which asset purchases are added to capital accounts and the estimated useful lives of capital assets are:

	<u>Capitalization</u> <u>Policy</u>	<u>Estimated</u> <u>Useful Life</u>
Land improvements	\$5,000	20
Infrastructure	\$5,000	20-75
Buildings and improvements	\$5,000	20-50
Equipment	\$5,000	5-15
Vehicles	\$5,000	10-15

Compensated Absences

The liability for compensated absences reported in the government-wide financial statements consists of unpaid accumulated sick and vacation time. The liability has been calculated using the vesting method, in which leave amounts for both employees currently eligible to receive payments and other employees expected to become eligible to receive such payments are included. Sick pay is accrued on the basis of negotiated contracts with employee groups which provide for the payment of accumulated sick time at various amounts at retirement or, for certain employees, the option of converting this amount to provide for the payment of health insurance until exhausted.

The government-wide financial statements reflect the entire liability, while in the governmental funds financial statements, only the amount of matured liabilities is accrued based on expendable available financial resources.

Equity Classifications

Government-Wide Statements

- *Net investment in capital assets* – consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any related debt obligations that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – consists of restricted assets and deferred outflows of resources related to those assets reduced by liabilities if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or the terms of the Village's bonds.
- *Unrestricted* – the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position and therefore are available for general use by the Village.

Governmental Fund Statements

The Village considers unrestricted resources to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, unless the use of the restricted amount was appropriated in the current year's budget or the revenue source is specifically restricted or committed for expenditure. Within unrestricted fund balance, the Village considers committed, assigned, then unassigned resources to have been spent when an expenditure is incurred for which amounts in any of those fund balance classifications could be used.

Restricted fund balances and net position generally result from residual fund balance in special revenue funds and reserves established by the State of New York Legislature and included in General Municipal Law, as authorized for use by the Village Board. Earnings on invested resources are required to be added to the various reserves.

Committed fund balances are authorized by the Village Board as recommended by the Village's management prior to the end of the year, although funding of the commitment may be established subsequent to year end. Assigned fund balances include the planned use of existing fund balance to offset the subsequent year's tax levy provided that it does not result in a deficit unassigned fund balance. Additionally, the Village Board has given the Village's management the authority to assign fund balances for specific purposes that are neither restricted nor committed. Nonspendable fund balances represent resources that cannot be spent as they are not expected to be converted to cash and include inventory and prepaid expenses.

Interfund Balances

The operations of the Village include transactions between funds including resources for cash flow purposes. These interfund receivables and payables are repaid within one year. Permanent transfers of funds include transfers to provide financing or other services.

In the government-wide statements, the amounts reported on the statement of net position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to fiduciary funds.

Interfund receivables and payables are netted on the accompanying governmental funds balance sheet as the right of legal offset exists. It is the Village's practice to settle these amounts at the net balances due between funds.

2. Stewardship and Accountability

The capital projects deficit fund balance of \$3,078,957 will be funded when bond anticipation notes are redeemed from subsequent budget appropriations or converted to permanent financing.

3. Cash

Cash management is governed by State laws and as established in the Village's written policies. Cash resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Policies permit the Administrator to use demand accounts and certificates of deposit. Invested resources are limited to obligations of the United States Treasury and its Agencies, repurchase agreements, and obligations of the State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

Custodial credit risk is the risk that, in the event of a bank failure, the Village's deposits may not be returned to it. At May 31, 2015, all bank deposits were fully collateralized by FDIC coverage or collateralized with securities held by the pledging institutions' trust departments or agents in the Village's name.

4. Interfund Balances – Fund Financial Statements

Fund	Receivable	Payable	Transfers	
			In	Out
General	\$ 528,469	\$ 222,749	\$ -	\$ 59,338
Capital projects	222,749	528,469	-	-
Community development	-	-	59,338	-
	\$ 751,218	\$ 751,218	\$ 59,338	\$ 59,338

Amounts due to the general fund from the capital projects fund reflect amounts provided to the capital projects fund for future projects. Amounts due to the capital projects fund from the general fund reflect a reimbursement for costs associated with consolidated highway improvement program aid recognized in the general fund but initially paid by the capital projects fund. The transfer from the general to the community development fund is to record the general fund's share of expenditures and is considered permanent.

5. Capital Assets

	June 1, 2014	Increases	Retirements/ Reclassifications	May 31, 2015
Non-depreciable capital assets:				
Land	\$ 343,221	\$ -	\$ -	\$ 343,221
Construction-in-progress	6,125	85,168	-	91,293
Total non-depreciable assets	349,346	85,168	-	434,514
Depreciable capital assets:				
Infrastructure	5,412,856	-	-	5,412,856
Buildings and improvements	5,145,023	67,001	-	5,212,024
Equipment	9,602,929	444,916	-	10,047,845
Vehicles	4,242,542	578,363	-	4,820,905
Total depreciable assets	24,403,350	1,090,280	-	25,493,630
Less accumulated depreciation:				
Infrastructure	600,318	149,355	-	749,673
Buildings and improvements	3,911,203	106,219	-	4,017,422
Equipment	8,938,732	142,505	-	9,081,237
Vehicles	2,548,738	275,307	-	2,824,045
Total accumulated depreciation	15,998,991	673,386	-	16,672,377
Total depreciable assets, net	8,404,359	416,894	-	8,821,253
	\$ 8,753,705	\$ 502,062	\$ -	\$ 9,255,767

Depreciation expense has been allocated to the following functions: general government \$94,071, transportation \$122,855, home and community \$27,600, culture and recreation \$40,605, and public safety \$388,255.

As of May 31, 2015, net investment in capital assets consists of the following:

Capital assets, net of accumulated depreciation	\$ 9,255,767
Cash, net of related payables	2,691,043
Bond anticipation notes	(5,770,000)
Bonds and energy performance contract	(3,574,676)
	<u>\$ 2,602,134</u>

6. Short-Term Debt

Bond anticipation notes (BANs) outstanding at May 31, 2015 amounted to \$5,770,000 (\$2,500,000 as of May 31, 2014) and carry interest at 1.0% (0.57% in 2014). In 2015, \$55,000 of outstanding BANs were redeemed and a new BAN in the amount of \$3,325,000 was issued. The Village plans to annually reissue the BANs until they are replaced with permanent financing.

7. Long-Term Liabilities

	June 1, 2014	Increases	Decreases	May 31, 2015	Amount Due in One Year
Bonds	\$ 3,295,000	\$ -	\$ 365,000	\$ 2,930,000	\$ 350,000
Energy performance contract	708,213	-	63,537	644,676	65,055
Compensated absences	1,549,000	-	132,000	1,417,000	30,000
Other postemployment benefits	101,900	263,457	206,688	158,669	-
	\$ 5,654,113	\$ 263,457	\$ 767,225	\$ 5,150,345	\$ 445,055

Existing Obligations

Description	Maturity	Rate	Balance
Public Improvement Serial Bonds	February 2016	4.5%	\$ 70,000
Public Improvement Serial Bonds	June 2024	4.2 - 5.0%	425,000
Public Improvement Serial Bonds	November 2029	3.0 - 3.8%	2,435,000
Energy performance contract	October 2023	2.4%	644,676
			\$ 3,574,676

Debt Service Requirements

Years ending May 31,	Bonds	
	Principal	Interest
2016	\$ 350,000	\$ 99,325
2017	285,000	86,674
2018	295,000	77,250
2019	295,000	67,625
2020	200,000	59,387
2021-2025	965,000	189,238
2026-2030	540,000	41,875
	\$ 2,930,000	\$ 621,374

Lease Obligations

The Village has an energy performance contract with a finance company requiring future payments totaling \$724,104 which is accounted for as a capital lease with annual payments of \$80,456. Future minimum rentals to be paid for all leases are:

Years ending May 31,	Capital Leases	
	Principal	Interest
2016	\$ 65,055	\$ 15,401
2017	66,609	13,847
2018	68,200	12,256
2019	69,829	10,627
2020	71,498	8,958
2021-2024	303,485	18,339
	<u>\$ 644,676</u>	<u>\$ 79,428</u>

The carrying value of the related equipment under the capital lease net of accumulated amortization was \$539,262 as of May 31, 2015.

8. Contributions to Pension Plans

Public Retirement Systems

The Village participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS) (the Systems), which are cost-sharing, multiple-employer, public employee retirement systems. The Systems provide retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute and provide benefits to employees. The Systems issue publicly available financial reports that include financial statements and required supplementary information. These reports may be obtained from the New York State and Local Retirement System at www.osc.state.ny.us/retire.

No employee contribution is required for those hired prior to July 1976. The Systems require employee contributions of 3% of salary for the first 10 years of service for those employees who joined the Systems between July 1976 and December 2009. Participants hired on or after January 1, 2010 through March 31, 2012 are required to contribute 3% of compensation throughout their active membership. Participants hired on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation. The Comptroller annually certifies the rates used, expressed as a percentage of the wages of participants, to compute the contributions required to be made by the Village to the pension accumulation fund.

The required contributions and rates over the past three years were:

	ERS		PFRS	
	Amount	Rate	Amount	Rate
2015	\$ 463,902	10.9%-25.3%	\$ 653,938	26.3%-27.6%
2014	467,774	11.4%-28.8%	700,506	16.3%-28.8%
2013	451,710	10.1%-25.4%	603,857	14.9%-25.4%

The Village's contributions were equal to 100% of the amount required for each year.

Length of Service Awards Program

The Village provides a defined benefit Length of Service Awards Program (LOSAP) for the active volunteers of the Village's fire department (the program). The program was established pursuant to Article 11-A of State General Municipal Law and provides municipally-funded pension-like benefits to facilitate the recruitment and retention of active volunteers. The Village is the sponsor of the program.

Under LOSAP, participating volunteers are paid a service award upon attainment of the program's entitlement age based upon the number of years of credited service. Active volunteers age 18 and older who have completed one year of service are eligible to participate in the program. Participants acquire a nonforfeitable right to a service award either after being credited with 5 years of service or upon attaining the program's entitlement age of 62. In general, an active volunteer is credited with a year of service for each calendar year after the establishment of the program in which he or she accumulates fifty or more points. Points are granted for the performance of certain activities in accordance with a system established by the Village on the basis of a statutory list of activities and point values. A participant may also receive credit for 5 years of service rendered prior to the establishment of the program.

A participant's service award benefit is the actuarial equivalent of a monthly payment for life with payments guaranteed for 10 years equal to \$20 multiplied by the number of years of service, which cannot exceed 30 years. Benefits are payable when the participant reaches entitlement age, except in the case of disability or death. The program provides death and disability benefits equal to the actuarial value of the participant's earned service award at the time of death or disability. The program does not provide extra line-of-duty death or disability benefits. All death and disability benefits are self-insured and paid from the program trust fund. Volunteers who remain active after attaining the entitlement age and who may receive a service award have the opportunity to earn program credit and thereby increase their service award payments. The Village has retained and designated Penflex, Inc. (Penflex) to assist in the administration of the program, RBC Wealth Management to provide investment management and custodial services, and Comerica Bank to pay benefits to participants.

At the end of each calendar year, the Village prepares and certifies a list of names of all persons who were active members during that year, and denotes which members earned fifty points. The list is then delivered to the Board for their review and approval. The Village must maintain the point system records to verify each volunteer's points on forms provided and approved by the Board.

Program assets are required to be held in trust by Article 11-A for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the program's operation and administration. The Village maintains a Service Awards Program Trust Fund document which is available from the Village Clerk. The Board serves as the program trustee. Because Village management does not exercise control nor is otherwise involved in managing plan assets and distributions or benefit determinations, the Trust's assets are not included within the financial statements.

Information for the year ended December 31, 2014 is as follows:

Actuarial present value of benefits at 12/31/2014		\$ 3,599,684
Less: Assets available for benefits		
Cash and money market funds	565,276	
U.S. equities	320,919	
International equities	328,423	
Fixed income	495,794	
Mixed assets	1,364,283	
Other assets	171,422	
Interest receivable	85	3,246,202
		<u>14,280</u>
Add: benefits payable		<u>14,280</u>
Total net assets available for benefits		<u>3,260,482</u>
Total unfunded benefits		<u>\$ 339,202</u>

Unfunded benefits are comprised of an unfunded liability for prior service of \$125,514 and unfunded normal benefits of \$213,688. The unfunded liability for prior service is being amortized over five years at a discount rate of 6.00%.

Receipts and disbursements:

Program net assets, beginning of year		\$ 3,236,256
Changes during the year		
Sponsor contributions	195,000	
Investment income	150,349	
Change in fair market value	(128,207)	
Investment expense	(24,785)	
Benefits paid	(166,780)	
Administrative expenses	(1,351)	24,226
		<u>24,226</u>
Program net assets, end of year		<u>\$ 3,260,482</u>

Contributions as recommended by the actuary were \$153,785. Actual contributions paid by the Village totaled \$195,000 for the year ended December 31, 2014.

Administrative fees:

Fees paid to administrative/actuarial services provider	\$ 7,332
Fees paid for investment management	\$ 24,785
Other administration fees	\$ 1,351

The actuarial valuation methodology used to determine the Village's contribution is the Attained Age Normal Frozen Initial Liability method. The assumptions used by the actuary to determine the Village's contribution and the actuarial present value of benefits are as follows:

Assumed rate of return on program investments 6.00%

Tables used for:

	1994 Unisex Pensioner Male Mortality Table	
Post-entitlement age mortality	projected with scale AA to 2007	
* Pre-entitlement age mortality		None
* Pre-entitlement age disability		None
* Pre-entitlement age withdrawal		None
* Pre-entitlement age service credit accruals		100%

* For program cost calculation purposes, all pre-entitlement age active participants are assumed to survive to the entitlement age, remain active and earn 50 points annually, and begin to receive service awards upon attainment of the entitlement age.

9. Postemployment Healthcare Benefits

The Village maintains a single-employer defined benefit healthcare plan (the Plan) providing for continuation of medical benefits to certain eligible retirees and their spouses. Benefit provisions are based on individual contracts with the Village, as negotiated from time to time. The Plan does not issue a publicly available financial report. Eligibility is based on covered employees who retire from the Village and are over 55 (50 for police) and with between ten and twenty years of service depending on hire date and contract applicability. The required contribution is based on projected pay-as-you-go financing requirements, with no current funding of actuarially determined liabilities. For the year ended May 31, 2015, the Village contributed \$206,688 for plan benefits. Retirees are provided with health insurance at different cost percentages depending on their retirement date and bargaining unit. The Village principally provides a fixed per annum contribution towards insurance for those employee groups covered.

The Village's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution (ARC) of the Village. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize unfunded actuarial liabilities over 30 years. OPEB expense also includes the following components:

- Amortization of the unfunded actuarial accrued liability (UAAL) for the current year, which is the actuarially-determined, unfunded present value of all future OPEB costs associated with current employees and retirees at the beginning of the year.
- Normal cost which is the actuarially-determined cost of future OPEB earned in the current year.

The following table summarizes the Village's annual OPEB for the year ended May 31, 2015:

Annual required contribution	
Normal cost	\$ 87,340
Amortization of unfunded actuarial accrued liability	176,262
Interest	4,076
ARC adjustment	<u>(4,221)</u>
	263,457
Contributions made	<u>(206,688)</u>
Increase in net OPEB obligation	56,769
Net OPEB obligation - beginning of year	101,900
Net OPEB obligation - end of year	<u>\$ 158,669</u>

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation were as follows:

	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 263,457	78.5%	\$ 158,669
2014	263,522	82.7%	101,900
2013	263,586	83.0%	56,240

As of January 1, 2013, the actuarial accrued liability for benefits was \$4,248,355, all of which is unfunded. The annual payroll of employees covered by the Plan was \$5,175,744 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 82.1%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and ARC of the Village are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. A schedule of funding progress is presented as required supplementary information and displays trend data on Plan assets (if any) and the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the Plan as understood by the Village and Plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the Village and Plan members. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets (if any), consistent with the long-term perspective of the calculations. The following assumptions were made:

Retirement age for active employees – active plan members were assumed to retire beginning at age 50 with 100% retired by age 70

Marital status – 70% married, with male spouses assumed to be three years older than female spouses unless actual ages provided for retirees

Mortality – RP-2000 projected to 2010, weighted 40% white collar, 60% blue collar; separate rates for males and females

Turnover – 2003 Society of Actuaries small plan withdrawal

Healthcare cost trend rate – 4.2% increasing to 10.8% in 2014 with an ultimate trend rate of 4.2% beyond 2050

Actuarial cost method – Entry Age Normal Method

Discount rate – 4%

Salary Scale – 4%

Amortization method – 30 years level percent of pay, open group

10. Risk Management

The Village purchases commercial insurance for various risks of loss due to torts, thefts, damage, errors and omissions, and natural disasters. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three years.

11. Commitments and Contingencies

Encumbrances

Significant outstanding encumbrances in the general fund as of May 31, 2015 include \$201,000 for equipment.

VILLAGE OF DEPEW

**Required Supplementary Information
Schedule of Funding Progress
Postemployment Benefit Plan**

May 31, 2015

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 1, 2009	\$ -	\$ 3,100,804	\$ (3,100,804)	-	\$ 5,138,462	60.3%
January 1, 2013	\$ -	\$ 4,248,355	\$ (4,248,355)	-	\$ 5,175,744	82.1%