VILLAGE OF DEPEW, NEW YORK

FINANCIAL STATEMENTS

MAY 31, 2016

VILLAGE OF DEPEW, NEW YORK

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May 31, 2016

Lumsden McCormick LLP
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2016, 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, 2016, and the respective changes in financial position and the respective 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

Change in Accounting Principle

As described in Note 2 to the financial statements, the Village adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* Our opinion is not modified with respect to this item.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by GASB, 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.

Lumsden & McCormick, LLP

September 6, 2016

Village of Depew, New York
Management's Discussion and Analysis
May 31, 2016
(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 activities and performance for the year ended May 31, 2016. 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. In 2016, the Village adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) and related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* These statements require the Village to recognize its proportionate share of the net pension liability, deferred outflows and deferred inflows of resources, and related expenses from its participation in the New York State and Local Retirement System's Employees' Retirement System (ERS) and Police and Fire Retirement System (PFRS). The results of these statements include recognizing a net pension liability for the defined benefit plans and related deferred outflows and deferred inflows of resources. The cumulative effect of implementing these statements resulted in a restatement of beginning net position as detailed in Note 2 to the financial statements.

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 net difference 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 statements 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	2016	2015	Change $	Change %
Current assets	$ 5,030,000	$ 5,558,000	$ (528,000)	-9.5%
Capital assets	10,428,000	9,256,000	1,172,000	12.7%
Total assets	15,458,000	14,814,000	644,000	4.3%
Deferred outflows of resources	1,316,000	-	1,316,000	100.0%
Long-term liabilities	4,832,000	5,150,000	(318,000)	-6.2%
Current liabilities	6,868,000	6,306,000	562,000	8.9%
Net pension liability	569,000	-	569,000	100.0%
Total liabilities	12,269,000	11,456,000	813,000	7.1%
Deferred inflows of resources	125,000	-	125,000	100.0%
Net Position:				
Net investment in capital assets	2,403,000	2,602,000	(199,000)	-7.6%
Restricted	516,000	507,000	9,000	1.8%
Unrestricted	1,461,000	249,000	1,212,000	486.7%
Total net position	$ 4,380,000	$ 3,358,000	$ 1,022,000	30.4%

Net position at May 31, 2016 and 2015 was $4,380,000 and $3,358,000, respectively. Capital assets (infrastructure, buildings, improvements, vehicles and equipment) represent 67.5% (62.5% in 2015) 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 decreased by $528,000 (increase of $2,333,000 or 72.3% in 2015). These balances consist of cash and receivables from other governments and third parties. The change in individual account balances reflects the timing of cash flows and the impact of the Village's current year operating results. The purchase of vehicles, equipment and infrastructure projects, net of depreciation, resulted in an increase of $1,172,000. Total liabilities increased by $813,000 ($2,860,000 or 33.3% in 2015) due to an increase in bond anticipation notes of $535,000 and the net pension liability described below of $569,000 offset by principal payments made on long-term debt of $470,000.

The Village's unfunded actuarial accrued liability as of May 31, 2016 pursuant to GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions* (OPEB), is estimated to be $5,341,000 and is being amortized over a 30 year period. An OPEB liability of $279,000 was recognized at June 30, 2016 compared to $159,000 at June 30, 2015.

The net pension liability and related deferred outflows and inflows of resources are the Village's proportionate share of ERS and PFRS as required by GASB 68.

Condensed Statement of Activities	2016	2015	Change $	Change %
Revenues				
Program revenues				
Charges for services	$ 704,000	$ 719,000	$ (15,000)	-2.1%
Operating grants and contributions	784,000	924,000	(140,000)	-15.2%
Capital grants and contributions	29,000	100,000	(71,000)	-71.0%
General revenues				
Property, sales and franchise taxes	11,919,000	11,843,000	76,000	0.6%
Other	467,000	329,000	138,000	41.9%
Total revenues	13,903,000	13,915,000	(12,000)	-0.1%
Expenses				
Support services				
General government	2,580,000	2,870,000	(290,000)	-10.1%
Public safety	6,248,000	6,113,000	135,000	2.2%
Health	2,000	5,000	(3,000)	-60.0%
Transportation	2,199,000	2,678,000	(479,000)	-17.9%
Culture and recreation	659,000	723,000	(64,000)	-8.9%
Home and community services	1,492,000	1,402,000	90,000	6.4%
Interest expense	185,000	149,000	36,000	24.2%
Total expenses	13,365,000	13,940,000	(575,000)	-4.1%
Change in net position	538,000	(25,000)	563,000	-2252.0%
Net position - beginning of year	3,358,000	3,383,000	(25,000)	-0.7%
Restatement - GASB 68	484,000			
Net position - end of year	$ 4,380,000	$ 3,358,000	$ 1,022,000	30.4%

Total revenues decreased by $12,000 ($407,000 or 2.8% in 2015). Village property, sales and franchise taxes for the year ended May 31, 2016 account for 85.7% (85.1% in 2015) of the Village's total revenues and remained consistent with the prior year increasing by 0.6% ($12,000 or 0.1% increase in 2015). The increase in other income of $138,000 ($140,000 or 74.1% in 2015) reflects funds received from the Town of Cheektowaga as reimbursement of prior year community development expenses. These increases were offset by a decrease in operating grants and contributions of $140,000 (increase of $224,000 or 32.0% in 2015) due to $230,000 in federal funds received in 2015 for the effects of a major snow storm in November 2014. In 2016, the Village received $83,000 in state aid for that snow storm. Capital grants and contributions decreased $71,000 ($39,000 or 28.1% decrease in 2015) because of fewer community development projects than the prior year.

Total expenses decreased by $575,000 ($268,000 or 1.9% in 2015). The decrease in general government expenses of $290,000 (increase of $158,000 or 5.8% in 2015) is due to fewer housing demolitions in 2016, decreases in fuel and electrical costs, and a decrease in overtime pay. Transportation expense decreased $479,000 (increase of $235,000 or 9.6% in 2015) due to prior year costs associated with the November 2014 storm as well as a milder winter in 2015-2016.

Total expenses also decreased in part due to the Village's required adoption of GASB 68. The pension expense on a government-wide basis has been reduced by $268,000 to reflect the Village's proportionate share of pension expense on a full accrual basis.

Financial Analysis of the Village's Funds

Total fund balances for the governmental funds decreased by $1,078,000 to a deficit balance of $1,775,000 ($1,025,000 decrease in 2015) as further described below:

- The capital projects fund balance deficit increased to $(4,865,000) ($(3,079,000) in 2015) due to continued work on sewer improvement projects as well as the purchase of equipment. Capital projects typically maintain 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.
- General fund expenditures decreased $1,015,000 or 7.4% ($139,000 or 1.0% decrease in 2015) due to the previously mentioned decrease in snow removal costs and lower utility costs, as well as higher demolition costs and expenses for work performed on gas wells in 2015.
- Payroll expense totaled $5,185,000 and decreased $289,000 or 5.3% from the prior year. This decrease reflects the replacement of retirees with employees at lower starting salaries3 and a reduction in overtime.
- Increases in workers' compensation costs were offset by a decrease in retirement system payments due to lower contribution rates and a reduction in the annual length of service award program contribution.

General Fund Budgetary Highlights

The revised general fund revenue budget for fiscal year 2016 was $12,878,000. Actual revenues were greater than budgeted revenues by $446,000. The largest variances were in state sources, with actual revenue exceeding the budgeted amount by $152,000, and actual revenue from miscellaneous local sources exceeding budget by $156,000.

Total expenditures including carryover encumbrances were $929,000 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

	2016	2015
Land	$ 343,000	$ 343,000
Contruction-in-progress	-	91,000
Infrastructure	5,413,000	5,413,000
Buildings and improvements	6,564,000	5,212,000
Equipment	10,135,000	10,048,000
Vehicles	4,694,000	4,821,000
	27,149,000	25,928,000
Accumulated depreciation	(16,721,000)	(16,672,000)
	$ 10,428,000	$ 9,256,000

Net capital assets increased by $1,172,000 due to additions of $1,939,000, including $1,238,000 for sewer improvements and $540,000 in new vehicles and equipment, offset by depreciation expense and disposals of $767,000.

Debt Administration

At May 31, 2016, the Village had $2,580,000 in bonds outstanding, with $285,000 due within one year ($2,930,000 outstanding in 2015). The Village's energy performance contract amounted to $580,000, with $67,000 due within one year ($645,000 outstanding in 2015). Outstanding compensated absences payable were $1,393,000 with $30,000 expected to be paid during the next year ($1,417,000 outstanding in 2015).

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

The Village will continue to make every attempt to mitigate the impact of rising costs on the overall budget. The property tax levy cap emphasizes the importance of implementing 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.

Statement of Net Position

May 31, 2016

Assets		
Cash	$	4,430,190
Due from other governments		503,070
Accounts receivable		23,964
Inventory		72,819
Capital assets (Note 6)		27,148,968
Accumulated depreciation		(16,721,158)
Total assets		15,457,853
Deferred Outflows of Resources		
Deferred outflows of resources from pensions		1,316,333
Liabilities		
Accounts payable		114,319
Accrued liabilities		449,388
Bond anticipation notes		6,305,000
Long-term liabilities		
Due within one year		
Bonds and energy performance contract		351,609
Compensated absences		30,000
Due beyond one year		
Bonds and energy performance contract		2,808,012
Compensated absences		1,363,000
Other postemployment benefits		279,386
Net pension liability		568,618
Total liabilities		12,269,332
Deferred Inflows of Resources		
Deferred inflows of resources from pensions		124,969
Net Position		
Net investment in capital assets		2,403,188
Restricted		515,786
Unrestricted		1,460,911
Total net position	$	4,379,885

See accompanying notes.

VILLAGE OF DEPEW, NEW YORK

Statement of Activities

For the year ended May 31, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Governmental activities					
General government	$ 2,580,230	$ 5,696	$ 378,380	$ -	$ (2,196,154)
Public safety	6,247,700	369,141	405,570	-	(5,472,989)
Health	2,378	2,250	-	-	(128)
Transportation	2,199,206	-	-	-	(2,199,206)
Culture and recreation	659,303	317,698	-	-	(341,605)
Home and community services	1,491,555	9,494	-	29,208	(1,452,853)
Interest expense	185,173	-	-	-	(185,173)
	$ 13,365,545	$ 704,279	$ 783,950	$ 29,208	(11,848,108)
General revenues					
Property, sales and franchise taxes					11,919,326
Other					467,200
Total general revenues					12,386,526
Change in net position					538,418
Net position - beginning, as restated (Note 2)					3,841,467
Net position - ending					$ 4,379,885

VILLAGE OF DEPEW, NEW YORK

Balance Sheet - Governmental Funds

May 31, 2016
(with summarized comparative totals as of May 31, 2015)

	Major		Non-Major		Total	
					Governmental Funds	
	General	Capital Projects	Sewer	Community Development	2016	2015
Assets						
Cash	$ 2,325,010	$ 1,467,693	$ 515,786	$ 121,701	$ 4,430,190	$ 4,814,708
Due from other governments	473,862	-	-	29,208	503,070	471,504
Accounts receivable	23,964	-	-	-	23,964	36,249
Due from other funds	149,874	-	-	-	149,874	305,720
Prepaid expenses	-	-	-	-	-	167,282
Inventory	72,819	-	-	-	72,819	68,530
Total assets	$ 3,045,529	$ 1,467,693	$ 515,786	$ 150,909	$ 5,179,917	$ 5,863,993
Liabilities and Fund Balances						
Accounts payable	$ 85,590	$ 27,694	$ -	$ 1,035	$ 114,319	$ 102,411
Accrued liabilities	385,388	-	-	-	385,388	382,362
Due to other funds	-	-	-	149,874	149,874	305,720
Bond anticipation notes	-	6,305,000	-	-	6,305,000	5,770,000
Total liabilities	470,978	6,332,694	-	150,909	6,954,581	6,560,493
Fund Balances						
Nonspendable:						
Prepaid expenses	-	-	-	-	-	167,282
Inventory	72,819	-	-	-	72,819	68,530
Restricted:						
Sewer	-	-	515,786	-	515,786	507,481
Assigned:						
Subsequent year's expenditures	650,000	-	-	-	650,000	522,107
Other purposes	83,463	-	-	-	83,463	251,832
Unassigned	1,768,269	(4,865,001)	-	-	(3,096,732)	(2,213,732)
Total fund balances (deficit)	2,574,551	(4,865,001)	515,786	-	(1,774,664)	(696,500)
Total liabilities and fund balances	$ 3,045,529	$ 1,467,693	$ 515,786	$ 150,909	$ 5,179,917	$ 5,863,993

See accompanying notes.

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

May 31, 2016

Total fund balances - governmental funds		$ (1,774,664)
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.		10,427,810
The Village's proportionate share of the net pension liability as well as pension-related deferred outflows and deferred inflows of resources are recognized in the government-wide statements and include:		
Deferred outflows of resources from pensions	1,316,333	
Net pension liability	(568,618)	
Deferred inflows of resources from pensions	(124,969)	622,746
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	(3,159,621)	
Accrued interest	(64,000)	
Compensated absences	(1,393,000)	
Other postemployment benefits	(279,386)	(4,896,007)
Net position - governmental activities		$ 4,379,885

See accompanying notes.

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

For the year ended May 31, 2016
(with summarized comparative totals for May 31, 2015)

	Major		Non-Major		Total	
		Capital		Community	Governmental Funds	
	General	Projects	Sewer	Development	2016	2015
Revenues						
Real property taxes	$ 9,276,466	$ -	$ 563,272	$ -	$ 9,839,738	$ 9,745,285
Nonproperty taxes	2,079,588	-	-	-	2,079,588	2,097,458
Departmental income	374,337	-	-	-	374,337	390,918
Use of money and property	2,211	176	149	-	2,536	3,212
Licenses and permits	96,765	-	-	-	96,765	80,522
Fines and forfeitures	258,127	-	-	-	258,127	247,552
Miscellaneous local sources	164,258	-	28,393	-	192,651	17,424
Sale of property and compensation for loss	313,102	-	-	-	313,102	308,158
State sources	741,134	-	-	-	741,134	662,247
Federal sources	17,866	-	-	29,208	47,074	362,069
Total revenues	13,323,854	176	591,814	29,208	13,945,052	13,914,845
Expenditures						
General government	2,143,138	1,100	-	-	2,144,238	2,382,076
Public safety	3,658,476	233,923	-	-	3,892,399	4,320,734
Health	2,378	-	-	-	2,378	5,465
Transportation	1,457,596	279,631	-	-	1,737,227	1,918,031
Culture and recreation	399,297	-	-	-	399,297	526,964
Home and community services	1,027,972	1,326,566	192,982	29,208	2,576,728	1,439,983
Employee benefits	3,632,866	-	50,855	-	3,683,721	3,774,779
Debt service						
Principal	265,055	-	205,000	-	470,055	483,537
Interest	37,501	-	134,672	-	172,173	143,354
Total expenditures	12,624,279	1,841,220	583,509	29,208	15,078,216	14,994,923
Excess revenues (expenditures)	699,575	(1,841,044)	8,305	-	(1,133,164)	(1,080,078)
Other financings sources						
BANs redeemed from appropriations	-	55,000	-	-	55,000	55,000
Net change in fund balances	699,575	(1,786,044)	8,305	-	(1,078,164)	(1,025,078)
Fund balances (deficit) - beginning	1,874,976	(3,078,957)	507,481	-	(696,500)	328,578
Fund balances (deficit) - ending	$ 2,574,551	$ (4,865,001)	$ 515,786	$ -	$ (1,774,664)	$ (696,500)

See accompanying notes.

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, 2016

Total net change in fund balances - governmental funds		$ (1,078,164)
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 and disposals.		1,172,043
Net difference between pension system contributions recognized on the fund statement of revenues, expenditures, and changes in fund balances and the statement of activities:		
2015 ERS and PFRS contributions	977,445	
2016 ERS and PFRS accrued contribution	163,000	
2015 ERS and PFRS accrued contribution	(180,000)	
2016 ERS and PFRS net pension expense	(821,244)	139,201
Payments of long-term liabilities are reported as expenditures in governmental funds and as a reduction of debt in the statement of net position.		415,055
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	24,000	
Other postemployment benefits	(120,717)	
Interest	(13,000)	(109,717)
Change in net position - governmental activities		$ 538,418

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

For the year ended May 31, 2016

	Budgeted Amounts Original	Budgeted Amounts Final	Actual (Budgetary Basis)	Variance with Final Budget Over/(Under)
Revenues				
Real property taxes	$ 9,340,360	$ 9,340,360	$ 9,276,466	$ (63,894)
Nonproperty taxes	1,975,000	1,975,000	2,079,588	104,588
Departmental income	359,600	359,600	374,337	14,737
Use of money and property	2,700	2,700	2,211	(489)
Licenses and permits	66,000	66,000	96,765	30,765
Fines and forfeitures	232,000	232,000	258,127	26,127
Miscellaneous local sources	7,520	8,296	164,258	155,962
Sale of property and compensation for loss	230,000	304,412	313,102	8,690
State sources	581,280	589,580	741,134	151,554
Federal sources	-	-	17,866	17,866
Total revenues	12,794,460	12,877,948	13,323,854	445,906
Expenditures				
General government	2,440,819	2,374,620	1,998,835	(375,785)
Public safety	3,636,242	3,828,574	3,636,498	(192,076)
Health	5,000	5,000	2,378	(2,622)
Transportation	1,114,997	1,151,490	1,453,761	302,271
Culture and recreation	540,812	523,775	399,744	(124,031)
Home and community services	1,063,840	1,023,740	1,029,272	5,532
Employee benefits	4,165,518	4,141,917	3,632,866	(509,051)
Debt service				
Principal	265,055	265,055	265,055	-
Interest	69,116	70,716	37,501	(33,215)
Total expenditures	13,301,399	13,384,887	12,455,910	(928,977)
Excess revenues (expenditures)	(506,939)	(506,939)	867,944	1,374,883
Other financing sources (uses)				
Operating transfers out	(267,000)	(267,000)	-	(267,000)
Appropriated fund balance and carryover encumbrances	773,939	773,939	-	(773,939)
Total other financing sources (uses)	506,939	506,939	-	(506,939)
Excess revenues (expenditures) and other financing sources (uses)	$ -	$ -	$ 867,944	$ 867,944

See accompanying notes.

Balance Sheet - Fiduciary Fund

May 31, 2016

		Agency
Assets		
Cash	$	146,309
Service award assets held in trust		3,075,529
Total assets	$	3,221,838
Liabilities		
Agency liabilities	$	146,309
Service awards payable		3,075,529
Total liabilities	$	3,221,838

See accompanying notes.

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, 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, 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 fund 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 fund accounts for assets held by the Village as agent for payroll, employee third party withholdings, and assets restricted for the Village's length of service awards program. The agency fund is custodial in nature and does not involve measurement of results of operations.

The governmental fund financial statements include certain prior year summarized comparative information in total but not by 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, 2015, 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

Real property taxes are levied annually no later than May 1 and become a lien on June 1. Taxes are collected by the Village Tax Collector during the period June 1 to October 31. Erie County assumes enforcement responsibility for all unpaid taxes levied by the Village including uncollected sewer charges.

Budget Process, Amendments and Encumbrances

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 comments from interested parties, the Village Board adopts the budget. The Mayor exercises administrative budgetary control throughout the year. All modifications of the budget must be approved by the Village Board.

Annual appropriations are adopted and employed for control of the general and special revenue 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.

Major capital expenditures are subject to individual project budgets determined primarily by 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 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 and fund balances for the general fund:

	General
GAAP basis expenditures	$ 12,624,279
Encumbrances at May 31, 2016	83,463
Encumbrances at May 31, 2015	(251,832)
Budgetary basis expenditures	$ 12,455,910

Inventory

Inventory consists of items available for resale which are recorded at the lower of first-in, first-out cost or net realizable value.

Capital Assets

Capital assets including infrastructure are reported at actual or estimated historical cost based on appraisals. 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:

	Capitalization Policy	Estimated Useful Life
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

Pensions

On the government-wide statements, the Village recognizes the net pension liability, deferred outflows and deferred inflows of resources, pension expense, and information about and changes in the fiduciary net position on the same basis as reported by the defined benefit pension plans. The Village's participation in the New York State and Local Retirement System, including the Employees' Retirement System (ERS) and the Police and Fire Retirement System (PFRS), is mandated by State law. ERS and PFRS recognize benefit payments when due and payable in accordance with benefit terms; investment assets are reported at fair value.

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 those 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 reduced by liabilities and deferred inflows of resources related to those assets 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 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. 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.

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 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. Change in Accounting Principle

Effective June 1, 2015, the Village adopted GASB 68 and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements address accounting and financial reporting for pensions provided to Village employees that are administered by ERS and PFRS. The statements also require various note disclosures (Note 9) and required supplementary information. As a result, beginning of year net position has been restated as follows:

Net position previously reported, June 1, 2015	$	3,357,922
Net pension liability		(801,697)
Deferred outflows of resources for contributions made subsequent to the measurement date		1,285,242
Net position as restated	$	3,841,467

3. Stewardship and Accountability

The capital projects deficit fund balance of $4,865,001 will be funded when bond anticipation notes are redeemed from subsequent budget appropriations or converted to permanent financing.

4. 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 Village 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, 2016, the Village's 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.

5. Interfund Balances – Fund Financial Statements

Fund	Receivable	Payable
General	$ 149,874	$ -
Community development	-	149,874
	$ 149,874	$ 149,874

Amounts due to the general fund from the community development fund reflect reimbursement of prior year costs.

6. Capital Assets

	June 1, 2015	Increases	Retirements/ Reclassifications	May 31, 2016
Non-depreciable capital assets:				
Land	$ 343,221	$ -	$ -	$ 343,221
Construction-in-progress	91,293	-	(91,293)	-
Total non-depreciable assets	434,514	-	(91,293)	343,221
Depreciable capital assets:				
Infrastructure	5,412,856	-	-	5,412,856
Buildings and improvements	5,212,024	1,270,970	80,840	6,563,834
Equipment	10,047,845	128,210	(40,867)	10,135,188
Vehicles	4,820,905	540,040	(667,076)	4,693,869
Total depreciable assets	25,493,630	1,939,220	(627,103)	26,805,747
Less accumulated depreciation:				
Infrastructure	749,673	149,355	-	899,028
Buildings and improvements	4,017,422	118,889	(5,227)	4,131,084
Equipment	9,081,237	158,397	(51,069)	9,188,565
Vehicles	2,824,045	299,447	(621,011)	2,502,481
Total accumulated depreciation	16,672,377	726,088	(677,307)	16,721,158
Total depreciable assets, net	8,821,253	1,213,132	50,204	10,084,589
	$ 9,255,767	**$ 1,213,132**	**$ (41,089)**	**$ 10,427,810**

Depreciation expense has been allocated to the following functions: general government $98,738, transportation $128,273, home and community $26,741, culture and recreation $47,375, and public safety $424,961.

As of May 31, 2016, net investment in capital assets consists of the following:

Capital assets, net of accumulated depreciation	$ 10,427,810
Cash, net of related payables	1,439,999
Bond anticipation notes	(6,305,000)
Bonds and energy performance contract	(3,159,621)
	$ 2,403,188

7. Short-Term Debt

Bond anticipation notes (BANs) outstanding at May 31, 2016 amounted to $6,305,000 ($5,770,000 as of May 31, 2015) and carry interest at 1.1% - 2.0% (1.0% in 2015). In 2016, $55,000 of outstanding BANs were redeemed and an additional $590,000 was issued. The Village plans to annually reissue the BANs until permanent financing is obtained.

8. Long-Term Liabilities

	June 1, 2015	Increases	Decreases	May 31, 2016	Amount Due in One Year
Bonds	$ 2,930,000	$ -	$ 350,000	$ 2,580,000	$ 285,000
Energy performance contract	644,676	-	65,055	579,621	66,609
Compensated absences	1,417,000	-	24,000	1,393,000	30,000
Other postemployment benefits	158,669	350,103	229,386	279,386	-
	$ 5,150,345	**$ 350,103**	**$ 668,441**	**$ 4,832,007**	**$ 381,609**

Existing Obligations

Description	Maturity	Rate	Balance
Public Improvement Serial Bonds	June 2024	4.2 - 5.0%	$ 375,000
Public Improvement Serial Bonds	November 2029	3.0 - 3.8%	2,205,000
Energy performance contract	October 2023	2.4%	579,621
			$ 3,159,621

Debt Service Requirements

	Bonds	
Years ending May 31,	Principal	Interest
2017	$ 285,000	$ 86,674
2018	295,000	77,250
2019	295,000	67,625
2020	200,000	59,387
2021	200,000	52,363
2022-2026	925,000	154,750
2027-2030	380,000	24,000
	$ 2,580,000	**$ 522,049**

Lease Obligations

The Village has an energy performance contract with a finance company requiring future payments totaling $643,648 which is accounted for as a capital lease with annual payments of $80,456. Future minimum rentals to be paid for all leases are:

	Capital Leases	
Years ending May 31,	Principal	Interest
2017	$ 66,609	$ 13,847
2018	68,200	12,256
2019	69,829	10,627
2020	71,498	8,958
2021	73,206	7,250
2022-2024	230,279	11,089
	$ 579,621	$ 64,027

The carrying value of the related equipment under the capital lease net of accumulated amortization was $479,344 as of May 31, 2016.

9. Pension Plans

New York State and Local Retirement System

The Village participates in ERS and PFRS, which are cost-sharing, multiple-employer, public employee retirement systems. ERS and PFRS 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. ERS and PFRS 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.

Benefits: ERS and PFRS provide retirement, disability, and death benefits for eligible members, including automatic cost of living adjustments. In general, retirement benefits are determined based on an employee's individual circumstances using a pension factor, an age factor, and final average salary. The benefits vary depending on the individual's employment tier. Pension factors are determined based on tier and an employee's years of service, among other factors.

Contribution Requirements: No employee contribution is required for those hired prior to July 1976. ERS and PFRS require employee contributions of 3% of salary for the first 10 years of service for those employees who joined from July 1976 through 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. For 2016, these rates ranged from 10.5% - 18.8% for ERS and 20.4% - 25.1% for PFRS.

A liability to ERS and PFRS of $163,000 is accrued based on the Village's legally required contribution for employee services rendered from April 1, 2016 through May 31, 2016.

Net Pension Liability, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources

At May 31, 2016, the Village reported a liability of $568,618 for its proportionate share of the ERS and PFRS net pension liability. The net pension liability was measured as of March 31, 2015, and the total pension liability was determined by an actuarial valuation as of April 1, 2014. The Village's proportion of the net pension liability was based on the ratio of its actuarially determined employer contribution to ERS's and PFRS's total actuarially determined employer contribution for the fiscal year ended on the measurement date. At the March 31, 2015 measurement date, the Village's proportion was 0.0098724% for ERS and 0.0854121% for PFRS.

For the year ended May 31, 2016, the Village recognized pension expense of $821,244 on the government-wide statements. At May 31, 2016, the Village reported deferred outflows and deferred inflows of resources as follows:

	ERS		PFRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 10,676	$ -	$ 28,352	$ -
Net difference between projected and actual earnings on pension plan investments	57,927	-	78,933	-
Changes in proportion and differences between contributions made and proportionate share of contributions	-	15,311	-	109,658
Contributions subsequent to the measurement date	432,093	-	708,352	-
	$ 500,696	**$ 15,311**	**$ 815,637**	**$ 109,658**

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending May 31, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending May 31,	ERS	PFRS
2017	$ 13,323	$ 3,472
2018	13,323	3,472
2019	13,323	3,472
2020	13,323	3,472
2021	-	(16,261)
	$ 53,292	**$ (2,373)**

Actuarial Assumptions

The actuarial assumptions used in the April 1, 2014 valuation, with update procedures used to roll forward the total pension liability to March 31, 2015, were based on the results of an actuarial experience study for the period April 1, 2005 to March 31, 2010. These assumptions are:

Inflation - 2.7%
Salary increases - 4.9% (ERS), 6.0% (PFRS)
Cost of living adjustments – 1.4% annually
Investment rate of return - 7.5% compounded annually, net of investment expense, including inflation
Mortality - Based on ERS and PFRS experience from April 1, 2005 - March 31, 2010 with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014
Discount rate - 7.5%

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations.* Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

Investment Asset Allocation

Best estimates of arithmetic real rates of return for each major asset class and target asset allocations as of the valuation date are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	38%	7.3%
International equities	13%	8.5%
Private equities	10%	11.0%
Real estate	8%	8.3%
Domestic fixed income securities	2%	4.0%
Bonds and mortgages	18%	4.0%
Short-term	2%	2.3%
Other	9%	6.8%-8.6%
	100%	

Discount Rate

The discount rate projection of cash flows assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, ERS's and PFRS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the Village's proportionate share of its net pension liability for ERS and PFRS calculated using the discount rate of 7.5% and the impact of using a discount rate that is 1% higher or lower than the current rate.

	1.0% Decrease	At Current Discount Rate	1.0% Increase
Village's proportionate share of the ERS net pension asset (liability)	$ (2,223,005)	$ (333,513)	$ 1,261,688
Village's proportionate share of the PFRS net pension asset (liability)	$ (3,130,299)	$ (235,105)	$ 2,191,242

10. Length of Service Awards Program

The Village maintains 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 benefits to facilitate the recruitment and retention of active volunteers. The Village is the sponsor and administrator 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 earned under the point system. The number of years of service used to compute the benefit cannot exceed 30 years. Except in the case of disability or death, benefits are payable when the participant reaches entitlement age. 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.

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.

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.

Program assets are required to be held in trust for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the program. The Village maintains a Service Awards Program Trust Fund document, a copy of which is available from the Village Administrator. Because this trust is not legally protected from all creditors, current accounting standards do not require recognition of a net pension asset or liability, deferred outflows of resources, or deferred inflows of resources like those that are required for ERS, PFRS and similar plans. Amounts in trust as of December 31, 2015 totaled $3,075,529. The Board serves as the program trustee.

Information for the year ended December 31, 2015 is as follows:

Actuarial present value of benefits at 12/31/2015		$ 4,012,577
Less: Assets available for benefits		
Cash and money market funds	79,710	
U.S. equities	485,692	
International equities	480,449	
Fixed income	1,404,072	
Mixed assets	610,560	
Interest receivable	66	3,060,549
Add: benefits payable		14,980
Total net assets available for benefits		3,075,529
Total unfunded benefits		$ 937,048

Unfunded benefits are comprised of an unfunded liability for separately amortized costs. The unfunded liability for additional service awards is being amortized over five years at a discount rate of 5.5%. The remaining unfunded liability is being amortized over 20 years at 5.5%.

Receipts and disbursements:

Program net assets, beginning of year		$ 3,260,482
Changes during the year		
Sponsor contributions	158,000	
Investment income	104,985	
Change in fair market value	(236,789)	
Investment expense	(24,161)	
Benefits paid	(185,608)	
Administrative expenses	(1,380)	(184,953)
Program net assets, end of year		$ 3,075,529

Contributions as recommended by the actuary were $153,232 while actual contributions totaled $158,000 for the year ended December 31, 2015.

Administrative fees:

Fees paid to administrative/actuarial services provider	$ 7,694
Fees paid for investment management	$ 24,161
Other administration fees	$ 1,380

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	5.5%
Tables used for:	
Post-entitlement age mortality	1994 Unisex Pensioner Male Mortality Table 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.

11. 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 age 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, 2016, the Village contributed $229,386 for plan benefits. Retirees are provided with health insurance at different cost percentages based 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, 2016:

Annual required contribution		
Normal cost	$	123,889
Amortization of unfunded actuarial accrued liability		226,721
Interest		6,347
ARC adjustment		(6,854)
		350,103
Contributions made		(229,386)
Increase in net OPEB obligation		120,717
Net OPEB obligation - beginning of year		158,669
Net OPEB obligation - end of year	$	279,386

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
2016	$ 350,103	65.5%	$ 279,386
2015	263,457	78.5%	158,669
2014	263,522	82.7%	101,900

As of June 1, 2016, the actuarial accrued liability for benefits was $5,340,921, all of which is unfunded. The annual payroll of employees covered by the Plan was $5,185,098 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 103.0%.

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 are 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-2014 (previously RP-2000), weighted 40% white collar, 60% blue collar; separate rates for males and females
Turnover – 2003 Society of Actuaries small plan withdrawal rates
Healthcare cost trend rate – 5.6% initially with an ultimate trend rate of 3.8% (previously 4.2% increasing to 10.8% in 2014 and an ultimate rate of 4.2% beyond 2050)
Actuarial cost method – Entry Age Normal Method
Discount rate – 4%
Salary scale – 3% (reduced from 4% in previous valuation)
Amortization method – 30 years level percent of pay, open group

12. Risk Management

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

Required Supplementary Information
Schedule of Funding Progress
Postemployment Benefit Plan

May 31, 2016

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%
June 1, 2016	$ -	$ 5,340,921	$ (5,340,921)	-	$ 5,185,098	103.0%

The increase in the unfunded actuarial accued liability is a result of changes in various assumptions, including salary scales, inflation rates, mortality rates, and health care costs, inclusion of community-rated plans in accordance with Actuarial Standard of Practice 6, and introduction of Cadillac-plan taxes in accordance with the Affordable Care Act.

Required Supplementary Information
Schedule of the Village's Proportionate Share of the Net Pension Liability
New York State and Local Retirement System

As of the measurement date of March 31, 2015	ERS	PFRS
Village's proportion of the net pension liability	0.0098724%	0.0854121%
Village's proportionate share of the net pension liability	$ 333,513	$ 235,105
Village's covered payroll	$ 2,618,700	$ 2,442,734
Village's proportionate share of the net pension liability as a percentage of its covered payroll	12.74%	9.62%
Plan fiduciary net position as a percentage of the total pension liability	97.90%	99.00%

Data prior to 2015 is unavailable.

Required Supplementary Information
Schedule of Village Contributions
New York State and Local Retirement System

May 31,	2016	2015	2014
ERS			
Contractually required contribution	$ 371,093	$ 463,902	$ 467,774
Contribution in relation to the contractually required contribution	(371,093)	(463,902)	(467,774)
Contribution deficiency (excess)	$ -	$ -	$ -
Village's covered payroll	$ 2,618,700	$ 2,618,700	$ 2,382,961
Contributions as a percentage of covered payroll	14.17%	17.71%	19.63%
PFRS			
Contractually required contribution	$ 606,352	$ 641,340	$ 687,908
Contribution in relation to the contractually required contribution	(606,352)	(641,340)	(687,908)
Contribution deficiency (excess)	$ -	$ -	$ -
Village's covered payroll	$ 2,442,734	$ 2,442,734	$ 2,491,085
Contributions as a percentage of covered payroll	24.82%	26.26%	27.61%

Data prior to 2014 is unavailable.