

VILLAGE OF DEPEW, NEW YORK

FINANCIAL STATEMENTS

MAY 31, 2017

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, 2017, 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, 2017, 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 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 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

August 16, 2017

Village of Depew, New York
Management's Discussion and Analysis
May 31, 2017
(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, 2017. 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 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	2017	2016	Change	
			\$	%
Current assets	\$ 5,026,000	\$ 5,030,000	\$ (4,000)	-0.1%
Capital assets	10,514,000	10,428,000	86,000	0.8%
Total assets	<u>15,540,000</u>	<u>15,458,000</u>	<u>82,000</u>	<u>0.5%</u>
Deferred outflows of resources	<u>4,987,000</u>	<u>1,316,000</u>	<u>3,671,000</u>	<u>279.0%</u>
Long-term liabilities	14,667,000	5,401,000	9,266,000	171.6%
Other liabilities	634,000	6,868,000	(6,234,000)	-90.8%
Total liabilities	<u>15,301,000</u>	<u>12,269,000</u>	<u>3,032,000</u>	<u>24.7%</u>
Deferred inflows of resources	<u>771,000</u>	<u>125,000</u>	<u>646,000</u>	<u>516.8%</u>
Net Position:				
Net investment in capital assets	2,494,000	2,403,000	91,000	3.8%
Restricted	495,000	516,000	(21,000)	-4.1%
Unrestricted	1,466,000	1,461,000	5,000	0.3%
Total net position	<u>\$ 4,455,000</u>	<u>\$ 4,380,000</u>	<u>\$ 75,000</u>	<u>1.7%</u>

Net position at May 31 2017 and 2016 was \$4,455,000 and \$4,380,000, respectively. Capital assets (infrastructure, buildings, improvements, vehicles, and equipment) represent 67.7% (67.5% in 2016) 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 \$4,000 (decrease of \$528,000 or 9.5% in 2016). 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. The purchase of vehicles, equipment and infrastructure projects, net of depreciation, resulted in an increase of \$86,000 (\$1,172,000 increase in 2016). Total liabilities increased by \$3,032,000 (\$813,000 or 7.1% in 2016) due to an increase in the net pension liability described below of \$3,534,000 offset by principal payments on long-term debt of \$352,000.

The Village's unfunded actuarial accrued liability as of June 1, 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 \$422,000 was recognized at May 31, 2017 compared to \$279,000 at May 31, 2016.

Changes in deferred outflows and deferred inflows of resources reflect changes in pension activity at the State level which is required to be reflected on the Village's financial statements. Deferred outflows of resources include contributions paid by the Village to the State pension system after the measurement date which determines the plan's net pension. Deferred outflows and deferred inflows of resources also reflect variances from actual investment earnings compared to projected earnings and changes of assumptions. An increase of \$3,534,000 in the net pension liability is primarily the result of a reduction in the discount rate used to calculate the liability from 7.5% to 7.0%.

Condensed Statement of Activities	2017	2016	Change	
			\$	%
Revenues				
Program revenues				
Charges for services	\$ 631,000	\$ 704,000	\$ (73,000)	-10.4%
Operating grants and contributions	812,000	784,000	28,000	3.6%
Capital grants and contributions	48,000	29,000	19,000	65.5%
General revenues				
Property, sales, and franchise taxes	12,216,000	11,919,000	297,000	2.5%
Other	212,000	467,000	(255,000)	-54.6%
Total revenues	<u>13,919,000</u>	<u>13,903,000</u>	<u>16,000</u>	<u>0.1%</u>
Expenses				
Support services				
General government	2,579,000	2,580,000	(1,000)	0.0%
Public safety	6,425,000	6,248,000	177,000	2.8%
Health	2,000	2,000	-	0.0%
Transportation	2,301,000	2,199,000	102,000	4.6%
Culture and recreation	752,000	659,000	93,000	14.1%
Home and community services	1,604,000	1,492,000	112,000	7.5%
Interest expense	<u>181,000</u>	<u>185,000</u>	<u>(4,000)</u>	<u>-2.2%</u>
Total expenses	<u>13,844,000</u>	<u>13,365,000</u>	<u>479,000</u>	<u>3.6%</u>
Change in net position	75,000	538,000	(463,000)	-86.1%
Net position - beginning of year	<u>4,380,000</u>	<u>3,842,000</u>	<u>538,000</u>	<u>14.0%</u>
Net position - end of year	<u>\$ 4,455,000</u>	<u>\$ 4,380,000</u>	<u>\$ 75,000</u>	<u>1.7%</u>

Total revenues increased by \$16,000 (decrease of \$12,000 or 0.1% in 2016). Village property, sales, and franchise taxes for the year ended May 31, 2017 account for 87.8% (85.7% in 2016) of the Village's total revenues and increased \$297,000 (\$76,000 or 0.6% in 2016) in the current year due to a 0.5% increase in tax rates and 2.2% increase in taxable assessments. The decrease in other income of \$255,000 (increase of \$138,000 or 41.9% in 2016) reflects fewer refunds of prior year expenditures related to community development grant money and a loss on disposal of capital assets of \$160,000 offset by an increase in insurance recoveries of \$47,000. Charges for services decreased by \$73,000 (\$15,000 or 2.1% decrease in 2016) due to less fines and forfeited bail in the current year.

Total expenses increased by \$479,000 (decrease of \$575,000 or 4.1% in 2016). The increase in public safety, transportation, culture and recreation, and home and community services expenses is due to an increase in employee benefits of \$840,000, largely related to an increase in pension expense in the current year based on the State System's actuarial valuation and change in the discount rate.

Financial Analysis of the Village's Funds

Total fund balances for the governmental funds increased by \$6,199,000 to a balance of \$4,425,000 (\$1,078,000 decrease in 2016) as further described below:

- The capital projects fund balance increased to \$718,000 (\$4,865,000 deficit in 2016) due to the conversion of a \$6,305,000 bond anticipation note (BAN) into a serial bond of \$5,930,000. When BANs are converted to serial bonds, proceeds are recorded as revenue on a fund basis.
- Total expenditures decreased \$893,000 or 5.9% (increase of \$83,000 or 0.6% in 2016) due to a reduction in capital project expenditures in 2017.
- Payroll expenditures totaled \$5,234,000 in 2017 and were consistent with the prior year, increasing less than 1%.

General Fund Budgetary Highlights

The revised general fund revenue budget for 2017 was \$13,086,000. Actual revenues were greater than budgeted revenues by \$329,000. The largest variance was in state sources, with actual revenue exceeding the budgeted amount by \$206,000.

Total expenditures including carryover encumbrances were \$1,030,000 under budget before other financing uses. Controls on spending by department heads along with consistent employee benefit expenses contributed to actual expenditures being less than budgeted across most departments and functional categories.

Capital Assets

	2017	2016
Land	\$ 343,000	\$ 343,000
Construction-in-progress	82,000	-
Infrastructure	5,799,000	5,413,000
Buildings and improvements	6,572,000	6,564,000
Equipment	9,872,000	10,135,000
Vehicles	4,860,000	4,694,000
	<u>27,528,000</u>	<u>27,149,000</u>
Accumulated depreciation	(17,014,000)	(16,721,000)
	<u>\$ 10,514,000</u>	<u>\$ 10,428,000</u>

Net capital assets increased by \$86,000 due to additions of \$950,000, including \$386,000 for sewer improvements and \$474,000 in new vehicles and equipment, offset by depreciation expense and disposals of \$864,000.

Debt Administration

At May 31, 2017, the Village had \$8,225,000 in bonds outstanding, with \$715,000 due within one year (\$2,580,000 outstanding in 2016). The Village's energy performance contract amounted to \$513,000, with \$68,000 due within one year (\$580,000 outstanding in 2016). Outstanding compensated absences payable were \$1,404,000, with \$30,000 expected to be paid during the next year (\$1,393,000 outstanding in 2016).

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.

VILLAGE OF DEPEW, NEW YORK

Statement of Net Position

May 31, 2017

(With comparative totals as of May 31, 2016)

	2017	2016
Assets		
Cash	\$ 4,302,529	\$ 4,430,190
Due from other governments	537,643	503,070
Accounts receivable	123,617	23,964
Inventory	62,443	72,819
Capital assets (Note 3)	27,527,412	27,148,968
Accumulated depreciation	(17,013,627)	(16,721,158)
Total assets	15,540,017	15,457,853
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	4,987,214	1,316,333
Liabilities		
Accounts payable	192,344	114,319
Accrued liabilities	442,124	449,388
Bond anticipation notes	-	6,305,000
Long-term liabilities		
Due within one year		
Bonds and energy performance contract	783,200	351,609
Compensated absences	30,000	30,000
Due beyond one year		
Bonds and energy performance contract	7,954,812	2,808,012
Compensated absences	1,374,000	1,363,000
Other postemployment benefits	422,415	279,386
Net pension liability	4,102,241	568,618
Total liabilities	15,301,136	12,269,332
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	771,276	124,969
Net Position		
Net investment in capital assets	2,493,530	2,403,188
Restricted	495,352	515,786
Unrestricted	1,465,937	1,460,911
Total net position	\$ 4,454,819	\$ 4,379,885

See accompanying notes.

VILLAGE OF DEPEW, NEW YORK

Statement of Activities

For the year ended May 31, 2017

(With summarized comparative totals for May 31, 2016)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2017	2016
Governmental activities						
General government	\$ 2,578,787	\$ 4,065	\$ 462,428	\$ -	\$ (2,112,294)	\$ (2,196,154)
Public safety	6,425,009	299,053	349,809	-	(5,776,147)	(5,472,989)
Health	2,305	3,004	-	-	699	(128)
Transportation	2,301,495	-	-	-	(2,301,495)	(2,199,206)
Culture and recreation	751,633	320,215	-	-	(431,418)	(341,605)
Home and community services	1,604,351	4,652	-	48,094	(1,551,605)	(1,452,853)
Interest expense	181,018	-	-	-	(181,018)	(185,173)
	<u>\$ 13,844,598</u>	<u>\$ 630,989</u>	<u>\$ 812,237</u>	<u>\$ 48,094</u>	<u>(12,353,278)</u>	<u>(11,848,108)</u>
General revenues						
					12,216,099	11,919,326
					212,113	467,200
					<u>12,428,212</u>	<u>12,386,526</u>
					74,934	538,418
					4,379,885	3,841,467
					<u>\$ 4,454,819</u>	<u>\$ 4,379,885</u>

VILLAGE OF DEPEW, NEW YORK

Balance Sheet - Governmental Funds

May 31, 2017

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

	Major		Non-Major		Total	
	General	Capital Projects	Sewer	Community Development	Governmental Funds	
					2017	2016
Assets						
Cash	\$ 3,084,222	\$ 717,757	\$ 499,910	\$ 640	\$ 4,302,529	\$ 4,430,190
Due from other governments	537,643	-	-	-	537,643	503,070
Accounts receivable	123,617	-	-	-	123,617	23,964
Due from other funds	-	-	-	-	-	149,874
Inventory	62,443	-	-	-	62,443	72,819
Total assets	\$ 3,807,925	\$ 717,757	\$ 499,910	\$ 640	\$ 5,026,232	\$ 5,179,917
Liabilities and Fund Balances						
Accounts payable	\$ 187,146	\$ -	\$ 4,558	\$ 640	\$ 192,344	\$ 114,319
Accrued liabilities	409,124	-	-	-	409,124	385,388
Due to other funds	-	-	-	-	-	149,874
Bond anticipation notes	-	-	-	-	-	6,305,000
Total liabilities	596,270	-	4,558	640	601,468	6,954,581
Fund Balances						
Nonspendable:						
Inventory	62,443	-	-	-	62,443	72,819
Restricted:						
Capital	-	717,757	-	-	717,757	-
Sewer	-	-	495,352	-	495,352	515,786
Assigned:						
Subsequent year's expenditures	650,000	-	-	-	650,000	650,000
Other purposes	34,689	-	-	-	34,689	83,463
Unassigned	2,464,523	-	-	-	2,464,523	(3,096,732)
Total fund balances	3,211,655	717,757	495,352	-	4,424,764	(1,774,664)
Total liabilities and fund balances	\$ 3,807,925	\$ 717,757	\$ 499,910	\$ 640	\$ 5,026,232	\$ 5,179,917

See accompanying notes.

VILLAGE OF DEPEW, NEW YORK

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

May 31, 2017

Total fund balances - governmental funds \$ 4,424,764

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 are not reported as assets in governmental funds. 10,513,785

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 related to pensions	4,987,214	
Net pension liability	(4,102,241)	
Deferred inflows of resources related to pensions	<u>(771,276)</u>	113,697

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	(8,738,012)	
Accrued interest	(33,000)	
Compensated absences	(1,404,000)	
Other postemployment benefits	<u>(422,415)</u>	(10,597,427)

Net position - governmental activities \$ 4,454,819

VILLAGE OF DEPEW, NEW YORK

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

For the year ended May 31, 2017
(with summarized comparative totals for May 31, 2016)

	Major		Non-Major		Total	
	General	Capital Projects	Sewer	Community Development	Governmental Funds	
					2017	2016
Revenues						
Real property taxes	\$ 9,529,648	\$ -	\$ 610,972	\$ -	\$ 10,140,620	\$ 9,839,738
Nonproperty taxes	2,075,479	-	-	-	2,075,479	2,079,588
Departmental income	346,371	-	-	-	346,371	374,337
Use of money and property	874	178	222	-	1,274	2,536
Licenses and permits	68,446	-	-	-	68,446	96,765
Fines and forfeitures	216,172	-	-	-	216,172	258,127
Miscellaneous local sources	61,497	-	4,720	-	66,217	192,651
Sale of property and compensation for loss	304,392	-	-	-	304,392	313,102
State sources	791,388	-	-	-	791,388	741,134
Federal sources	20,849	-	-	48,094	68,943	47,074
Total revenues	13,415,116	178	615,914	48,094	14,079,302	13,945,052
Expenditures						
General government	1,905,178	-	-	-	1,905,178	2,144,238
Public safety	3,653,088	240,826	-	-	3,893,914	3,892,399
Health	2,305	-	-	-	2,305	2,378
Transportation	1,476,167	387,784	-	-	1,863,951	1,737,227
Culture and recreation	428,170	-	-	-	428,170	399,297
Home and community services	1,146,915	93,810	173,690	48,094	1,462,509	2,576,728
Employee benefits	3,631,095	-	59,125	-	3,690,220	3,683,721
Debt service						
Principal	506,609	-	220,000	-	726,609	470,055
Interest	28,485	-	183,533	-	212,018	172,173
Total expenditures	12,778,012	722,420	636,348	48,094	14,184,874	15,078,216
Excess revenues (expenditures)	637,104	(722,242)	(20,434)	-	(105,572)	(1,133,164)
Other financings sources						
Proceeds from issuance of debt	-	5,930,000	-	-	5,930,000	-
BANs redeemed from appropriations	-	375,000	-	-	375,000	55,000
Total other financing sources	-	6,305,000	-	-	6,305,000	55,000
Net change in fund balances	637,104	5,582,758	(20,434)	-	6,199,428	(1,078,164)
Fund balances (deficit) - beginning	2,574,551	(4,865,001)	515,786	-	(1,774,664)	(696,500)
Fund balances (deficit) - ending	\$ 3,211,655	\$ 717,757	\$ 495,352	\$ -	\$ 4,424,764	\$ (1,774,664)

See accompanying notes.

VILLAGE OF DEPEW, NEW YORK

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, 2017

Total net change in fund balances - governmental funds			\$ 6,199,428
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.			
			85,975
Pension expense is recognized when paid on the fund statement of revenues, expenditures, and changes in fund balances and actuarially determined on the statement of activities:			
2017 ERS and PFRS contributions	934,407		
2017 ERS and PFRS accrued contribution	163,000		
2016 ERS and PFRS accrued contribution	(163,000)		
2017 ERS and PFRS net pension expense	<u>(1,443,456)</u>	(509,049)	
Payments of long-term liabilities are reported as expenditures in governmental funds and as a reduction of debt in the statement of net position.			
			351,609
Debt proceeds are recorded as other financing sources in governmental funds but increase long-term liabilities in the statement of net position.			
			(5,930,000)
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	(11,000)		
Other postemployment benefits	(143,029)		
Interest	<u>31,000</u>	(123,029)	
Change in net position - governmental activities			\$ 74,934

VILLAGE OF DEPEW, NEW YORK

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

For the year ended May 31, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Over/(Under)
	Original	Final		
Revenues				
Real property taxes	\$ 9,586,569	\$ 9,586,569	\$ 9,529,648	\$ (56,921)
Nonproperty taxes	1,965,000	1,965,000	2,075,479	110,479
Departmental income	357,900	357,900	346,371	(11,529)
Use of money and property	2,500	2,500	874	(1,626)
Licenses and permits	71,000	71,000	68,446	(2,554)
Fines and forfeitures	229,000	229,000	216,172	(12,828)
Miscellaneous local sources	7,520	56,687	61,497	4,810
Sale of property and compensation for loss	230,000	231,785	304,392	72,607
State sources	582,144	585,378	791,388	206,010
Federal sources	-	-	20,849	20,849
Total revenues	13,031,633	13,085,819	13,415,116	329,297
Expenditures				
General government	2,278,894	2,058,804	1,903,497	(155,307)
Public safety	3,646,553	3,799,637	3,634,745	(164,892)
Health	5,000	5,000	2,305	(2,695)
Transportation	1,143,163	1,563,983	1,448,391	(115,592)
Culture and recreation	563,795	554,091	428,496	(125,595)
Home and community services	1,237,300	1,237,650	1,145,615	(92,035)
Employee benefits	4,090,101	3,967,653	3,631,095	(336,558)
Debt service				
Principal	406,609	506,609	506,609	-
Interest	65,855	65,855	28,485	(37,370)
Total expenditures	13,437,270	13,759,282	12,729,238	(1,030,044)
Excess revenues (expenditures)	(405,637)	(673,463)	685,878	1,359,341
Other financing sources (uses)				
Operating transfers out	(327,826)	(60,000)	-	(60,000)
Appropriated fund balance and carryover encumbrances	733,463	733,463	-	(733,463)
Total other financing sources (uses)	405,637	673,463	-	(673,463)
Excess revenues (expenditures) and other financing sources (uses)	\$ -	\$ -	\$ 685,878	\$ 685,878

See accompanying notes.

VILLAGE OF DEPEW, NEW YORK

Balance Sheet - Fiduciary Fund

May 31, 2017

	<u>Agency</u>
Assets	
Cash	\$ 152,836
Service awards assets held in trust	<u>3,205,788</u>
Total assets	<u>\$ 3,358,624</u>
Liabilities	
Agency liabilities	\$ 152,836
Service awards payable	<u>3,205,788</u>
Total liabilities	<u>\$ 3,358,624</u>

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 more 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 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 are those transactions that comprise the Village's operations and are governed by, or significantly influenced by, the 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 standards.

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 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 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, 2016, 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.

The Village is subject to tax abatements granted by the Town of Lancaster Industrial Development Agency (TLIDA) and the Erie County Industrial Development Agency (ECIDA), public benefit corporations created by an act of the New York State Legislature to promote and assist private sector industrial and business development.

Through TLIDA and ECIDA, companies promise to expand or maintain facilities or employment in the Village, to establish a new business in the Village, or to relocate an existing business to the Village. Economic development agreements entered into by TLIDA and ECIDA can include the abatement of county, village, and school district taxes, in addition to other assistance. In the case of the Village, these abatements have resulted in reductions of property taxes, which the Village administers as a temporary reduction in the assessed value of the property involved. The abatement agreements stipulate a percentage reduction of property taxes, which can be as much as 100%.

For the year ended May 31, 2017, the Village's taxes through TLIDA were abated \$45,000 under these agreements. However, because the abated amounts are spread across the Village's entire tax base, there is no impact on the overall property taxes collected. There were no current abatements through ECIDA.

Budget Process, Amendments and Encumbrances

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 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 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 Board adopts the budget. The Mayor exercises administrative budgetary control throughout the year. All modifications of the budget must be approved by the Board.

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 for the general fund computed on a GAAP and a budgetary basis:

	<u>General</u>
GAAP basis expenditures	\$ 12,778,012
Encumbrances at May 31, 2017	34,689
Encumbrances at May 31, 2016	<u>(83,463)</u>
Budgetary basis expenditures	<u>\$ 12,729,238</u>

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:

	<u>Capitalization Policy</u>	<u>Estimated 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

Pensions

The Village participates in the New York State and Local Retirement System, including the Employees' Retirement System (ERS) and the Police and Fire Retirement System (PFRS), as 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. 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.

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 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 Board. Earnings on invested resources are required to be added to the various reserves.

Committed fund balances are authorized by the 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. The 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. 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, 2017, 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.

3. Capital Assets

	June 1, 2016	Increases	Retirements/ Reclassifications	May 31, 2017
Non-depreciable capital assets:				
Land	\$ 343,221	\$ -	\$ -	\$ 343,221
Construction-in-progress	-	81,502	-	81,502
Total non-depreciable assets	343,221	81,502	-	424,723
Depreciable capital assets:				
Infrastructure	5,412,856	386,033	-	5,798,889
Buildings and improvements	6,563,834	7,956	-	6,571,790
Equipment	10,135,188	118,556	(382,098)	9,871,646
Vehicles	4,693,869	355,853	(189,358)	4,860,364
Total depreciable assets	26,805,747	868,398	(571,456)	27,102,689
Less accumulated depreciation:				
Infrastructure	899,028	149,355	-	1,048,383
Buildings and improvements	4,131,084	132,522	-	4,263,606
Equipment	9,188,565	165,182	(364,220)	8,989,527
Vehicles	2,502,481	257,096	(47,466)	2,712,111
Total accumulated depreciation	16,721,158	704,155	(411,686)	17,013,627
Total depreciable assets, net	10,084,589	164,243	(159,770)	10,089,062
	\$ 10,427,810	\$ 245,745	\$ (159,770)	\$ 10,513,785

Depreciation expense has been allocated to the following functions: general government \$93,788, public safety \$404,977, transportation \$128,150, home and community \$31,096, and culture and recreation \$46,144.

As of May 31, 2017, net investment in capital assets consists of the following:

Capital assets, net of accumulated depreciation	\$ 10,513,785
Cash available for capital projects	717,757
Bonds and energy performance contract	(8,738,012)
	<u>\$ 2,493,530</u>

4. Short-Term Debt

As of May 31, 2016, \$6,305,000 of bond anticipation notes (BANs) with interest at rates ranging from 1.1% - 2.0% were outstanding. In 2017, \$375,000 of outstanding BANs were redeemed and \$5,930,000 was converted to a serial bond. There were no BANs outstanding at May 31, 2017.

5. Long-Term Liabilities

	June 1, 2016	Increases	Decreases	May 31, 2017	Amount Due in One Year
Bonds	\$ 2,580,000	\$ 5,930,000	\$ 285,000	\$ 8,225,000	\$ 715,000
Energy performance contract	579,621	-	66,609	513,012	68,200
Compensated absences	1,393,000	11,000	-	1,404,000	30,000
	\$ 4,552,621	\$ 5,941,000	\$ 351,609	\$ 10,142,012	\$ 813,200

Existing Obligations

Description	Maturity	Rate	Balance
Public Improvement Serial Bonds	June 2024	4.2 - 5.0%	\$ 325,000
Public Improvement Serial Bonds	November 2029	3.0 - 3.8%	1,970,000
Public Improvement Serial Bonds	May 2040	2.5 - 3.5%	5,930,000
Energy performance contract	October 2023	2.4%	513,012
			\$ 8,738,012

Debt Service Requirements

Years ending May 31,	Principal	Interest
2018	\$ 715,000	\$ 243,521
2019	715,000	227,175
2020	630,000	208,437
2021	430,000	190,663
2022	440,000	177,400
2023-2027	2,155,000	683,594
2028-2032	1,440,000	380,119
2033-2037	1,005,000	206,662
2038-2040	695,000	47,475
	\$ 8,225,000	\$ 2,365,046

Lease Obligations

The Village has an energy performance contract with a finance company requiring future payments totaling \$563,192 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
2018	\$ 68,200	\$ 12,256
2019	69,829	10,627
2020	71,498	8,958
2021	73,206	7,250
2022	74,955	5,501
2023-2024	155,324	5,588
	<u>\$ 513,012</u>	<u>\$ 50,180</u>

The carrying value of the related equipment under the capital lease net of accumulated amortization was \$419,426 as of May 31, 2017.

6. Pension Plans

New York State and Local Employees' Retirement System

The Village participates in ERS and PFRS (the Systems), which are cost-sharing, multiple-employer, public employee retirement systems that 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. Those reports may be obtained from the New York State and Local Retirement System at www.osc.state.ny.us/retire.

Benefits: The Systems 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. The Systems require employee contributions of 3% of salary for the first 10 years of service for those employees who joined from 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 2017, these rates ranged from 9.3% - 16.0% for ERS and 15.1% - 24.8% 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, 2017 through May 31, 2017.

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

At May 31, 2017, the Village reported a liability of \$4,102,241 for its proportionate share of the ERS and PFRS net pension liability. The net pension liability was measured as of March 31, 2016, and the total pension liability was determined by an actuarial valuation as of April 1, 2015. 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 contributions for the fiscal year ended on the measurement date. At the March 31, 2016 measurement date, the Village's proportion was 0.0098589% for ERS, a decrease of 0.0000135%, and 0.0851079% for PFRS, a decrease of 0.0003042%.

For the year ended May 31, 2017, the Village recognized pension expense of \$1,443,456 on the government-wide statements. At May 31, 2017, 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	\$ 7,996	\$ 187,564	\$ 22,601	\$ 380,973
Changes of assumptions	421,972	-	1,086,305	-
Net difference between projected and actual earnings on pension plan investments	938,753	-	1,412,180	-
Changes in proportion and differences between Village contributions and proportionate share of contributions	-	57,799	-	144,940
Village contributions subsequent to the measurement date	397,607	-	699,800	-
	\$ 1,766,328	\$ 245,363	\$ 3,220,886	\$ 525,913

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending May 31, 2018. 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
2018	\$ 284,164	\$ 471,303
2019	284,164	471,303
2020	284,164	471,303
2021	270,866	451,640
2022	-	129,624
	\$ 1,123,358	\$ 1,995,173

Actuarial Assumptions

The actuarial assumptions used in the April 1, 2015 valuation, with update procedures used to roll forward the total pension liability to March 31, 2016, were based on the results of an actuarial experience study for the period April 1, 2010 to March 31, 2015. These assumptions are:

Inflation - 2.5%

Salary increases – 3.8% (ERS), 4.5% (PFRS)

Cost of living adjustments – 1.3% annually

Investment rate of return - 7.0% compounded annually, net of investment expense, including inflation

Mortality - Based on ERS and PFRS experience from April 1, 2010 - March 31, 2015 with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014

Discount rate - 7.0%

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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%-8.7%
	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 combined 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 7.0% and the impact of using a discount rate that is 1% higher or lower than the current rate.

	At Current		
	1.0% Decrease	Discount Rate	1.0% Increase
Village's proportionate share of the ERS net pension asset (liability)	\$ (3,568,144)	\$ (1,582,376)	\$ 95,512
Village's proportionate share of the PFRS net pension asset (liability)	\$ (5,628,383)	\$ (2,519,865)	\$ 85,747

7. 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 deferred compensation 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 five 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. 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, 2016 totaled \$3,205,788. The Board serves as the program trustee.

Information for the year ended December 31, 2016 is as follows:

Actuarial present value of benefits at 12/31/2016		\$4,376,741
Less: Assets available for benefits		
Cash and money market funds	28,973	
U.S. equities	757,382	
International equities	321,365	
Fixed income	1,441,396	
Mixed assets	639,859	
Interest receivable	<u>53</u>	3,189,028
Add: benefits payable		<u>16,760</u>
Total net assets available for benefits		<u>3,205,788</u>
Total unfunded benefits		<u>\$1,170,953</u>

Unfunded benefits are comprised of an unfunded liability for separately amortized costs. The unfunded liability for additional service awards earned after attainment of entitlement age is being amortized over five years at a discount rate of 5.50%. The remaining unfunded liability is being amortized over 19 years at 5.50%.

Receipts and disbursements:

Program net assets, beginning of year		\$ 3,075,529
Changes during the year		
Sponsor contributions	170,366	
Investment income	106,053	
Change in fair market value	84,244	
Investment expense	(23,274)	
Benefits paid	(205,703)	
Administrative expenses	<u>(1,427)</u>	<u>130,259</u>
Program net assets, end of year		<u>\$ 3,205,788</u>

Contributions as recommended by the actuary and paid by the Village totaled \$170,366 for the year ended December 31, 2016.

Administrative fees:

Fees paid to administrative/actuarial services provider	\$ 7,827
Fees paid for investment management	\$ 23,274
Other administration fees	\$ 1,427

The actuarial valuation methodology used to determine the Village's contribution is the Attained Age Normal Cost 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 5.50%

Tables used for:

Post-entitlement age mortality	RP-2014 Male Mortality Table without projection
* Pre-entitlement age mortality	None
* Pre-entitlement age disability	None
* Pre-entitlement age withdrawal	None
* Pre-entitlement age service award accruals	100% to entitlement age for active participants who have earned at least one year of service credit in the prior three years; 0% otherwise

* For program cost calculation purposes, all pre-entitlement age active volunteer firefighter 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.

8. Postemployment Benefits Other than Pensions (OPEB)

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, 2017, the Village contributed \$206,688 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 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, 2017:

Annual required contribution	
Normal cost	\$ 123,889
Amortization of unfunded actuarial accrued liability	226,721
Interest	11,176
ARC adjustment	<u>(12,069)</u>
	349,717
Contributions made	<u>(206,688)</u>
Increase in net OPEB obligation	143,029
Net OPEB obligation - beginning of year	<u>279,386</u>
Net OPEB obligation - end of year	<u>\$ 422,415</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:

	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$ 349,717	59.1%	\$ 422,415
2016	350,103	65.5%	279,386
2015	263,457	78.5%	158,669

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

9. 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.

VILLAGE OF DEPEW, NEW YORK

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

May 31,	2016	2015
ERS		
Village's proportion of the net pension liability	0.0098589%	0.0098724%
Village's proportionate share of the net pension liability	\$ 1,582,376	\$ 333,513
Village's covered payroll	\$ 2,381,927	\$ 2,618,700
Village's proportionate share of the net pension liability as a percentage of its covered payroll	66.43%	12.74%
Plan fiduciary net position as a percentage of the total pension liability	90.70%	97.90%
PFRS		
Village's proportion of the net pension liability	0.0851079%	0.0854121%
Village's proportionate share of the net pension liability	\$ 2,519,865	\$ 235,105
Village's covered payroll	\$ 2,456,982	\$ 2,442,734
Village's proportionate share of the net pension liability as a percentage of its covered payroll	102.56%	9.62%
Plan fiduciary net position as a percentage of the total pension liability	90.70%	99.00%

Data prior to 2015 is unavailable.

The following is a summary of changes of assumptions:

May 31,	2016	2015
Inflation	2.5%	2.7%
Salary increases	3.8%	4.9%
Cost of living adjustments	1.3%	1.4%
Investment rate of return	7.0%	7.5%
Discount rate	7.0%	7.5%

VILLAGE OF DEPEW, NEW YORK

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

May 31,	2017	2016	2015	2014
ERS				
Contractually required contribution	\$ 338,607	\$ 371,093	\$ 463,902	\$ 467,774
Contribution in relation to the contractually required contribution	(338,607)	(371,093)	(463,902)	(467,774)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Village's covered payroll	\$ 2,372,940	\$ 2,381,927	\$ 2,618,700	\$ 2,382,961
Contributions as a percentage of covered payroll	14.27%	15.58%	17.71%	19.63%
PFRS				
Contractually required contribution	\$ 595,800	\$ 606,352	\$ 641,340	\$ 687,908
Contribution in relation to the contractually required contribution	(595,800)	(606,352)	(641,340)	(687,908)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Village's covered payroll	\$ 2,463,845	\$ 2,456,982	\$ 2,442,734	\$ 2,491,085
Contributions as a percentage of covered payroll	24.18%	24.68%	26.26%	27.61%

Data prior to 2014 is unavailable.

VILLAGE OF DEPEW, NEW YORK

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

May 31, 2017

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 accrued liability is a result of changes in various assumptions, including salary scales, inflation rates, mortality rates, and healthcare 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.