

**VILLAGE OF DEPEW**  
**FINANCIAL STATEMENTS**  
**May 31, 2009**

VILLAGE OF DEPEW

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**INDEPENDENT AUDITORS' REPORT**

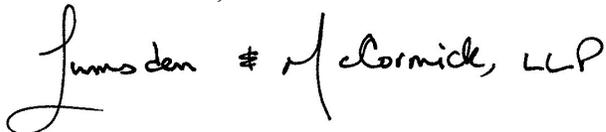
The Board of Trustees  
Village of Depew  
Depew, New York

We have audited the accompanying financial statements of the governmental activities, each major fund and the remaining fund information of the Village of Depew (the Village) as of and for the year ended May 31, 2009, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2009, and the respective changes in financial position and budgetary comparisons for the general and sewer funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



August 18, 2009

**Village of Depew**  
**Management's Discussion and Analysis**  
**May 31, 2009**  
**(Unaudited)**

**Introduction**

Management's Discussion and Analysis (MD&A) of Village of Depew (the Village) provides an overview of the Village's financial performance and activities for the year ended May 31, 2009. The information contained in the MD&A should be considered in conjunction with the information presented as part of the Village's basic financial statements. Following this MD&A are the basic financial statements of the Village with the notes thereto that are essential to a full understanding of the data contained in the financial statements. The Village's basic 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; and (5) notes to the financial statements.

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 assets presents information on all of the Village's assets and liabilities and the difference between the two is reported as net assets. The statement of activities and changes in net assets presents information showing how the Village's net assets change during each fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future fiscal 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 a 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 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 information provided in the government-wide and governmental fund financial statements.

**Financial Highlights**

Village real property taxes of \$7,988,000 for the year ended May 31, 2009 (\$7,685,000 in 2008) and sales tax revenue of \$1,565,000 (\$1,607,000 in 2008) account for 77% (72% in 2008) of the Village's total revenue of \$12,412,000 (\$12,846,000 in 2008) on a government-wide basis. Increase in property tax is reflective of the Village's matching of revenue with anticipated expenses. The reduction in sales tax revenue reflects general economic trends.

Total expenses amounted to \$11,723,000 (\$11,765,000 in 2008) for the year ended May 31, 2009 with the public safety category representing 40% of the total on a government-wide basis for 2009 and 2008. The public safety category contains the expenses for the Village's police and volunteer fire departments.

### Financial Analysis of the Village as a Whole

<b>Condensed Statement of Net Assets</b>	<b>2009</b>	<b>2008</b>
Current and other assets	\$ 3,625,000	\$ 2,763,000
Capital assets	7,773,000	4,801,000
Total assets	<u>11,398,000</u>	<u>7,564,000</u>
Long-term liabilities outstanding	4,562,000	4,052,000
Other liabilities	4,383,000	1,748,000
Total liabilities	<u>8,945,000</u>	<u>5,800,000</u>
Net assets:		
Invested in capital assets, net of related debt	1,783,000	1,606,000
Unrestricted	670,000	158,000
Total net assets	<u>\$ 2,453,000</u>	<u>\$ 1,764,000</u>

Capital assets (infrastructure, buildings, improvements, vehicles, furniture and fixtures) represent 68% (63% in 2008) of the Village's total assets as of May 31. The Village chose to prospectively report its infrastructure assets. Accordingly, only infrastructure additions subsequent to June 1, 2004 are capitalized and depreciated over their useful lives. The largest portion of liabilities is outstanding debt directly related to the Village's investments in these capital assets. The Village uses these capital assets to provide services to citizens and as such these assets are not available for future use. Although the Village's investment in assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

Significant changes in the 2009 statement of net assets in comparison to 2008 include the Village's investment in sewer line improvements of \$1,450,000; vehicle purchases of \$958,000 and energy conservation enhancements of \$932,000. These capital improvements were financed by a short-term bond anticipation note (BAN) which increased from \$1,420,000 in 2008 to \$4,028,500. Current and other assets include an increase in cash of \$912,000 partially due to the borrowing and improved operating results.

<b>Condensed Statement of Activities</b>	<b>2009</b>	<b>2008</b>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 1,413,000	\$ 1,421,000
Operating grants and contributions	886,000	1,472,000
General revenues		
Real property tax	7,988,000	7,685,000
Sales tax	1,565,000	1,607,000
Interest and other	560,000	661,000
Total revenues	<u>12,412,000</u>	<u>12,846,000</u>
<b>Program expenses</b>		
Support services		
General governmental	2,535,000	2,602,000
Public safety	4,711,000	4,719,000
Health	7,000	9,000
Transportation	2,285,000	1,989,000
Economic assistance and opportunity	3,000	144,000
Culture and recreation	730,000	740,000
Home and community services	1,295,000	1,414,000
Interest expense	157,000	148,000
Total expenses	<u>11,723,000</u>	<u>11,765,000</u>
Change in net assets	689,000	1,081,000
Net assets-beginning of year	1,764,000	683,000
Net assets-end of year	<u>\$ 2,453,000</u>	<u>\$ 1,764,000</u>

### Financial Analysis of the Village's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The general governmental functions are contained in the general, sewer and capital projects funds. The focus of the Village's governmental funds is to provide information on near-term inflows, outflows and balances of available expendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balance can serve as a useful measure of a Village's net resources available for spending at the end of the fiscal year. At May 31, 2009, the Village's governmental funds reported a combined fund balance deficit of \$694,000, a decrease of \$1,764,000 in comparison with the prior year. The deficit fund balance is directly related to the Village's use of short-term BANs to finance construction and equipment costs. These deficit balances will be eliminated when the Village issues serial bonds to redeem BANs. The issuance of serial bonds results in revenue in the year issued on a government fund basis reporting model. Approximately 95% (98% in 2008) or \$1,913,000 (\$1,571,000 in 2008) of the general fund balance constitutes unreserved fund balance, which is available to meet the Villages' current and future operational needs. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has been reserved for certain requirements or committed to liquidate contracts and purchase orders of the prior period.

The general fund is the Village's operating fund. At May 31, 2009, the unreserved portion of the general fund represented 17% (14% in 2008) of total general fund expenditures. Revenues totaled approximately \$11,581,000 (\$11,948,000 in 2008), a 3% decrease from 2008.

The general fund realized an increase in fund balance of \$408,000 (\$245,000 in 2008) for the year ended May 31, 2009 due to department heads controlling spending in their departments. Total general fund expenditures were \$581,000 less than 2008 before operating transfers. Savings were generally across all functional categories with the major categories being public safety, transportation, and employee benefits.

## General Fund Budgetary Highlights

Expense category	Original Budget	Final Budget	Actual Expense *	\$ Difference	% Difference
General government	\$ 2,302,000	\$ 2,252,000	\$ 2,165,000	\$ (87,000)	-3.9%
Public safety	3,298,000	3,358,000	3,232,000	(126,000)	-3.8%
Health	42,000	17,000	6,000	(11,000)	-64.7%
Transportation	1,306,000	1,314,000	1,303,000	(11,000)	-0.8%
Culture and recreation	488,000	519,000	503,000	(16,000)	-3.1%
Home and community services	1,003,000	995,000	946,000	(49,000)	-4.9%
Employee benefits	2,674,000	2,692,000	2,470,000	(222,000)	-8.2%
Debt service	413,000	413,000	413,000	-	-
Totals	<u>\$ 11,526,000</u>	<u>\$ 11,560,000</u>	<u>\$ 11,038,000</u>	<u>\$ (522,000)</u>	<u>-4.5%</u>

\* Includes carryover encumbrances for 2009, less prior year encumbrances paid in the current year.

Actual revenues (before other financing sources) were greater than budgeted revenues by \$60,000, with the largest variance in sale of property and compensation for loss.

Total expenditures including carryover encumbrances were \$522,000 under budget (before other financing uses). Controls on spending by department heads contributed to final expenditures being less than budgeted across all departments and functional categories.

### Capital Assets and Debt Administration

Capital assets net of depreciation are as follows:

	2009	2008
Land	\$ 343,000	\$ 343,000
Infrastructure	2,896,000	1,446,000
Buildings and improvements	4,870,000	3,937,000
Furniture and equipment	9,032,000	8,904,000
Vehicles	3,699,000	2,766,000
	<u>20,840,000</u>	<u>17,396,000</u>
Accumulated depreciation	<u>(13,067,000)</u>	<u>(12,595,000)</u>
	<u>\$ 7,773,000</u>	<u>\$ 4,801,000</u>

Net capital assets increased by \$2,972,000 from the beginning of the year. The increase is due to equipment that was purchased during the year: plow trucks, a salt truck, three dump trucks, a sewer construction project and improvements through an energy performance contract.

The Village's outstanding obligations consist of the following:

<b>Description</b>	<b>Maturity</b>	<b>Rate</b>	<b>Balance</b>
Public Improvement Serial Bonds	December 2012	4.60%	\$ 210,000
Public Improvement Serial Bonds	February 2016	4.50%	500,000
Public Improvement Serial Bonds	June 2024	4.2 - 5.0%	925,000
Pension Serial Bonds	July 2010	4.50%	65,000
Energy performance contract	October 2023	2.39%	1,004,000
PFRS retirement	May 2012	8.00%	224,000
			<b>\$ 2,928,000</b>

The Village made mandatory principal and interest payments during 2009; there were no new bonds issued. The Village did enter into a long-term financing lease with a financial institution of \$1,004,000 to finance improvements in the Village's energy use. The lease requires annual payments of \$80,500, carries interest of 2.4% and matures in 2024.

### **Factors Impacting the Village's Future**

It is expected that the Village will continue to face increases in health insurance, gasoline and utility costs. The Village's PBA Contract, the CSEA Clerical and CSEA Blue collar union contracts will expire May 31, 2011. All contracts included raises ranging from 2.95%-3.1% and all new employees contribute 10% to their health insurance. These factors will have an impact on the programs the Village offers and the amount of funds it will need to provide services.

The Village Trustees have given attention to the rate of growth for both residential and commercial properties. The Village is no longer an assessing unit. This function is now performed by the Towns of Cheektowaga and Lancaster. The Village currently is updating its Zoning Map. This change will allow for eight new homes to be built in Depew in the next year.

### **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 Barbara A. Alberti, 85 Manitou Street, Depew, New York.

## VILLAGE OF DEPEW

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### Statement of Net Assets

May 31, 2009

(With comparative totals as of May 31, 2008)

	2009	2008
<b>Assets</b>		
Cash	\$ 3,016,511	\$ 2,104,858
Accounts receivable	48,791	49,728
Due from other governments	533,816	580,723
Bond issuance costs, net	26,243	27,983
Capital assets (Note 5)	20,839,409	17,395,373
Accumulated depreciation	(13,066,821)	(12,595,061)
<b>Total assets</b>	<u>11,397,949</u>	<u>7,563,604</u>
<b>Liabilities</b>		
Accounts payable	50,484	34,619
Accrued liabilities	303,768	291,313
Deferred revenue	-	2,000
Bond anticipation notes payable	4,028,500	1,420,000
Long-term liabilities		
Due within one year		
Bonds and notes	381,462	325,000
Compensated absences	236,500	221,500
Police and fire retirement system	98,997	91,664
Due beyond one year		
Bonds and notes	2,322,876	1,700,000
Compensated absences	1,397,500	1,489,500
Police and fire retirement system	124,916	223,913
<b>Total liabilities</b>	<u>8,945,003</u>	<u>5,799,509</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	1,783,391	1,606,283
Unrestricted	669,555	157,812
<b>Total net assets</b>	<u>\$ 2,452,946</u>	<u>\$ 1,764,095</u>

See accompanying notes.

VILLAGE OF DEPEW

**Statement of Activities and Changes in Net Assets**

For the year ended May 31, 2009

(With summarized comparative totals for May 31, 2008)

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions	2009	2008
<b>Governmental activities</b>					
General government	\$ 2,534,937	\$ 43,367	\$ 373,564	\$ (2,118,006)	\$ (2,053,230)
Public safety	4,711,090	361,590	239,703	(4,109,797)	(3,618,794)
Health	6,829	2,436	-	(4,393)	(6,328)
Transportation	2,285,321	-	-	(2,285,321)	(1,989,309)
Economic assistance and opportunity	2,893	-	-	(2,893)	(143,591)
Culture and recreation	729,848	283,779	4,043	(442,026)	(451,116)
Home and community services	1,295,431	721,631	268,578	(305,222)	(461,154)
Interest expense	157,080	-	-	(157,080)	(148,384)
	<u>\$ 11,723,429</u>	<u>\$ 1,412,803</u>	<u>\$ 885,888</u>	<u>(9,424,738)</u>	<u>(8,871,906)</u>
<b>General revenues</b>					
				9,957,282	9,694,487
				156,307	258,711
				<u>10,113,589</u>	<u>9,953,198</u>
				688,851	1,081,292
				1,764,095	682,803
				<u>\$ 2,452,946</u>	<u>\$ 1,764,095</u>

**VILLAGE OF DEPEW**

**Balance Sheet - Governmental Funds**

**May 31, 2009**

(With summarized comparative totals for May 31, 2008)

	Major			Non-Major	Total	
	General	Sewer	Capital Projects	Community Development	Governmental Funds 2009	2008
<b>Assets</b>						
Cash	\$ 1,776,165	\$ 522,948	\$ 717,398	\$ -	\$ 3,016,511	\$ 2,104,858
Accounts receivable	48,791	-	-	-	48,791	49,728
Due from other governments	516,392	-	-	17,424	533,816	580,723
Due from other funds, net	-	-	1,375,000	-	1,375,000	40,000
<b>Total assets</b>	<b>\$ 2,341,348</b>	<b>\$ 522,948</b>	<b>\$ 2,092,398</b>	<b>\$ 17,424</b>	<b>\$ 4,974,118</b>	<b>\$ 2,775,309</b>
<b>Liabilities and Fund Balances</b>						
Accounts payable	\$ 50,484	\$ -	\$ -	\$ -	\$ 50,484	\$ 22,691
Accrued liabilities	210,282	3,358	-	-	213,640	220,782
Due to other funds, net	65,000	1,310,000	-	-	1,375,000	40,000
Deferred revenue	-	-	-	-	-	2,000
Bond anticipation notes payable	-	-	4,028,500	-	4,028,500	1,420,000
<b>Total liabilities</b>	<b>325,766</b>	<b>1,313,358</b>	<b>4,028,500</b>	<b>-</b>	<b>5,667,624</b>	<b>1,705,473</b>
<b>Fund balances</b>						
Reserved for:						
Encumbrances	102,648	12,619	5,770	-	121,037	35,681
Capital	-	-	-	-	-	234,916
Unreserved:						
Designated for subsequent year's expenditures	500,000	-	-	-	500,000	200,000
Undesignated	1,412,934	(803,029)	(1,941,872)	17,424	(1,314,543)	599,239
<b>Total fund balances (deficit)</b>	<b>2,015,582</b>	<b>(790,410)</b>	<b>(1,936,102)</b>	<b>17,424</b>	<b>(693,506)</b>	<b>1,069,836</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,341,348</b>	<b>\$ 522,948</b>	<b>\$ 2,092,398</b>	<b>\$ 17,424</b>	<b>\$ 4,974,118</b>	<b>\$ 2,775,309</b>

## VILLAGE OF DEPEW

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### Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets

May 31, 2009

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Total fund balances (deficit) - governmental funds \$ (693,506)

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

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

7,772,588

Certain liabilities, including bonds payable, are not due and payable currently and therefore are not reported as liabilities of the governmental funds and include:

Bonds and notes payable

(2,704,338)

Accrued interest

(90,128)

Compensated absences

(1,634,000)

Police and fire retirement system

(223,913) (4,652,379)

Costs associated with the issuance of bonds are capitalized in the statement of net assets and are expensed in the governmental funds in the year the bonds are issued. The net balance at May 31, 2009 is:

26,243

**Net assets - governmental activities**

**\$ 2,452,946**

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**VILLAGE OF DEPEW**

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

For the year ended May 31, 2009

(With summarized comparative totals for May 31, 2008)

	Major			Non-Major	Total	
	General	Sewer	Capital Projects	Community Development	Governmental Funds	
					2009	2008
<b>Revenues</b>						
Real property taxes	\$ 7,987,813	\$ -	\$ -	\$ -	\$ 7,987,813	\$ 7,685,276
Nonproperty taxes	1,969,469	-	-	-	1,969,469	2,009,211
Departmental income	305,897	551,097	-	-	856,994	843,195
Use of money and property	92,780	5,545	8,185	-	106,510	246,296
Licenses and permits	47,506	-	-	-	47,506	72,229
Fines and forfeitures	316,976	-	-	-	316,976	292,477
Miscellaneous local sources	16,262	-	-	-	16,262	12,475
Sale of property and compensation for loss	241,733	-	-	-	241,733	234,921
State sources	581,499	-	-	-	581,499	630,058
Federal sources	20,580	-	-	268,578	289,158	820,334
<b>Total revenues</b>	<b>11,580,515</b>	<b>556,642</b>	<b>8,185</b>	<b>268,578</b>	<b>12,413,920</b>	<b>12,846,472</b>
<b>Expenditures</b>						
General government	2,143,788	-	124	-	2,143,912	2,118,118
Public safety	3,217,525	-	57,495	36,544	3,311,564	3,719,258
Health	5,646	-	-	1,183	6,829	9,205
Transportation	1,298,159	-	210,670	204,886	1,713,715	1,580,943
Economic assistance and opportunity	-	-	-	2,893	2,893	143,591
Culture and recreation	481,969	-	-	35,302	517,271	514,550
Home and community services	941,160	208,492	3,343,106	-	4,492,758	1,361,948
Employee benefits	2,469,920	63,995	-	-	2,533,915	2,692,677
Debt service						
Principal	325,000	-	-	-	325,000	365,000
Interest	88,429	45,314	-	-	133,743	159,678
<b>Total expenditures</b>	<b>10,971,596</b>	<b>317,801</b>	<b>3,611,395</b>	<b>280,808</b>	<b>15,181,600</b>	<b>12,664,968</b>
<b>Excess revenues (expenditures)</b>	<b>608,919</b>	<b>238,841</b>	<b>(3,603,210)</b>	<b>(12,230)</b>	<b>(2,767,680)</b>	<b>181,504</b>
<b>Other financings sources (uses)</b>						
Proceeds from note payable	-	-	1,004,338	-	1,004,338	-
Operating transfers, net	(200,461)	(257,047)	427,854	29,654	-	-
<b>Total other financing sources (uses)</b>	<b>(200,461)</b>	<b>(257,047)</b>	<b>1,432,192</b>	<b>29,654</b>	<b>1,004,338</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>408,458</b>	<b>(18,206)</b>	<b>(2,171,018)</b>	<b>17,424</b>	<b>(1,763,342)</b>	<b>181,504</b>
Fund balances (deficit) - beginning	1,607,124	(772,204)	234,916	-	1,069,836	888,332
<b>Fund balances (deficit) - ending</b>	<b>\$ 2,015,582</b>	<b>\$ (790,410)</b>	<b>\$ (1,936,102)</b>	<b>\$ 17,424</b>	<b>\$ (693,506)</b>	<b>\$ 1,069,836</b>

See accompanying notes.

**VILLAGE OF DEPEW**

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

**For the year ended May 31, 2009**

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**Total net change in fund balances - governmental funds** \$ (1,763,342)

Amounts reported for governmental activities in the statement of activities and changes in net assets are different because:

Capital outlays are reported in governmental funds as expenditures. However in the statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense and loss on disposals. 2,972,276

Proceeds from notes payable are recorded as revenue in the governmental funds but increase long-term liabilities in the statement of net assets. (1,004,338)

Payments of long-term liabilities are reported as expenditures in governmental funds, and reduce such liabilities in the statement of net assets. In the current year there were principal payments of the following amounts which are not on the statement of activities and changes in net assets:

Bonds	325,000	
Retirement system payments	<u>91,664</u>	416,664

Certain items are reported as expenditures in the governmental funds when they are paid and require the use of current financial resources. In the statement of activities and changes in net assets, these items are recognized over the period of benefit. These amounts represent the difference in expense based on the difference in beginning and end of year amounts:

Bond issuance costs	(1,740)	
Compensated absences	77,000	
Interest expense	(19,597)	
Term payments for capital items	<u>11,928</u>	67,591

**Change in net assets - governmental activities** \$ 688,851

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VILLAGE OF DEPEW

Statement of Major Funds Revenues, and Expenditures  
Budget (Non-GAAP) and Actual

For the year ended May 31, 2009

	General Fund				Sewer Fund			
	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Over/(Under)	Original	Final	(Budgetary Basis)	Final Budget Over/(Under)
<b>Revenues</b>								
Property tax items	\$ 7,982,334	\$ 7,982,334	\$ 7,987,813	\$ 5,479	\$ -	\$ -	\$ -	\$ -
Nonproperty taxes	1,950,000	1,950,000	1,969,469	19,469	-	-	-	-
Departmental income	273,263	273,263	305,897	32,634	549,694	549,694	551,097	1,403
Use of money and property	160,252	160,252	92,780	(67,472)	16,000	16,000	5,545	(10,455)
Licenses and permits	57,000	57,000	47,506	(9,494)	-	-	-	-
Fines and forfeitures	240,000	468,281	316,976	(151,305)	-	-	-	-
Miscellaneous local sources	213,748	7,998	16,262	8,264	-	-	-	-
Sale of property and compensation for loss	-	-	241,733	241,733	-	-	-	-
State sources	517,531	602,123	581,499	(20,624)	-	-	-	-
Federal sources	-	18,975	20,580	1,605	-	-	-	-
<b>Total revenues</b>	<b>11,394,128</b>	<b>11,520,226</b>	<b>11,580,515</b>	<b>60,289</b>	<b>565,694</b>	<b>565,694</b>	<b>556,642</b>	<b>(9,052)</b>
<b>Expenditures</b>								
General government	2,302,017	2,252,029	2,165,218	(86,811)	10,000	10,000	-	(10,000)
Public safety	3,297,669	3,357,652	3,231,596	(126,056)	-	-	-	-
Health	41,750	16,750	5,646	(11,104)	-	-	-	-
Transportation	1,306,166	1,314,472	1,303,490	(10,982)	-	-	-	-
Culture and recreation	488,322	518,793	503,067	(15,726)	-	-	-	-
Home and community services	1,002,576	995,076	946,197	(48,879)	306,054	279,254	221,111	(58,143)
Employee benefits	2,673,880	2,691,880	2,469,920	(221,960)	39,326	66,126	63,995	(2,131)
Debt service								
Principal	325,000	325,000	325,000	-	80,000	80,000	-	(80,000)
Interest	88,429	88,429	88,429	-	45,314	45,314	45,314	-
<b>Total expenditures</b>	<b>11,525,809</b>	<b>11,560,081</b>	<b>11,038,563</b>	<b>(521,518)</b>	<b>480,694</b>	<b>480,694</b>	<b>330,420</b>	<b>(150,274)</b>
<b>Excess revenues (expenditures)</b>	<b>(131,681)</b>	<b>(39,855)</b>	<b>541,952</b>	<b>581,807</b>	<b>85,000</b>	<b>85,000</b>	<b>226,222</b>	<b>141,222</b>
<b>Other financing sources (uses)</b>								
Operating transfers in	40,000	40,000	40,000	-	-	-	-	-
Operating transfers out	(144,000)	(235,826)	(240,461)	4,635	(85,000)	(85,000)	(257,047)	172,047
Appropriated fund balance and carryover encumbrances	235,681	235,681	-	(235,681)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>131,681</b>	<b>39,855</b>	<b>(200,461)</b>	<b>(231,046)</b>	<b>(85,000)</b>	<b>(85,000)</b>	<b>(257,047)</b>	<b>172,047</b>
<b>Excess revenues (expenditures) and other financing sources (uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 341,491</b>	<b>\$ 350,761</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (30,825)</b>	<b>\$ (30,825)</b>

**VILLAGE OF DEPEW**

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**Statement of Fiduciary Net Assets**

**May 31, 2009**

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	<u>Agency</u>
<b>Assets</b>	
Cash	\$ 112,248
<b>Liabilities</b>	
Other agency liabilities	\$ 112,248

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## VILLAGE OF DEPEW

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### Notes to Basic Financial Statements

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#### 1. Summary of Significant Accounting Policies

The financial statements of Village of Depew (the Village) have been prepared in conformity with accounting principles generally accepted in the United States of America 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 Village's significant accounting policies are described below.

#### Financial Reporting Entity

The Village is governed by local laws and ordinances, Village law, and other laws of the State of New York (the State). The elected governing body is the Village Board. The Mayor serves as the Executive and the Administrator serves as the Chief Fiscal Officer. The scope of activities included within the accompanying financial statements are those transactions that comprise the Village's operations and are governed by, or significantly influenced by, the Village Board. The primary function of the Village is to provide basic services such as governmental administration, tax collection, highway, sewer, public safety, garbage, and recreational services. 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's reporting entity does not contain any component units as defined in GASB Statement No. 14 and GASB Statement No. 39.

#### Basis of Presentation

*Government-wide Statements:* The statement of net assets and the statement of activities and changes in net assets 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 the Village's *governmental* and *business-type* activities. Governmental activities generally are financed through taxes and franchise fees, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Village does not maintain any business-type activities.

The statement of activities and changes in net assets 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 function, therefore, 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 or fines and assessments collected for a violation of traffic laws or Village ordinances and (b) grants and contributions that are restricted to meeting the operational requirements of a particular program. 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.
- *Sewer fund.* This fund is used to account for the operations and support of the infrastructure surrounding the Village's sewer system.
- *Capital projects fund.* This fund is used to report financial resources used for the acquisition, construction, or renovation of major capital facilities or equipment.

The Village reports the following non-major fund:

- *Community development fund.* This fund is established to account for the separate activities of its title.

The Village reports the following fiduciary fund:

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

The basic 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, 2008, 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. On an accrual basis, 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 expenditure are deferred and reported as revenue when the expense is incurred.

## **Estimates**

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

## **Property Taxes**

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

The process for the levy of real property taxes is:

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

## **Budget Process, Amendments and Transfers**

Annual appropriations are adopted and used for control of the general and sewer funds. These budgets are adopted on a modified accrual basis of accounting except that encumbrances are reported as a budgetary expenditure in the year of incurrence of the commitment for the purchase as well as when the actual expenditure is paid in the subsequent year. All unencumbered appropriations lapse at the end of the fiscal year. At June 1, encumbrances carried forward from the prior year are reestablished as budgeted appropriations.

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 reserves and budget amendments approved by the Board as a result of new revenue sources not included in the original budget.

Capital projects funds are subject to individual project expenditures determined primarily by the cost of the project together with the requirements for external borrowings used to fund a particular project rather than annual appropriations. These budgets do not lapse at year end and are carried over to the completion of the project.

No later than March 20<sup>th</sup> of each year, a tentative budget is submitted to the Board of Trustees by the Budget Officer for the fiscal year commencing the following June 1. The tentative budget includes both proposed expenditures and the means of financing for all funds. After public hearings are conducted to obtain taxpayer comments, the Board of Trustees adopts the Budget no later than May 1st.

Budgetary comparisons presented in this report are on the budgetary basis and represent the budget as modified. The following is a reconciliation of expenditures and fund balances computed on a GAAP and a budgetary basis:

	General	Sewer
GAAP basis expenditures	\$ 10,971,596	\$ 317,801
Encumbrances at May 31, 2009	102,648	12,619
Encumbrances at May 31, 2008	(35,681)	-
Budgetary basis expenditures	<u>\$ 11,038,563</u>	<u>\$ 330,420</u>

### Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments of the expenditure of monies are recorded in order to reserve applicable appropriations, is used in the governmental funds. Outstanding encumbrances at year end, exclusive of grant-related commitments, are presented for GAAP related purposes as reservations of fund balances, and do not constitute expenditures or liabilities because the commitments will be honored in the subsequent year.

### Cash

Cash includes cash on hand, demand deposits, and short-term investments with original maturities of three months or less.

### Capital Assets

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

### Other Assets

Bond issuance costs are netted against bond proceeds and recognized in the period issued in the governmental funds. Within the government-wide financial statements, bond issuance costs are capitalized and amortized over the life of the debt issue as a component of interest expense.

## **Compensated Absences**

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

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. These amounts are expensed as paid.

The Village has not completed the process of evaluating the impact that will result from GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* (GASB 45). GASB 45 will require the Village to measure and report changes in the unfunded actuarial benefit associated with future health and other postemployment benefits. GASB 45 is effective for the Village's year ending May 31, 2010. At this time, the Village is unable to disclose the impact that adopting GASB 45 will have on its financial position and results of operations when the statement is implemented.

## **Equity Classifications**

### **Government-wide statements**

- *Invested in capital assets, net of related debt* - consists of net capital assets reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets.
- *Restricted net assets* – net assets are considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the Village's bonds. At the present time there are no such restrictions.
- *Unrestricted net assets* – consists of all other net assets that do not meet the definition of the above two components and are available for general use by the Village.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, management applies unrestricted net assets first, unless a determination is made to use restricted net assets such as amounts included in fund reserves. The Village's policy concerning which to apply first varies with the intended use and legal requirements. Management typically makes this decision on a transactional basis at the incurrence of the expenditure.

### **Governmental fund statements**

Reservations of fund balances are created to satisfy legal restrictions, plan for future expenditures, or represent resources not available for use or appropriation for expenditure. Reserves are established through Board action. Earnings on invested resources are required to be added to the reserve fund. A designation of unreserved fund balances indicates the planned use of these resources in the subsequent year's budget. The capital fund balance reserve is used to pay the cost of major repairs to capital improvements or equipment that does not recur annually. Appropriations from this reserve are subject to a public hearing after five days notice.

## Interfund Transfers

The operations of the Village include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The Village typically provides resources between funds for cash flow purposes. These interfund receivables and payables are repaid within one year. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services.

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

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

## 2. Stewardship and Accountability

The sewer fund deficit of \$790,410 and the capital fund deficit of \$1,936,102 will be funded when bond anticipation notes are redeemed from permanent financing through the issuance of serial bonds.

Operating transfers made in the general and sewer funds exceeded budgeted amounts.

## 3. Cash and Investments

Investment policies are 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. The Village is authorized to use demand accounts and certificates of deposit. Permissible investments include 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. As of May 31, 2009, \$2,320,890 of the Village's bank deposits was exposed to custodial credit risk as the collateral was either held by the pledging bank in the Village's name or held by a third party but not in the Village's name.

Restricted cash represents cash whose use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes and amounted to \$717,398 at May 31, 2009.

## 4. Interfund Transactions – fund financial statements

Fund	Receivable	Payable	Transfers	
			In	Out
General	\$ -	\$ 65,000	\$ 40,000	\$ 240,461
Sewer	40,000	1,350,000	-	257,047
Capital projects	1,375,000	-	427,854	-
Community development	-	-	29,654	-
	<b>\$ 1,415,000</b>	<b>\$ 1,415,000</b>	<b>\$ 497,508</b>	<b>\$ 497,508</b>

The Village's transfer of funds to the capital fund from the general and sewer funds provides financing for various capital projects. These transfers are considered permanent. The general fund transfers funds to the community development fund to provide financing for various programs and are also permanent.

## 5. Capital Assets

	Balance June 1, 2008	Increases	Retirements/ Reclassifications	Balance May 31, 2009
Capital assets not being depreciated:				
Land	\$ 343,221	\$ -	\$ -	\$ 343,221
Capital assets being depreciated:				
Infrastructure	1,445,496	1,450,433	-	2,895,929
Buildings and improvements	3,937,414	932,058	-	4,869,472
Equipment	8,902,962	128,437	-	9,031,399
Vehicles	2,766,280	957,738	(24,630)	3,699,388
Total depreciated assets	17,052,152	3,468,666	(24,630)	20,496,188
Less accumulated depreciation:				
Infrastructure	50,897	48,053	-	98,950
Buildings and improvements	3,355,835	62,862	-	3,418,697
Equipment	8,017,928	168,368	-	8,186,296
Vehicles	1,170,401	215,465	(22,988)	1,362,878
Total accumulated depreciation	12,595,061	494,748	(22,988)	13,066,821
Total depreciated assets, net	4,457,091	2,973,918	(1,642)	7,429,367
	<b>\$ 4,800,312</b>	<b>\$ 2,973,918</b>	<b>\$ (1,642)</b>	<b>\$ 7,772,588</b>

Depreciation has been allocated to the following functions: general government \$74,212, transportation \$98,950, home and community \$24,737, culture and recreation \$39,580 and public safety \$257,269.

As of May 31, 2009, invested in capital assets, net of related debt consists of the following:

Capital assets, net of accumulated depreciation	\$ 7,772,588
Cash restricted for capital projects	717,398
Bond anticipation notes payable	(4,028,500)
Bond issuance costs, net	26,243
Bonds and notes payable	(2,704,338)
	<u>\$ 1,783,391</u>

## 6. Short-Term Debt

Liabilities for bond anticipation notes (BANs) are reported in the capital projects fund. The notes or their subsequent renewal may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within each 12-month period thereafter. State law requires that BANs issued for capital purposes be converted into long-term obligations within five years after original issue date. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of permanent financing, provided that stipulated annual reductions of principal are made.

The BAN outstanding at May 31, 2009 amounted to \$4,028,500 (\$1,420,000 as of May 31, 2008) and carries an interest rate of 2.16% (3.20% in 2008). No payments were made during 2009 as the Village intends to replace the BAN with permanent financing.

## 7. Long-Term Liabilities

	June 1, 2008	Increases	Decreases	May 31, 2009	Amount Due in One Year
Bonds	\$ 2,025,000	\$ -	\$ 325,000	\$ 1,700,000	\$ 325,000
Energy performance contract	-	1,004,338	-	1,004,338	56,462
Police and fire retirement system	315,577	-	91,664	223,913	98,997
Compensated absences	1,711,000	-	77,000	1,634,000	236,500
	<b>\$ 4,051,577</b>	<b>\$ 1,004,338</b>	<b>\$ 493,664</b>	<b>\$ 4,562,251</b>	<b>\$ 716,959</b>

### Existing obligations:

Description	Maturity	Rate	Balance
Public Improvement Serial Bonds	December 2012	4.6%	\$ 210,000
Public Improvement Serial Bonds	February 2016	4.5%	500,000
Public Improvement Serial Bonds	June 2024	4.2 - 5.0%	925,000
Pension Serial Bonds	July 2010	4.5%	65,000
Energy performance contract	October 2023	2.4%	1,004,338
PFRS retirement	May 2012	8.0%	223,913
			<b>\$ 2,928,251</b>

### Debt service requirements:

Year ending May 31,	Serial Bonds		Retirement system	
	Principal	Interest	Principal	Interest
2010	\$ 325,000	\$ 73,843	\$ 98,997	\$ 17,442
2011	200,000	61,831	106,918	9,521
2012	195,000	52,763	17,998	1,440
2013	195,000	43,875	-	-
2014	145,000	34,900	-	-
2015-2019	415,000	92,900	-	-
2020-2024	200,000	26,737	-	-
2025	25,000	625	-	-
	<b>\$ 1,700,000</b>	<b>\$ 387,474</b>	<b>\$ 223,913</b>	<b>\$ 28,403</b>

### Lease obligations:

The Village leases various equipment under the terms of noncancelable operating leases. Rental expense for all operating leases amounted to \$45,012 for the year ended May 31, 2009. The Village also entered into an energy performance contract with a finance company totaling \$1,004,338 and is accounted for as a capital lease and requires annual payments of \$80,456. Future minimum rentals to be paid for operating and capital leases are:

Years ending May 31,	Operating	Capital	
		Principal	Interest
2010	\$ 64,200	\$ 56,462	23,994
2011	19,188	57,811	22,645
2012	19,188	59,192	21,264
2013	-	60,606	19,850
2014	-	62,054	18,402
2015-2019	-	333,230	69,050
2020-2024	-	374,983	27,296
	<u>\$ 102,576</u>	<u>\$ 1,004,338</u>	<u>\$ 202,501</u>

The carrying value of the related equipment under the capital lease net of accumulated amortization was \$922,737 as of May 31, 2009.

## 8. Contributions to Pension Plans

### Public Retirement Systems

The Village participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS) (the Systems), which are cost-sharing multiple-employer, public employee retirement systems. The Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute and provide benefits to employees. The Systems issue publicly available financial reports that include financial statements and required supplementary information. These reports may be obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

### Funding Policy

ERS requires employee contributions of 3% of salary except for individuals who joined before July 1976 or have greater than 10 years of service. PFRS does not require employee contributions. The Comptroller annually certifies the rates expressed as a percentage of the wages of participants used to compute the contributions required to be made by the employers to the pension accumulation funds.

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

	ERS Contribution		PFRS Contribution	
	Amount	Rates	Amount	Rates
2009	\$ 197,591	8.0%-10.8%	\$ 435,879	15.0%
2008	250,729	8.5%-11.7%	565,305	15.6%
2007	278,264	9.8%-13.3%	468,879	16%-20.6%

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

### Length of Service Awards Program

The Village established a defined benefit Length of Service Award Program (LOSAP) for the active volunteers of the Village's fire company. The program was established pursuant to Article 11-A of New York State General Municipal Law which provides municipally-funded pension 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. The amount paid is based upon the number of years of service credit for performing volunteer activities. Active volunteers who have reached the age of 18 and 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 fifty or more points are accumulated through firefighting activities. 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 person's 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. Volunteers who remain active after attaining the entitlement age and who receive service award payments continue to earn program credits. The program provides death and disability benefits equal to the total 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.

At the end of each calendar year, the fire department prepares and certifies a list of names of all persons with active service whom have earned fifty points. The list is then delivered to the Trustees for their review and approval. The fire department must maintain the point system records to verify each volunteer's points on forms provided and approved by the Trustees.

The Trustees retained and designated Penflex, Inc. (Penflex) to assist in the administration of the program. Penflex bills the Village for the services it provides. These invoices are authorized for payment by the Trustees in the same manner as any other invoice presented for payment and are paid from the general fund.

Program assets are required to be held in trust by Article 11-A, for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the program. The Trustees created a Service Award Program Trust Fund through the adoption of the Trust Document, a copy of which is available from the Village Clerk.

Authority to invest program assets is vested in the program trustee. Program assets are invested in accordance with a statutory "prudent person" rule and are in accordance with the provisions of the investment policy adopted by the Trustees.

The Trustees has retained RBC Wealth Management to provide investment management and custodial services and Comerica Bank to pay benefits to participants.

Information for the year ended December 31, 2008 is as follows:

Actuarial present value of benefits at 12/31/08		<u>\$ 2,739,317</u>
Less: Assets available for benefits		
Cash and money market	31,501	
Interest and dividends receivable	10,624	
U.S. equities	73,409	
International equities	163,061	
Fixed income	1,568,016	
Mixed assets	145,229	
Other assets including benefits not paid at December 31	<u>30,078</u>	
Total net assets available for benefits		<u>2,021,918</u>
Total unfunded benefits		717,399
Unfunded liability for prior service		<u>(123,624)</u>
Unfunded normal benefits		<u>\$ 593,775</u>

Prior service costs have been amortized. The unfunded liability for additional service awards earned after attainment of entitlement age is being amortized over five years at a discount rate of 6%.

Receipts and disbursements:

Plan net assets, beginning of year		\$ 2,211,336
Changes during the year:		
Plan contributions	152,443	
Investment income	130,466	
Change in fair market value	(347,671)	
Benefits paid	(122,727)	
Administrative fees	<u>(1,929)</u>	
		<u>(189,418)</u>
Plan net assets, end of year		<u>\$ 2,021,918</u>

Contributions:

Amount of Village's contribution recommended by actuary and paid	\$ 152,443
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Administrative fees:

Paid by the Village:		
Fees paid to designated program administrator	\$	5,658
Other administrative fees	\$	1,263

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

Assumed rate of return on program investments	6.00%
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Tables used for:

	1994 Unisex Pensioner Male Mortality Table
Post-entitlement age mortality	projected with scale AA to 2007
*Pre-entitlement age mortality	None
*Pre-entitlement age disability	None
*Pre-entitlement age withdrawal	None
*Pre-entitlement age service award 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 receive service awards upon attainment of the entitlement age.

## 9. Postemployment Benefits

In addition to providing pension benefits through various public employee retirement systems, the Village provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the Village's employees may become eligible for these benefits if they reach normal retirement age while working for the Village. Health care benefits and survivors' benefits are provided through an insurance company whose premiums are based upon the benefits paid during the year. The Village recognizes the cost of providing benefits on a pay as you go basis by recording its share of insurance premiums as an expenditure in the year paid. The Village pays 100% of the cost of premiums for 7 retirees and 50% of the cost of premiums for 10 retirees. These costs amounted to \$121,442 for the year ended May 31, 2009.

## 10. Commitments and Contingencies

### Litigation

The Village is involved in legal proceedings which, in the opinion of management, will not have a material adverse effect upon the financial position of the Village.

## 11. 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 insurance coverage in any of the past three fiscal years.