VILLAGE OF MONTEBELLO

AUDIT REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2011

VILLAGE OF MONTEBELLO
DECEMBER 31, 2011

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIALS STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Mayor and Members of
the Village Board
Village of Montebello
Suffern, New York

We have audited the financial statements of the Village of Montebello as of and for the year ended December 31, 2011, and have issued our report thereon dated July 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Montebello's internal control over financial reporting as a basis for designing auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Montebello's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Montebello's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected in a timely manner.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Montebello's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Mayor and Village Trustees and state and local awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Korn Rosenbaum LLP

Korn Rosenbaum LLP

July 17, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Members of
the Village Board
Village of Montebello
Suffern, New York

We have audited the accompanying financial statements of the Village of Montebello, as of and for the year ended December 31, 2011, as listed in the accompanying table of contents. These financial statements are the responsibility of the Village of Montebello's management. Our responsibility is to express an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Village of Montebello as of December 31, 2011, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2012 on our consideration of the Village of Montebello's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 5-14 and 40 be presented to supplement the basic 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 the financial reporting for placing the basic 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic 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.

Our audit was made for the purpose of forming an opinion of the financial statements that collectively comprise the Village of Montebello's basic financial statements. The other supplementary information listed in the table of contents are presented for the purposes of additional analysis and are not a required part of the financial statements of the Village of Montebello. Such supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Korn Rosenbaum LLP

Korn Rosenbaum LLP

July 17, 2012

The following is a discussion and analysis of the Village of Montebello's financial performance for the year ended December 31, 2011. The Village of Montebello's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Village's financial activity, (c) identify changes in the Village's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget) and (e) identify individual fund issues or concerns.

This section is a summary of the Village's financial activities based on currently known facts, decisions or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the Village's financial statements, which immediately follow this section.

HIGHLIGHTS

- The assets of the Village of Montebello exceeded its liabilities at the close of the most recent fiscal year by $6,128,116 (net assets), of this amount $1,374,678 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

- As of the close of the current year, the Village's governmental funds reported combined ending fund balances of $2,105,400, a decrease of $114,548 in comparison with the prior year net adjusted fund balance.

- At the end of the current fiscal year, the assigned and unrestricted fund balance for the General Fund was $1,405,973 representing 69% of the total General Fund expenditures. The assigned fund balance in the amount of $320,353 has been appropriated as part of the 2012 Village budget, net of such appropriation the balance amounting to $1,085,620 of unassigned fund balance represents 53% of the total general fund expenditures.

- The Village's total debt decreased by $155,000 during the current year. The Village's debt will be paid in full in 2022.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: MD & A (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Village:

- The first two statements are *government-wide* financial statements that provide both short-term and long-term information about the Village's overall financial status.

- The remaining statements are *fund financial statements* that focus on individual parts of the Village, reporting the Village's operations in more detail than the government-wide statements. The fund financial statements concentrate on the Village's most significant funds.

- The *government fund statements* tell how basic services were financed in the short term as well as what remains for future spending.

- *Fiduciary funds* statements provide information about the financial relationships in which the Village acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Village's budget for the year.

Figure A-1 summarizes the major features of the Village's financial statements, including the portion of the Village's activities they cover and the types of information they contain. The remainder of this overview section of MD & A highlights the structure and contents of each of the statements.

Figure A-1

Major Features of the Government-Wide and Fund Financial Statements

		Fund Financial Statements	
	Government-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire Government (except fiduciary funds)	The activities of the Village that are not proprietary or fiduciary, such as safety inspections, maintenance of roads	Instances in which the Village administrators resources on behalf of someone else, such as bid deposits, escrow deposits for planning and zoning
Required financial statements	- Statement of net assets - Statement of activities	-Balance sheet -Statement of revenues, expenditures and changes in fund balances	- Statement of fiduciary net assets - Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resource focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital asset or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenue and expenses during year, regardless of when cash received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Government-Wide Statements

The government-wide statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Village's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Village's *net assets* and how they have changed. Net assets, the difference between the Village's assets and liabilities, are one way to measure the Village's financial health or position.

- Over time, increases or decreases in the Village's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the Village's overall health, you need to consider additional non-financial factors such as changes in the Village's property tax base and the condition of facilities and infrastructures.

In the government-wide financial statements, the Village's activities are shown as *governmental activities*: Most of the Village's basic services are included here, such as road maintenance (transportation) and administration (general governmental support). Property taxes and charges for services finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Village's funds, focusing on its most significant or "major" funds – not the Village as a whole. Funds are accounting devices the Village uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.

- The Village establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues.

The Village has two kinds of funds:

- Governmental Funds: Most of the Village's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, statements (Schedule 5 and Schedule 6) have been added to explain the relationship (or differences) between them.

- Fiduciary Funds – Agency Funds: The Village acts in an agency capacity for assets that are ultimately transferred to others, such as payroll withholdings. The Village excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

The Village's net assets at fiscal year end are $6,128,116. This is an increase of $53,622 over last year's net assets of $6,074,494. The following table provides a summary of the Village's net assets:

Figure A-2

Condensed Statement of Net Assets

Current assets	$ 2,420,815
Non-current assets	5,989,011
Total Assets	$ 8,409,826
Current liabilities	$ 494,348
Non-current liabilities	1,787,362
Total Liabilities	$ 2,281,710
Invested in capital assets, net of debt	$ 4,054,011
Restricted net assets	699,427
Unrestricted net assets	1,374,678
Total Net Assets	$ 6,128,116

The following table (Figure A-3) provides a summary of revenues and expenses and changes in net assets for the year ended December 31,

Figure A-3

	2011	%	2010	%
REVENUES				
PROGRAM REVENUES				
Charges for Services	$ 311,048	15%	$ 309,401	14%
GENERAL REVENUES				
Real Property Taxes	1,168,797	55%	1,184,919	54%
Real Property Taxes - Items	10,628	1%	8,348	1%
Non-Property Taxes	229,951	11%	141,446	6%
Departmental Income	24,542	1%	17,281	1%
Use of Money and Property	80,303	4%	65,614	3%
State and Federal Aid	237,775	11%	181,536	8%
Sales of Property and Compensation for Loss	21,503	1%	18,440	1%
Money in Lieu of Land Deposits	10,391	0%	146,964	7%
Miscellaneous	48,024	2%	76,549	4%
TOTAL REVENUES	$ 2,142,962	100%	$ 2,150,498	100%
EXPENDITURES				
Government Support	$ 618,132	30%	$ 591,960	28%
Public Safety	84,620	4%	50,448	2%
Transportation	410,662	20%	427,524	20%
Culture and Recreation	48,915	2%	122,748	6%
Home and Community Services	625,086	30%	630,685	30%
Depreciation	217,698	10%	209,542	10%
Interest and Fees on Debt	84,227	4%	90,314	4%
TOTAL EXPENDITURES	$ 2,089,340	100%	$ 2,123,221	100%
CHANGE IN NET ASSETS	$ 53,622		$ 27,277	

Total costs of services provided by the Village (Figure A-4) were $2,189,340. These charges were offset by charges for services of $311,048, resulting in net cost of services of $1,778,292.

Figure A-4

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Programs				
General government support	$ 684,443	$ 656,580	$ 494,383	$ 460,198
Public safety	84,620	50,448	84,620	50,448
Transportation	549,960	564,021	548,960	564,021
Culture and recreation	62,004	131,173	62,004	131,173
Home and community services	625,086	630,685	504,098	517,666
Interest & Fees long-term debt	84,227	90,314	84,227	90,314
Total	$ 2,089,340	$ 2,123,221	$ 1,778,292	$1,813,820

Figure A-5 shows the changes in fund balances for the year for the Village's funds as presented in the Village's Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds. At December 31, 2011, the Village reported a combined fund balance of $2,105,400. Total fund balances decreased by $114,548 in 2011.

Figure A-5

	Total Dollar Governmental Funds		Change
	2011	2010	2010-2011
Governmental Fund Balances			
General Fund	$ 2,105,400	$ 2,219,948	$ (114,548)
Capital Projects Fund	0	0	0
Total Fund Balance	$ 2,105,400	$ 2,219,948	$ (114,548)

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Village reviews the General Fund budget to see if any budget adjustments are needed. Actual revenues exceeded revised budget estimates by $127,314 and actual expenditures were lower than budgeted expenditures by $239,026.

Figure A-6 summarizes the General Fund original and revised budgets, actual expenditures and the variances for the year ended December 31, 2011.

Figure A-6

Condensed Budgetary Comparison General Fund 2010	Original Budget	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Real property taxes	$ 1,168,797	$ 1,168,797	$ 1,168,797	$ -
Real property tax items	5,000	5,000	10,628	5,628
Non property tax items	150,000	150,000	229,951	79,951
Departmental income	183,500	299,200	335,590	36,390
Use of money and property	63,300	63,300	80,303	17,003
Sale of property and compensation for loss	-	-	21,503	21,503
Money in Lieu of Land Deposits	-	-	10,391	10,391
Miscellaneous	65,000	65,000	48,024	(16,976)
State and federal aid	159,000	159,000	132,424	(26,576)
Total Revenues	$ 1,794,597	$ 1,910,297	$ 2,037,611	$ 127,314
Other Sources				
Appropriated Fund Balance	365,312	265,312	-	
Total Revenues and Other Sources	$ 2,159,909	$ 2,175,609	$ 2,037,611	
Expenditures				
General government support	$ 520,212	$ 539,712	$ 528,719	$ 10,993
Public safety	89,940	89,940	82,231	7,709
Transportation	556,620	556,620	408,226	148,394
Culture and recreation	114,949	118,249	48,915	69,334
Home and community service	539,240	625,140	625,086	54
Employee benefits	97,700	104,700	102,158	2,542
Debt service	241,248	241,248	241,248	-
Total Expenditures	$ 2,159,909	$ 2,275,609	$ 2,036,583	$ 239,026
Other Uses				
Interfund Transfers	-	-	115,576	
Total Expenditures and Other Uses	$ 2,159,909	$ 2,275,609	$ 2,152,159	

CAPITAL ASSETS

The Village records expenditures for land, buildings, equipment, machinery and infrastructures (roads) as capital assets in the Statement of Net Assets. Annual depreciation expense is recorded in the Statement of Activities to reflect the use of these assets over their useful lives. Land and construction in progress are not subject to depreciation.

For the useful life of assets, the Village relied upon material provided by the New York State government Finance Officers Association "Capital Assets of Local Governments Suggested Useful Lives". For highway improvements, the Village began with the 14.74 miles of roadway, utilized a current replacement cost of $250,000 per mile and then calculated cost back to 1986 based upon "Price Trends for Federal Aid Highway Construction" as issued by the USDOT Federal Highway Administration. Subsequent years values were based upon actual expenditures.

In 2011, the Village expended $236,209 on capital additions. Figure A-7 reflects the changes in net capital assets after reduction for 2011 depreciation.

Figure A-7

	Total Dollar Governmental Activities 2010	2011	Change 2010-2011
Changes in Net Assets			
Land	$ 665,869	$ 665,869	$ 0
Buildings and improvements	1,883,249	1,879,035	(4,214)
Infrastructure	3,220,549	3,152,600	(67,949)
Machinery and equipment	20,923	27,082	6,159
Miscellaneous	179,910	264,425	84,515
Vehicles	0	0	0
Total	$ 5,970,500	$ 5,989,011	$ 18,511

Major additions in 2011 included:

Buildings and Improvements	$ 52,974
Infrastructure	70,349
Machinery and Equipment	15,282
Miscellaneous	97,604
Total	$ 236,209

DEBT ADMINISTRATION

Long Term Debt decreased by $155,000. The Village's long term debt at the end of the year was $1,935,000.

Detailed information regarding the Village's long-term liabilities is presented in Note 6 in the Notes to the Financial Statements.

The Village's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the Village's finances and to demonstrate the Village's accountability. If you have any questions about the report or need additional financial information, contact the Village's Mayor, Village of Montebello, One Montebello Road, Suffern, New York 10901.

VILLAGE OF MONTEBELLO
STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2011

ASSETS		
Cash and Cash Equivalents	$	1,344,269
Taxes Receivable		25,591
Accounts Receivable		64,486
Due from Fiduciary Funds		986,032
Prepaid Expenses		437
Capital Assets (Net of Accumulated Depreciation)		5,989,011
TOTAL ASSETS	$	8,409,826
LIABILITIES		
Accounts Payable	$	98,700
Deferred Revenue		1,623
Deferred Tax Revenues		215,092
Accrued Interest Payable		23,933
Noncurrent Liabilities:		
Due Within One Year		155,000
Due More Than One Year		1,787,362
TOTAL LIABILITIES	$	2,281,710
NET ASSETS		
Investment in Capital Assets, Net of Related Debt		4,054,011
Restricted for:		
Money in Lieu of Land Parkland Improvements		684,427
Reserved for Community Center		15,000
Unrestricted		1,374,678
TOTAL NET ASSETS	$	6,128,116

VILLAGE OF MONTEBELLO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

FUNCTIONS AND PROGRAMS	Expenses	PROGRAM REVENUES: Charges for Service	PROGRAM REVENUES: Opeating Grants and Contributions	PROGRAM REVENUES: Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Assets: Governmental Activities
General Government	$ (684,443)	$ 190,060	$ -	$ -	$ (494,383)
Public Safety	(84,620)	-	-	-	(84,620)
Transportation	(548,960)	-	-	-	(548,960)
Culture and Recreation	(62,004)	-	-	-	(62,004)
Home and Community Services	(625,086)	120,988	-	-	(504,098)
Interest and Fees on Long-Term Debt	(84,227)	-	-	-	(84,227)
TOTAL PRIMARY GOVERNMENT	$ (2,089,340)	$ 311,048	$ -	$ -	$ (1,778,292)
GENERAL REVENUES					
Real Property Taxes					$ 1,168,797
Real Property Tax Items					10,628
Non Property Taxes					229,951
Departmental Income					24,542
Use of Money and Property					80,303
Sale of Property and Compensation for Loss					21,503
Money In Lieu of Land Deposits					10,391
Miscellaneous					48,024
Unallocated State and Federal Aid					237,775
TOTAL GENERAL REVENUES					$ 1,831,914
Changes in Net Assets					$ 53,622
Net Assets - Beginning					6,074,494
Net Assets - Ending					$ 6,128,116

VILLAGE OF MONTEBELLO
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2011

	GENERAL	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and Cash Equivalents	$ 1,344,269	$ -	$ 1,344,269
Taxes Receivable	25,591	-	25,591
Accounts Receivable, Net	64,486	-	64,486
Due from Fiduciary Funds	986,032	-	986,032
Prepaid Expenses	437	-	437
TOTAL ASSETS	$ 2,420,815	$ -	$ 2,420,815
LIABILITIES			
Accounts Payable	$ 98,700	$ -	$ 98,700
Deferred Revenue	1,623		1,623
Deferred Tax Revenues	215,092	-	215,092
TOTAL LIABILITIES	$ 315,415	$ -	$ 315,415
FUND BALANCES			
Restricted for:			
Money in Lieu of Land	$ 684,427	$ -	$ 684,427
Community Center	15,000	-	15,000
Assigned to;			
Subsequent Years' Expenditures	320,353	-	320,353
Unassigned	1,085,620	-	1,085,620
TOTAL FUND BALANCES	$ 2,105,400	$ -	$ 2,105,400
TOTAL LIABILITIES AND FUND BALANCES	$ 2,420,815	$ -	$ 2,420,815

VILLAGE OF MONTEBELLO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	GENERAL	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Real Property Taxes	$ 1,168,797	$ -	$ 1,168,797
Real Property Tax Items	10,628	-	10,628
Non-Property Tax Items	229,951	-	229,951
Departmental Income	335,590	-	335,590
Use of Money and Property	80,303	-	80,303
Sale of Property and Compensation for Loss	21,503	-	21,503
Money In Lieu of Land Deposits	10,391	-	10,391
Miscellaneous	48,024	-	48,024
State and Federal Aid	132,424	105,351	237,775
TOTAL REVENUES	$ 2,037,611	$ 105,351	$ 2,142,962
EXPENDITURES			
General Government Support	$ 528,719	$ -	$ 528,719
Public Safety	82,231	-	82,231
Transportation	408,226	-	408,226
Culture and Recreation	48,915	-	48,915
Home and Community Service	625,086	-	625,086
Employee Benefits	102,158	-	102,158
Capital Outlay	-	220,927	220,927
Debt Service	241,248	-	241,248
TOTAL EXPENDITURES	$ 2,036,583	$ 220,927	$ 2,257,510
OTHER FINANCING SOURCES (USES)			
Interfund Transfers	$ (115,576)	$ 115,576	$ -
TOTAL OTHER FINANCING SOURCES (USES)	$ (115,576)	$ 115,576	$ -
NET CHANGE IN FUND BALANCE	$ (114,548)	$ -	$ (114,548)
FUND BALANCES - BEGINNING	2,219,948	-	2,219,948
FUND BALANCES - ENDING	$ 2,105,400	$ -	$ 2,105,400

VILLAGE OF MONTEBELLO
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2011

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM ASSETS LIABILITIES	RECLASSIFICATIONS AND ELIMINIATIONS	STATEMENT OF NET ASSETS TOTALS
ASSETS				
Cash and Cash Equivalents	$ 1,344,269	$ -	$ -	$ 1,344,269
Taxes Receivable	25,591	-	-	25,591
Accounts Receivable, Net	64,486	-	-	64,486
Due from Fiduciary Funds	986,032	-	-	986,032
Prepaid Expenses	437	-	-	437
Capital Assets, Net	-	5,989,011	-	5,989,011
TOTAL ASSETS	$ 2,420,815	$ 5,989,011	$ -	$ 8,409,826
LIABILITIES				
Accounts Payable	$ 98,700	$ -	$ -	$ 98,700
Accrued Interest Payable	-	23,933	-	23,933
Other Postemployment Benefits	-	7,362	-	7,362
Bond Payable	-	1,935,000	-	1,935,000
Deferred Revenue	1,623	-	-	1,623
Deferred Tax Revenues	215,092	-	-	215,092
TOTAL LIABILITIES	$ 315,415	$ 1,966,295	$ -	$ 2,281,710
TOTAL FUND EQUITY/ NET ASSETS	$ 2,105,400	$ 4,022,716	$ -	$ 6,128,116
TOTAL LIABILITIES AND FUND EQUITY	$ 2,420,815	$ 5,989,011	$ -	$ 8,409,826

VILLAGE OF MONTEBELLO
RECONCILIATION OF GOVERNMENTAL FUNDS - REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM REVENUES EXPENSES	CAPITAL RELATED ITEMS	LONG-TERM DEBT TRANSACTIONS	RECLASSIFICATION AND ELIMINATION	STATEMENT OF ACTIVITIES TOTALS
REVENUES						
Real Property Taxes	$ 1,168,797	$ -	$ -	$ -	$ -	$ 1,168,797
Real Property Tax Items	10,628	-	-	-	-	10,628
Non-Property Tax Items	229,951	-	-	-	-	229,951
Departmental Income	335,590	-	-	-	-	335,590
Use of Money and Property	80,303	-	-	-	-	80,303
Sale of Property and Compensation for Loss	21,503	-	-	-	-	21,503
Money in Lieu of Land Deposits	10,391	-	-	-	-	10,391
Miscellaneous	48,024	-	-	-	-	48,024
State and Federal Aid	237,775	-	-	-	-	237,775
TOTAL REVENUE	$ 2,142,962	$ -	$ -	$ -	$ -	$ 2,142,962
EXPENDITURES						
General Government Support	$ 528,719	$ -	$ 51,029	$ -	$ 104,695	$ 684,443
Public Safety	82,231	-	-	-	2,389	84,620
Transportation	408,226	-	138,298	-	2,436	548,960
Culture and Recreation	48,915	-	13,089	-	-	62,004
Home and Community Service	625,086	-	-	-	-	625,086
Employee Benefits	102,158	-	-	-	(102,158)	-
Capital Outlay	220,927	-	(220,927)	-	-	-
Debt Service	241,248	(2,021)	-	(155,000)	-	84,227
TOTAL EXPENDITURES	$ 2,257,510	$ (2,021)	$ (18,511)	$ (155,000)	$ 7,362	$ 2,089,340
Excess (Deficiency) of Revenues Over Expenditures	$ (114,548)	$ 2,021	$ 18,511	$ 155,000	$ (7,362)	$ 53,622
NET CHANGE FOR THE YEAR	$ (114,548)	$ 2,021	$ 18,511	$ 155,000	$ (7,362)	$ 53,622

VILLAGE OF MONTEBELLO
STATEMENT OF FIDUCIARY NET ASSETS
AS OF DECEMBER 31, 2011

	AGENCY FUNDS
ASSETS	
Cash	$ 1,314,311
TOTAL ASSETS	$ 1,314,311
LIABILITIES	
Due to General Fund	$ 986,032
Escrow Deposits	328,279
TOTAL LIABILITIES	$ 1,314,311

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPALS

The accompanying financial statements of the Village of Montebello have been prepared in conformity with generally accepted accounting principles (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.

In June 1999, the GASB unanimously approved Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. Some of the significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Village's overall financial position and results of operations
- Financial statements prepared using full accrual accounting for all of the Village's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements.

A. Financial Reporting Entity

The Village of Montebello was established in 1986, is governed by its charter, the Village law and other general municipal laws of the State of New York, and various local laws. The Village Board is the legislative body responsible for the overall operation, the Mayor serves as Chief Executive Officer and the Village Clerk Treasurer serves as Chief Fiscal Officer.

The Village provides the following basic services: Highway Maintenance, Refuse Collection, Recycling, Planning Board, Zoning Board, General Administration and other home and community services.

All governmental activities and functions performed for the Village of Montebello are its direct responsibility. No other governmental organization has been included or excluded from the reporting entity.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPALS (Continued)

A. Financial Reporting Entity (Continued)

The financial reporting entity consists of the following, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity".

1. The primary government which is the Village of Montebello;
2. Organizations for which the primary government is financially accountable, and;
3. Other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's general purpose financial statements to be misleading or incomplete.

The decision to include a potential component unit in the reporting entity is based on the criteria set forth in GASB Statement No: 14, including legal standing, fiscal dependency and financial accountability.

Based on the application of the above criteria, no other entities are included in the reporting entity.

B. Basis of Presentation

1. Government-wide Statements

The Statement of Net Assets and the Statement of Activities present financial information about the Village's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Government activities generally are financed through taxes, state aid, intergovernmental revenues and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPALS (Continued)

B. **Basis of Presentation** (Continued)

1. Government-wide Statements (Continued)

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 and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

The funds 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 fund financial statements is on major Governmental Funds, each displayed in a separate column. All remaining Governmental Funds are aggregated and reported as non-major funds.

The Village of Montebello reports the following major Governmental Funds:

- **General Fund**: This is the Village's primary operating fund. It accounts for all financial transactions that are not required by law or other provision to be accounted for in other funds.

- **Capital Projects Fund**: Used to account for capital improvements financed from current monies transferred from other funds, federal and state grants and proceeds of obligations.

The Village reports the following fiduciary funds:

- **Agency Fund**: Used to account for those funds held in custody and subsequent distributions, transmittal or release to other governments, individuals or to other funds.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPALS (Continued)

C. **Measurement Focus and Basis of Accounting**

The Government-Wide 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 transaction takes place. Non-exchange transactions, in which the Village gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Material revenues that are accrued include real property taxes, state and federal aid, sales tax and certain user charges. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made.

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 they have matured. General capital asset acquisitions are reported as expenditures in Governmental Funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

D. **Property Taxes**

Village real property taxes are levied annually on January 1, and become a lien on that date. Taxes are collected during the period January 1 to October 31. On November 1, unpaid Village taxes are then turned over to the county for enforcement. Any such taxes remaining unpaid at year end are paid by the county.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPALS (Continued)

E. Budgetary Data

1. Budget Policies – The budget policies are as follows:

   a. In November the budget officer submits a tentative budget to the Village Board for the fiscal year commencing the following January 1. The tentative budget included proposed expenditures and the proposed means of financing for all funds.

   b. After public hearings are conducted to obtain taxpayer comments, in November, the governing board adopts the budget.

   c. All modifications of the budget must be approved by the governing board.

2. Budget Basis of Accounting

   The budget is adopted annually on a basis consistent with generally accepted accounting principles.

3. Encumbrances

   Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in all funds. Encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

F. Cash and Investments

The Village's investment policies are governed by the State statutes. In addition, the Village of Montebello has its own written investment policy. The Village's monies must be deposited in FDIC insured commercial banks or trust companies located within the State. The treasurer is authorized to use demand account and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPALS (Continued)

F. Cash and Investments (Continued)

Collateral is required for demand deposits and certificates of deposit at 105 percent of all deposits 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.

The written investment policy requires repurchase agreements to be purchased from banks located within the state and that underlying securities must be obligations of the federal government and New York State. Underlying securities must have market value of at least 105 percent of the cost of the repurchase agreement.

G. Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material. All receivables are expected to be collected within the subsequent year.

H. Due To/From Other Funds

Amounts due to and due from within the same fund type have been eliminated in the Government-wide statements. A detailed description of the individual fund balances is provided subsequently in these notes.

I. Inventories and Prepaid Items

Purchases of inventoriable items are recorded as expenditures in the Government Funds at the time of purchase. Inventory-type items are considered immaterial and, consequently, are not provided in the Government-wide statements.

Prepaid items represent payments made by the Village for which benefits extend beyond year-end.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPALS (Continued)

J. Capital Assets

Capital assets are reported at historical costs. The Village depreciates capital assets using the straight-line method over the estimated useful life of the assets. Capitalization thresholds (the dollar value above which capital asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the Government-wide statements are as follows:

	Capitalization Threshold	Estimated Useful Life
Building and Improvements	$ 5,000	40 years
Non-building Improvements	5,000	15 – 20 years
Equipment and Machinery	5,000	5 – 15 years

K. Infrastructure

The Village includes long-lived improvements to roads as capital assets in the Government-wide statements. Infrastructures are reported at historical costs and are depreciated using the straight-line method over their estimated useful lives.

Capitalization thresholds and estimated useful lives for infrastructure are as follows:

	Capitalization Threshold	Estimated Useful Life
Road Systems	$ 5,000	30 – 40 years

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPALS (Continued)

L. Vested Employee Benefits

Employees accrue (earn) vacation leave based on the number of years employed up to a maximum of four weeks a year. After ten years of continuous employment, one week of the maximum of four weeks may be rolled into the following year upon the advanced permission of the Mayor.

Full-time employees are entitled to eight paid sick days per year accumulative to a maximum of fifteen days for extended illness.

The Village's employees participate in the New York State Employees' Retirement System.

M. Unemployment Insurance

Village employees are covered by unemployment insurance. The Village is exempt for federal unemployment insurance tax.

N. Risk Retention

The Village assumes the liability from most risk including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

O. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, it is the Village's policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements.

P. Use of Estimates

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPALS (Continued)

Q. Equity Classification – Government-wide Statements

Equity is classified as net assets and displayed in three components:

1. Invested in Capital Assets, Net of Related Debt

   Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

2. Restricted Net Assets

   Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

3. Unrestricted Net Assets

   All other net assets that do not meet the definition of "restricted' or "invested in capital assets, net of related debt".

Fund Statements

In the fund basis statements there are five classifications of fund balance:

Non-spendable fund balance includes amount that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted fund balance includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The Village has established the following restricted fund balances:

Money in Lieu of Land Parkland Improvements
This reserve is accounted for in the General Fund.

Community Center
This reserve is accounted for in the General Fund.

Committed fund balance includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the village board. The Village has no committed fund balances as of December 31, 2011.

Assigned fund balance includes amounts that are constrained by the Village's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned fund balance includes all other General Fund net assets that do not meet the definition of the above four classifications and are deemed to be available for general use by the Village.

Order of Use of Fund Balance:

The Village's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the General Fund are classified as restricted fund balance. In the General Fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

R. New Accounting Standards

The Village has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable.

S. Future Changes in Accounting Standards

The Village is currently studying future statements that are applicable and plans on adoption if and when required.

T. Reclassifications

Certain prior year data has been reclassified to conform to the current year's presentation.

U. Interfund Transfers

The operations of the Village gives rise to certain transactions between funds, including transfers to provide services and construct assets. The amounts reported on the Statement of Revenues, Expenditures and Changes in Fund Balance – Government Funds for interfund transfers have been eliminated for the Statement of Activities. A detailed description of the individual fund transfers that occurred during the year is provided subsequently in these notes.

NOTE 2 EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the Government-wide statements, certain financial transactions are treated differently. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the Government Funds.

A. Total Fund Balances of Governmental Funds vs. Net Asset of Governmental Activities

Total fund balances of the Village's Governmental Funds differ from the "net assets" of governmental activities reported in the Statement of Net Assets. This difference primarily results from the additional long-term economic focus of the Statement of Net Assets versus the solely current financial resources focus of the Governmental Fund Balance Sheet.

The basic financial statements on pages 17 and 18 contain a detailed reconciliation of the items creating the differences between fund balance reported in the Governmental Fund Statements and Net Assets reported on the Statement of Net Assets. These differences are as follows:

1. The costs of building and acquiring capital assets (land, buildings and equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Assets includes those capital assets among the assets of the Village as a whole, with their original costs capitalized and depreciation expensed annually over their useful lives.

Original Cost of Capital Assets	$ 9,104,960
Accumulated Depreciation	(3,115,949)
Capital Assets, Net	$ 5,989,011

2. Interest payable is recognized in the entity wide statements under full accrual accounting. No accrual is recognized in the governmental fund statements for interest that was not paid from current financial resources.

Bond Interest Payable at December 31, 2011	$ 23,933

NOTE 2 **EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS** (Continued)

3. Long-term liabilities are reported in the Statement of Net Assets, but not in the governmental funds, because they are not due and payable in the current period. Balances at year-end were:

Bonds Payable	$ 1,935,000

B. Explanation of Differences Between Governmental Funds Operating Statement and the Statement of Activities

Differences between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories. The amounts shown below represent these differences as follows:

1. Long-term revenue differences arise because Governmental Funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because Governmental Funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

2. Capital related differences include the difference between proceeds for the sale of capital governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

3. Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the Governmental Fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Assets.

NOTE 2 EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS (Continued)

B. Explanation of Differences Between Governmental Funds Operating Statement and the Statement of Activities (Continued)

The basic financial statements on page 20 contains a detailed reconciliation of the items detailing the differences between the change in fund balance reported in the Government Fund Statements and the change in net assets reported in the Statement of Activities.

Total Revenues and Other Funding Sources

Total revenues of governmental activities	$ 2,142,962
Differences	0
Total Revenues in the Statement of Activities	$ 2,142,962

Total Expenditures/Expenses

Total expenditures reported in governmental funds (Schedule 6)	$ 2,257,510
When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures In the years they are incurred. However, in the Statement of Activities, the cost of those is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation of $217,698 was less than capital expenditures of $236,209 in the current year. (Schedule 6)	(18,511)
Interest payable is recognized in the entity wide statements Under full accrual accounting whereas it is not under the governmental fund statements. This is the amount by which interest payable this year is more than the interest payable last year. (Schedule 6)	(2,021)
Current year increase for Other Post Employment Benefits (Schedule 6)	9,611
Repayment of bond principal is an expenditures in the governmental funds, but reduces long-term liabilities in the Statement of Net Assets, and does not affect the Statement of Activities. (Schedule 6)	(155,000)
Total Expenses of Governmental Activities	$ 2,091,589

NOTE 3 CASH

The Village's investment policies are governed by State statutes as previously described in these Notes. Deposits are valued at cost or cost plus interest and are categorized as either:

A. Insured or collateralized with securities held by the entity or by its agent in the entity's name;

B. Collateralized with securities held by the pledging financial institution's trust department or agency in the entity's name; or

C. Uncollateralized.

Total financial institution (bank) balances at December 31, 2011, per the bank, are categorized as follows:

	A	B	C
Governmental/ Agency Funds	$ 250,000	$ 2,485,122	$ 0

NOTE 4 INTERFUND ACTIVITY

Interfund receivables and payables at December 31, 2011 were as follows:

Fund Type	Interfund Receivables	Interfund Payables
General	$ 986,032	$ 0
Agency	0	986,032
Total	$ 986,032	$ 986,032

NOTE 5 CAPITAL ASSETS

Capital asset balances and activity for the year ended December 31, 2011 were as follows:

	Beginning Balance	Additions	Disposals and Reclassifications	Ending Balance
Governmental Activities				
Capital Assets that are not Depreciated:				
Land	$ 665,869	$ -	$ -	$ 665,869
Total Non-Depreciable Historical Cost	$ 665,869	$ -	$ -	$ 665,869
Capital Assets that are Being Depreciated:				
Buildings and Improvements	$ 2,261,057	$ 52,974	$ -	$ 2,314,031
Infrastructure	5,547,046	70,349	-	5,617,395
Machinery and Equipment	151,837	15,282	-	167,119
Miscellanous	211,081	97,604	-	308,685
Vehicles	31,861	-	-	31,861
Total Depreciable Historical Assets	$ 8,202,882	$ 236,209	$ -	$ 8,439,091
Less Accumulated Depreciation:				
Buildings and Improvements	$ 377,808	57,188	$ -	$ 434,996
Infrastructure	2,326,497	138,298	-	2,464,795
Machinery and Equipment	130,914	9,123	-	140,037
Miscellenous	31,171	13,089	-	44,260
Vehicles	31,861	-	-	31,861
Total Accumulated Depreciation	$ 2,898,251	$ 217,698	$ -	$ 3,115,949
Total Historical Cost, Net	$ 5,970,500	$ 18,511	$ -	$ 5,989,011

Depreciation was charged to governmental functions as follows:

General Government Support	$ 66,311
Transportation	138,298
Culture and Recreation	13,089
Total Depreciation Expense	$ 217,698

NOTE 6 LIABILITIES

A. Pension Plans

Plan Description

The Village of Montebello began during 1999 to participate in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of its funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, New York 12244.

Funding Policy

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary for the first 10 years of service. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of member payroll and employer contributions, used in computing the contributions required to be made by employers to the pension accumulation fund. Chapter 126 adds Article 19 "Benefits Enhancements" of the New York State and Local Employees Retirement System. An eligible Tier III or IV member with ten or more years of membership or ten years credited services will not be required to contribute to the Retirement System.

The Village is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

	ERS
2011	$ 46,770
2010	29,245
2009	21,276

NOTE 6 LIABILITIES (Continued)

B. **Short-Term Debt**

Liabilities for bond anticipation notes (BAN's) are generally accounted for in the Capital Projects Fund. The notes or renewal thereof may not extend more than five years beyond the original date of issue unless a portion is redeemed within five years and within each 12 month period thereafter.

State law required that BAN's issued for capital purposes be converted to long-term obligations within five years after the original date. However, BAN's issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

C. **Long-Term Debt**

Bonds

The Village borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers.

At December 31, 2011 the total principal indebtedness outstanding the Village aggregated $1,935,000.

The following is a summary of the Village's outstanding serial bonds for the year ending December 31, 2011:

Description	Original Date of Issue	Original Amount	IR	Date of Final Maturity	Outstanding 12/31
Various Purposes	09/01/07	$1,860,000	4.00%	09/01/22	$1,445,000
Road Reconstruction	10/15/05	725,000	4.18%	10/15/20	490,000
Total					$1,935,000

Interest on long-term debt paid during the year was:

Interest Paid	$ 86,248
Less: Interest Accrued – Prior Year	(25,954)
Plus: Interest Accrued – Current Year	23,933
	$ 84,227

NOTE 6 LIABILITIES (Continued)

C. Long-Term Debt (Continued)

Long-term liability balances and activity for the year are summarized below:

	Beginning Balance	Issued	Redeemed	Ending Balance
Governmental Activities				
Serial Bonds	$2,090,000	$ 0	$ 155,000	$1,935,000
Total Long-Term Liabilities	$2,090,000	$ 0	$ 155,000	$1,935,000

The following is a summary of the maturity of long-term indebtedness:

	Year	Principal	Interest
Serial Bonds	2012	$ 155,000	$ 80,047
	2013	165,000	73,848
	2014	170,000	67,247
	2015	170,000	60,385
	2016	180,000	53,523
	2017-2021	945,000	150,397
	2022	150,000	6,450
Total Serial Bonds		$1,935,000	$ 491,897

NOTE 7 POST-EMPLOYMENT BENEFITS

The premiums paid during the year were $8,347, which consisted of 1 individual at $694 per month of which 25% is paid by the retiree.

The Village provides post employment health insurance coverage to retired employees in accordance with the Village's personnel policy. The benefit levels, employee contributions and employer contributions are governed by the Village's Board of Trustees..

The Village implemented GASB Statement 45, Accounting and Financial Reporting by employers for Postemployment Benefits Other than Pensions. This required the Village to calculate and record a net other post-employment benefit obligation at year-end. The net other post-employment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

The Village recognizes the cost of providing health insurance annually as expenditures in its General Fund of the funds financial statements as payments are made. For the year ended December 31, 2011 the Village recognized $6,261 for its share of insurance costs currently for enrolled retirees.

The Village has elected to base its annual OPEB cost on the ARC calculated in accordance with the alternative measurement method allowed in the Statement as of January 1, 2011 which indicates that the net OPEB obligation for other post employment benefits is $7,362, which is reflected in the Statement of Net Assets.

Plan Description: The healthcare plan (HP) is a single-employer defined benefit healthcare plan administered by the Village. HP provides medical insurance benefits to eligible retirees. The Village assigns the authority to establish and amend benefit provisions to the Village Board.

Funding Policy:

The contribution requirements of Plan members and the Village are established by the Village Board. The required contribution is based on projected pay-as-you-go financial requirements. For fiscal year 2011, the Village contributed $6,261 to the plan for current costs. Until changes are made in New York State law to permit funding, there is no legal authority to fund OPEB other than "pay as you go". Plan members receiving benefits contributed according to their bargaining unit agreement and hire date.

Annual OPEB Cost and Net OPEB Obligation: The Village's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed over thirty years. The following table shows the components of the Village's annual OPEB cost for the year, the amount actuarially contributed to the plan, and changes in the Village's net OPEB obligation to HP:

Annual required contribution as of December 31, 2011	$	13,623
Interest on net OPEB obligation		0
Adjustment to annual required contribution		0
Annual OPEB cost (expense)	$	13,623
Contributions made		6,261
Increase in net OPEB obligation	$	7,362
Net OPEB obligation-beginning of year	N.A. – Transition Year	
Net OPEB obligation-end of year	$	7,362

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2010	N.A. – Transition date January 1, 2010		
12/31/2011	$13,623	45.96%	$7,362

Funded Status and Funding Progress:

As of January 1, 2011, the most recent actuarial valuation date, the plan was 0.00% funded. The actuarial liability for benefits was $102,605, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $102,605. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far 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 the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets in increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial 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, consistent with the long-term perspective of the calculations.

In the January 1, 2011, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 5.5% investment rate of return. An annual healthcare cost trend rate of 10.0% initially, reduced by decrements to an ultimate rate of 4% after 5 years. Rates included an inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2011, was 30 years.

NOTE 8 RESTRICTED NET ASSETS

Included in total net assets of $6,125,867, $684,427 is reserved for Money in Lieu of Land Parkland Improvements and $15,000 is reserved for Community Center.

NOTE 9 RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; injuries to employees; errors and omissions; natural disasters, etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

NOTE 10 CONTINGENCIES AND COMMITMENTS

The Village leases equipment under operating leases. Total rental expenditures on such leases for the year were approximately $2,679. The minimum future non-cancelable operating leases payments are as follows:

Year Ending	Amount
2012	$ 2,679
2013	2,396
2014	387
	$ 5,462

VILLAGE OF MONTEBELLO
SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
MAJOR GOVERNMENTAL FUNDS
NON GAAP BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	GENERAL FUND			
	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Real Property Taxes	$ 1,168,797	$ 1,168,797	$ 1,168,797	$ -
Real Property Tax Items	5,000	5,000	10,628	5,628
Non Property Tax Items	150,000	150,000	229,951	79,951
Departmental Income	183,500	299,200	335,590	36,390
Use of Money and Property	63,300	63,300	80,303	17,003
Sale of Property and Compensation for Loss	-	-	21,503	21,503
Money In Lieu of Land Deposits	-	-	10,391	10,391
Miscellaneous	65,000	65,000	48,024	(16,976)
State and Federal Aid	159,000	159,000	132,424	(26,576)
TOTAL REVENUES	$ 1,794,597	$ 1,910,297	$ 2,037,611	$ 127,314
OTHER SOURCES				
Appropriated Fund Balance	$ 365,312	$ 365,312	$ -	
TOTAL REVENUES AND OTHER SOURCES	$ 2,159,909	$ 2,275,609	$ 2,037,611	
EXPENDITURES				
General Government Support	$ 520,212	$ 539,712	$ 528,719	$ 10,993
Public Safety	89,940	89,940	82,231	7,709
Transportation	556,620	556,620	408,226	148,394
Culture and Recreation	114,949	118,249	48,915	69,334
Home and Community Service	539,240	625,140	625,086	54
Employee Benefits	97,700	104,700	102,158	2,542
Debt Service	241,248	241,248	241,248	-
TOTAL EXPENDITURES	$ 2,159,909	$ 2,275,609	$ 2,036,583	$ 239,026
OTHER USES				
Interfund Transfers	$ -	$ -	$ 115,576	
TOTAL EXPENDITURES AND OTHER USES	$ 2,159,909	$ 2,275,609	$ 2,152,159	

VILLAGE OF MONTEBELLO
STATEMENT OF INDEBTEDNESS
AS OF DECEMBER 31, 2011

	DATE OF ORIGINAL ISSUE	MATURITY	INTEREST RATE	OUSTANDING BEGINNING OF FISCAL YEAR	ISSUED DURING YEAR	PAID DURING YEAR	OUTSTANDING END OF YEAR	AMOUNT OF INTEREST PAID DURING THE YEAR
BONDS								
STATUTORY INSTALLMENT BONDS								
Village Hall Renovations and Community Center	09/01/07	09/01/22	4.00%	$ 1,555,000	$ -	$ 110,000	$ 1,445,000	$ 63,890
Road Reconstruction	10/15/05	10/15/20	4.18%	535,000	-	45,000	490,000	22,358
TOTAL STATUTORY INSTALLMENT BONDS				$ 2,090,000	$ -	$ 155,000	$ 1,935,000	$ 86,248
TOTAL INDEBTEDNESS				$ 2,090,000	$ -	$ 155,000	$ 1,935,000	$ 86,248

VILLAGE OF MONTEBELLO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
AND EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2011

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
12/31/2010	$ -	$ -	$ -	0.0%	$ -	0.00%
12/31/2011	$ -	$ 102,605	$ 102,605	0.0%	$ 116,677	88.00%

Schedule of Employer Contributions

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2010	N.A. - Transition Date is 1/1/2011	
2011	$ 13,623	45.96%

The accompanying notes are an integral part of the financial statements.