

OFFICIAL STATEMENT DATED FEBRUARY 2, 2012

NEW ISSUE

BOND ANTICIPATION NOTES

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Village, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest is, however, included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed upon such corporations. In addition, in the opinion of Bond Counsel to the Village, under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York. See "Tax Matters" herein.

The Notes will be designated by the Village as "qualified tax-exempt obligations" pursuant to the provisions of Section 265 of the Code.

VILLAGE OF MONROE ORANGE COUNTY, NEW YORK (the "Village")

\$1,200,000

BOND ANTICIPATION NOTES FOR PUBLIC WORKS FACILITIES - 2012 (the "Notes")

Dated Date: February 22, 2012

Maturity Date: October 26, 2012

Security and Sources of Payment: The Notes are general obligations of the Village of Monroe, Orange County, New York (the Village"), and will contain a pledge of the faith and credit of the Village for the payment of the principal thereof and interest thereon and, unless paid from other sources, the Notes are payable from ad valorem taxes which may be levied upon all the taxable real property within the Village, subject to certain statutory limitations imposed by Chapter 97 of the Laws of 2011 (the "New Tax Levy Limit Law"). See "Legal Matters and the New Tax Levy Limit Law" and "New Tax Levy Limit Law," herein.

Prior Redemption: The Notes will not be subject to redemption prior to their maturity.

Form and Denomination: At the option of the purchaser(s), the Notes may be either registered to the purchaser(s) or registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC") as book-entry notes. For those Notes registered to the purchaser(s), a single note certificate shall be delivered to the purchaser(s), for those Notes bearing the same rate of interest in the aggregate principal amount awarded to such purchaser at such interest rate. Principal of and interest on such Notes will be payable in lawful money of the United States of America (Federal Funds) at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder. Those Notes issued in book-entry form will be issued as registered notes, and, when issued, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as the Securities Depository for the Notes. A single note certificate will be issued for those Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Individual purchases of the Notes to be issued in book-entry form may be made only in book-entry form in denominations of \$5,000 or integral multiples thereof. Noteholders will not receive certificates representing their respective ownership interests in the Notes if the Notes are issued in book-entry form. See "Book-Entry System" herein.

Payment: Payment of the principal of and interest on the Notes to be issued in book-entry form will be made by DTC Participants and Indirect Participants in accordance with standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name." Payment will be the responsibility of the DTC Participant or Indirect Participant and not of DTC or the Village, subject to any statutory and regulatory requirements as may be in effect from time to time. See "Book-Entry System" herein. Payment of the principal of and interest on the Notes registered to the Purchaser(s) will be payable at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder. The Village will act as Paying agent for the Notes.

Proposals for the Notes will be received at 11:00 A.M. (Prevailing Time) on February 14, 2012 at the office of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776.

Hawkins Delafield & Wood LLP, has not participated in the preparation of this Official Statement, nor verified the accuracy, completeness or fairness of the information contained herein, and accordingly, expresses no opinion with respect thereto.

The Notes are offered subject to the final approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Village, and certain other conditions. It is expected that delivery of the Notes will be made on or about February 22, 2012 in New York, New York, or as otherwise agreed to by the Village and the purchaser(s).

THIS OFFICIAL STATEMENT IS IN A FORM "DEEMED FINAL" BY THE VILLAGE FOR THE PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"). FOR A DESCRIPTION OF THE VILLAGE'S AGREEMENT TO PROVIDE CONTINUING DISCLOSURE FOR THE NOTES, AS DESCRIBED IN THE RULE, SEE "DISCLOSURE UNDERTAKING" HEREIN.

**VILLAGE OF MONROE
ORANGE COUNTY, NEW YORK**

7 Stage Road
Monroe, New York 10950
Telephone: 914/782-8341
Fax: 914/782-3006

VILLAGE OFFICIALS

James C. Purcell, Mayor

Trustees

Wayne Chan
Frank Eppinger

Melinda Gormley
Theadore E. Wright

Virginia Carey, Village Clerk
Catherine M. Murray, Village Treasurer
J. Scott Bonacic, Esq., Village Attorney

* * *

BOND COUNSEL

Hawkins Delafield & Wood LLP
New York, New York

* * *

FINANCIAL ADVISOR

MUNISTAT SERVICES, INC.

Municipal Finance Advisory Service

12 Roosevelt Avenue
Port Jefferson Station, N.Y. 11776
(631) 331-8888

E-mail: info@munistat.com
Website: <http://www.munistat.com>

OFFICIAL STATEMENT

Relating to

**VILLAGE OF MONROE,
ORANGE COUNTY, NEW YORK**

\$1,200,000

BOND ANTICIPATION NOTES FOR PUBLIC WORKS FACILITIES - 2012

This Official Statement, including the cover page and appendices thereto, has been prepared by the Village and presents certain information relating to the Village's \$1,200,000 Bond Anticipation Notes for Public Works Facilities – 2012 (the "Notes"). All quotations from and summaries and explanations of provisions of the Constitution and laws of the State of New York (the "State") and acts and proceedings of the Village contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof and all references to the Notes and the proceedings of the Village relating thereto are qualified in their entirety by reference to the definitive form of the Notes and such proceedings.

THE NOTES

Description of the Notes

The Notes will be dated February 22, 2012 and will mature, without right of redemption prior to maturity, on October 26, 2012, with interest payable at maturity.

At the option of the purchaser(s), the Notes may be either registered to the purchaser(s) or registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC") as book-entry notes.

For those Notes registered to the purchaser(s), a single note certificate shall be delivered to the purchaser(s), for those Notes bearing the same rate of interest in the aggregate principal amount awarded to such purchaser at such interest rate. Principal of and interest on such Notes will be payable in lawful money of the United States of America (Federal Funds) at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder.

For those Notes issued as book-entry notes registered to Cede & Co., DTC will act as securities depository for the Notes and owners will not receive certificates representing their respective interests in the Notes. Individual purchases of such registered Notes may be made in denominations of \$5,000 or integral multiples thereof. A single note certificate will be issued for those Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Principal of and interest on said Notes will be paid in Federal Funds by the Village to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the beneficial owners of the Notes as described herein. See "Book-Entry System" herein.

The Village will act as Paying Agent for the Notes. Paying agent fees, if any, will be paid by the purchaser(s). The Village's contact information is as follows: Catherine M. Murray, Village Treasurer, Village of Monroe, 7 Stage Road, Monroe, NY 10950, Phone (914) 782-8341, Fax (914) 782-3006 and email: vomtreasurer@frontiernet.net.

Optional Redemption

The Notes will not be subject to redemption prior to their maturity.

Book-Entry System

DTC will act as securities depository for the Notes if the Notes are issued as book-entry notes. Any book-entry Notes will be issued as fully-registered securities, in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered note certificate will be issued and deposited with DTC for all of the Notes bearing the same rate of interest and CUSIP number.

DTC is limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of certificates.

Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). Effective August 9, 2011, Standard & Poor's assigns a rating of "AA+" to DTC. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Notes with DTC and their registration in the name of Cede & Co., or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping accounts of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to the Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Village on the payable date, in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee) or the Village, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Village, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the Village, or the Village may discontinue the use of a book-entry system. Under such circumstances, in the event that a successor depository is not obtained, note certificates are required to be printed and delivered.

Source: The Depository Trust Company, New York, New York.

The information contained in the above section concerning DTC and DTC's book-entry system has been obtained from sample offering document language supplied by DTC, but the Village takes no responsibility for the accuracy thereof.

THE VILLAGE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANTS, OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF OR INTEREST ON THE NOTES; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS; OR (IV) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE NOTES; OR (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

THE VILLAGE CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO DIRECT PARTICIPANTS OR THAT DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE NOTES (I) PAYMENTS OF THE PRINCIPAL OF OR INTEREST ON THE NOTES; (II) CONFIRMATION OF THEIR OWNERSHIP INTEREST IN THE NOTES; OR (III) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO. AS NOMINEE, AS REGISTERED OWNER OF THE NOTES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SO SERVE AND ACT IN THE MANNER DESCRIBED IN THE OFFICIAL STATEMENT.

Authorization and Purpose

The Notes are being issued pursuant to the Constitution and statutes of the State of New York, including among others, the Village Law and the Local Finance Law, and bond resolution duly adopted by the Village Board on July 22, 2011, authorizing the issuance of serial bonds in the amount of \$1,700,000 for the construction of replacement DPW facilities. The Village issued bond anticipation notes in the amount of \$500,000 pursuant to such bond resolution on October 26, 2011. The Notes will provide \$1,200,000 additional original financing pursuant to such authorization and it is expected that the total amount will be converted to long term bonds in October, 2012.

Security and Source of Payment

Each Note when duly issued and paid for will constitute a contract between the Village and the holder thereof.

The Notes will be general obligations of the Village and will contain a pledge of the faith and credit of the Village for the payment of the principal thereof and the interest thereon. For the payment of such principal of and interest on the Notes, the Village has the power and statutory authorization to levy ad valorem taxes on all taxable real property in the Village, subject to certain statutory limitations imposed by the New Tax Levy Limit Law. See "Legal Matters and the New Tax Levy Limit Law" and "New Tax Levy Limit Law," herein.

Under the Constitution of the State, the Village is required to pledge its faith and credit for the payment of the principal of and interest on the Notes, and the State is specifically precluded from restricting the power of the Village to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the New Tax Levy Limit Law imposes a statutory limitation on the Village's power to increase its annual tax levy. The amount of such increase is limited by the formulas set forth in the New Tax Levy Limit Law. See "Legal Matters and the New Tax Levy Limit Law" and "New Tax Levy Limit Law," herein.

Remedies Upon Default

Under current law, provision is made for contract creditors (including the Noteholders) of the Village to enforce payments upon such contracts, if necessary, through court action, although the present statute limits interest on the amount adjudged due to creditors to nine per centum per annum from the date due to the date of payment. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment, although judicial mandates to officials to appropriate and pay judgments out of current funds or the proceeds of a tax levy have been issued.

Remedies for enforcement of payment are not expressly included in the Village's contract with holders of its bonds and notes, although any permanent repeal by statute or constitutional amendment of a Noteholder's remedial right to judicial enforcement of the contract should, in the opinion of Bond Counsel, be held unconstitutional.

The State has consented that any municipality in the State may file a petition with any United States district court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness. Subject to such consent, under the United States Constitution, Congress has jurisdiction over such matters and has enacted amendments to the existing federal bankruptcy statute, generally to the effect and with the purpose of affording municipal corporations, under certain circumstances, with easier access to judicially approved adjustment of debts, including judicial control over identifiable and unidentifiable creditors.

In recent times, certain events and legislation affecting remedies on default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of bondholders, such courts might hold that future events, including financial crises as they may occur in the State and in municipalities of the State, require the exercise by the State of its emergency police powers to assure the continuation of essential services.

No principal or interest payments on Village indebtedness are past due. The Village has never defaulted in the payment of the principal of and interest on any indebtedness.

VILLAGE OF MONROE

There follows in this Official Statement a brief description of the Village, together with certain information concerning its economy and governmental organization, its indebtedness, current major revenue sources and expenditures and general and specific funds.

General Information

The Village, which encompasses about 3.5 square miles and has a population of 8,364 according to the 2010 US Census, is located in the southeastern portion of Orange County about 50 miles from New York City. The Village enjoys a diversified economic base of industrial, commercial and residential properties. Residential properties consist of single-family homes, condominiums; commercial enterprises are located in the central business district of the Village and in four shopping centers. There are 130 acres of parkland.

In addition to employment opportunities in the Village, residents commute to New York City, Middletown, Newburgh, Goshen (the County Seat) to commercial and industrial operations in Paramus, New Jersey and to the Sterling Forest, New York research and executive facilities.

Commuter bus service to New York City is available in the Village. Rail service is located in the nearby community of Harriman, New York. Highway facilities include New York State Route 208 and access to New York State Route 17 (The Quickway) and to the New York State Thruway is readily available.

Electricity and natural gas service are supplied to the Village by Orange and Rockland Utilities Corp. The Village is the supplier of water and is responsible for the distribution and maintenance of the necessary facilities. Sanitary sewer services are provided to 100% of the Village residents. Police protection is provided by the Village of Monroe Police Department. Fire protection is provided by the Town of Monroe Joint Fire District.

Government

The Village was incorporated in 1894. One independently governed school district is located partially within the Village which relies on its own taxing powers granted by the State to raise revenues. The school district uses the Town of Monroe's assessment roll as its basis for taxation of property located within the Village.

Subject to the provisions of the State Constitution, the Village operates pursuant to the Village Law, the Local Finance Law, other laws generally applicable to the Village, and any special laws generally applicable to the Village. Under such laws, there is no authority for the Village to have a charter but pursuant to the Village Law and other laws generally applicable to home rule, the Village may from time to time adopt local laws.

The legislative power of the Village is vested in the Board of Trustees, which consists of five members, including the Mayor, who is the chief executive officer of the Village, elected for a term of four years. The four other members of the Village Board are elected to four-year terms, which terms are staggered such that two Trustees are elected each year. All the Board members are elected at large and there is no limitation to the number of terms each may serve.

The Village Clerk and Village Treasurer are appointed to four year terms and the Attorney to a one year term.

Employees

The Village provides services through approximately 60 full-time and part-time employees, 31 of whom are represented by organized labor as follows:

<u>Name of Union</u>	<u>Expiration Date of Contract</u>	<u>Approximate Number of Members</u>
Monroe Superior Officers Counsel	05/31/2011*	3
Monroe PBA	05/31/2011*	15
IBEW, Local 363, CIO	05/31/2012	13

*In negotiation.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population Characteristics

Since 1980, the Village has had a population trend, as compared to the Town and County, as indicated below:

<u>Year</u>	<u>Village</u>	<u>Orange County</u>	<u>New York State</u>
1980	5,994	259,603	17,557,288
1990	6,672	307,647	17,990,455
2000	7,780	341,367	18,976,457
2010	8,364	372,813	19,378,102

Source: U.S. Bureau of the Census.

Income Data

	<u>Per Capita Money Income</u>		
	<u>1990</u>	<u>2000</u>	<u>2009*</u>
Village of Monroe	\$17,333	\$ N/A	\$ N/A
Town of Monroe	12,735	16,569	34,461
County of Orange	15,198	21,597	28,727
State of New York	16,501	23,389	30,804

	<u>Median Household Income</u>		
	<u>1990</u>	<u>2000</u>	<u>2009*</u>
Village of Monroe	\$47,609	\$ 70,890	\$ N/A
Town of Monroe	42,878	50,889	96,040
County of Orange	39,198	52,058	69,255
State of New York	32,965	43,393	55,401

Source: United States Bureau of the Census

*Note: Based on American Community Survey 5-Year Estimates (2005-2009)

List of Larger Non-Governmental Employers in the Village

<u>Name</u>	<u>Type</u>	<u>Approximate Number of Employees</u>
Shop Rite	Supermarket	250
Stop N Shop	Supermarket	121
South Orange YMCA	Recreation	110
Post Office	Postal Service	50
Sacred Heart Parish School	Education	26

Source: Village Officials.

Unemployment Rate Statistics

Unemployment statistics are not available for the Village as such. The smallest area for which such statistics are available (which includes the Village) is the County of Orange. The information set forth below with respect to such County is included for information purposes only. It should not be implied from the inclusion of such data in this Official Statement that the Village is necessarily representative of the County or vice versa.

<u>Annual Averages:</u>	<u>Orange County</u>	<u>New York State</u>
2006	4.3%	4.6%
2007	4.3	4.5
2008	5.3	5.3
2009	7.8	8.4
2010	7.9	8.4
2011 (11 month average)	7.8	8.0

Source: Department of Labor, State of New York

INDEBTEDNESS OF THE VILLAGE

Constitutional Requirements

The New York State Constitution limits the power of the Village (and other municipalities and school districts of the State) to issue obligations and to otherwise contract indebtedness. Such constitutional and statutory limitations include the following, in summary form, and are generally applicable to the Village and the Notes.

Purpose and Pledge. The Village shall not give or loan any money or property to or in aid of any individual or private corporation or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The Village may contract indebtedness only for a Village purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the Village has authorized the issuance of indebtedness having substantially level or declining annual debt service. The Village is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and bond anticipation notes.

General. The Village is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation, assessment, borrowing money, contracting indebtedness and loaning the credit of the Village so as to prevent abuses in the exercise of such powers; however, as has been noted under "Security and Source of Payment", the State Legislature is prohibited by a specific constitutional provision from restricting the power of the Village to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the New Tax Levy Limit Law imposes a statutory limitation on the Village's power to increase its annual tax levy. The amount of such increase is limited by the formulas set forth in the New Levy Limit Law. See "Legal Matters and the New Tax Levy Limit Law" and "New Tax Levy Limit Law," herein.

Statutory Procedure

In general, the State Legislature has authorized the power and procedure for the Village to borrow and incur indebtedness subject, of course, to the constitutional and provisions set forth above. The power to spend money, however, generally derives from other law, including the Village Law and the General Municipal Law.

Pursuant to the Local Finance Law, the Village authorizes the incurrence of indebtedness by the adoption of a bond resolution approved by at least two-thirds of the members of the Board of Trustees, except in the event that the Village determines to subject the bond resolution to voter approval by mandatory referendum, in which case only a three-fifths vote is required.

The Local Finance Law also provides a twenty-day statute of limitations after publication of a bond resolution which, in effect, estops thereafter legal challenges to the validity of obligations authorized by such bond resolution except for alleged constitutional violations. The Village has complied with such requirements with respect to the bond resolutions authorizing the issuance of the Notes.

Each bond resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto.

Each bond resolution also authorizes the issuance of bond anticipation notes prior to the issuance of serial bonds. Statutory law in New York permits notes to be renewed each year provided that principal is amortized and provided that such renewals do not (with certain exceptions) extend more than five years beyond the original date of borrowing. However, notes issued in anticipation of the sale of serial bonds for assessable improvements are not subject to such five year limit and may be renewed subject to annual reductions of principal for the entire period of probable usefulness of the purpose for which such notes were originally issued. (See "Payment and Maturity" under "Constitutional Requirements").

In addition, under each bond resolution, the Board of Trustees may delegate, and has delegated, power to issue and sell bonds and notes, to the Village Treasurer, the chief fiscal officer of the Village.

In general, the Local Finance Law contains similar provisions providing the Village with power to issue general obligation revenue anticipation notes, tax anticipation notes, deficiency notes and budget notes.

Debt Limit. The Village has the power to contract indebtedness for any Village purpose so long as the principal amount thereof shall not exceed seven per centum of the average full valuation of taxable real estate of the Village and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional and statutory method for determining the full valuation is by dividing the assessed valuation of taxable real estate by the respective equalization rates assigned to each assessment roll. Such equalization rates are the ratios which each of such assessed valuations bear to the respective full valuation of such year, as assigned by the Office of Real Property Tax Services. The State Legislature is required to prescribe the manner by which such ratios shall be determined. Average full valuation is determined by adding the full valuations for the most recently completed assessment roll and the four immediately preceding assessments rolls and dividing the resulting sum of such addition by five.

There is no constitutional limitation on the amount that may be raised by the Village by tax on real estate in any fiscal year to pay principal and interest on all indebtedness. However, the New Tax Levy Limit Law, imposes a statutory limitation on the power of the Village to increase its annual tax levy. The amount of such increases is limited by the formulas set forth in the New Tax Levy Limit Law. See “Legal Matters and the New Tax Levy Limit Law” and “New Tax Levy Limit Law,” herein.

The following pages set forth certain details with respect to the indebtedness of the Village.

Computation of Debt Limit and Calculation of Net Debt Contracting Margin
(As of February 2, 2012)

Fiscal Year Ending May 31	Assessed Valuation	State Equalization Rate	Full Valuation
2008	\$153,136,972	15.00%	\$1,020,913,147
2009	154,117,314	16.33	943,767,998
2010	161,331,079	17.04	946,778,633
2011	157,381,857	18.00	874,343,650
2012	159,471,182	18.50	<u>862,006,389</u>
Total Five Year Full Valuation.....			\$ 4,647,809,816
Average Five Year Full Valuation.....			929,561,963
Debt Limit – 7% of Average Full Valuation.....			65,069,337
Inclusions:			
General Purpose Bonds			505,000
Water Bonds			1,490,000
General Purpose Bond Anticipation Notes.....			818,507
Water Bond Anticipation Notes.....			<u>72,000</u>
Total Inclusions			2,885,507
Exclusions			
Excluded Water Debt			<u>1,562,000</u>
Total Exclusions			1,562,000
Total Net Indebtedness Before Issuing the Notes			1,323,507
The Notes			1,200,000
Less: BANs to be redeemed by the proceeds of the Notes			<u>0</u>
Net Effect of Issuing the Notes			<u>1,200,000</u>
Total Net Indebtedness After Issuing the Notes			<u>2,523,507</u>
Net Debt Contracting Margin			<u>\$ 62,545,830</u>

Details of Short-Term Indebtedness Outstanding
(As of February 2, 2012)

The Village presently has outstanding the following short-term obligations:

<u>Date Due</u>	<u>Purpose</u>	<u>Amount</u>
06/01/12	Tax Certiorari Payment	\$118,507
10/26/12	Construction of Replacement DPW Facilities	500,000
10/26/12	Acquisition of Highway Equipment	200,000
01/25/13	Water Tank Improvements	<u>72,000</u>
	Total	<u>\$890,507</u>

Debt Service Requirements - Outstanding Bonds

<u>Fiscal Year Ending May 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$260,000	\$71,713	\$331,713
2013	260,000	59,033	319,033
2014	260,000	53,311	313,311
2015	260,000	46,762	306,762
2016	210,000	40,460	250,460
2017	205,000	34,791	239,791
2018	210,000	28,454	238,454
2019	215,000	21,354	236,354
2020	215,000	13,496	228,496
2021	<u>160,000</u>	<u>6,382</u>	<u>166,382</u>
Totals	<u>\$ 2,255,000</u>	<u>\$ 375,755</u>	<u>\$ 2,630,755</u>

Capital Project Plans

The Village is generally responsible for providing services as required to the citizens on a Village-wide basis. The Village maintains a road system necessitating road resurfacing and improvements and the acquisition of machinery and, from time to time, equipment. Additionally, although not a capital expense, such road system requires annual expenditures for snow removal as well as regular general operating maintenance expenses. In addition, the Village owns, operates, maintains and improves recreation facilities. As has been noted, the Village generally has provided the financing for water facilities and maintains primary responsibility for these functions. In general, needs for capital funding for the above described projects for which the Village has responsibility are anticipated to continue and to be in approximately the same amounts or less than has prevailed in the past.

Authorized But Unissued Indebtedness

As of the date of this Official Statement, the Village has authorized but unissued indebtedness in the amount of \$1,200,000 for the construction of improvements to the DPW facilities. Such amount will be financed by the issuance of the Notes.

Trend of Village Indebtedness

The following table represents the outstanding indebtedness of the Village at the end of the last five preceding fiscal years.

	Fiscal Year Ending May 31:				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt Outstanding End of Year					
Bonds	\$3,215,000	\$2,975,000	\$2,725,000	\$2,475,000	\$2,255,000
Bond Anticipation Notes	171,750	474,500	345,250	216,000	292,134
Other Debt	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Debt Outstanding	<u>\$3,386,750</u>	<u>\$3,449,500</u>	<u>\$3,070,250</u>	<u>\$2,691,000</u>	<u>\$2,547,134</u>

Calculation of Estimated Overlapping and Underlying Indebtedness

<u>Overlapping Units</u>	<u>Date of Report</u>	<u>Percentage Applicable</u>	<u>Applicable Total Indebtedness</u>	<u>Applicable Net Indebtedness</u>
County of Orange	03-10-11	02.65%	\$ 7,063,178	\$ 6,152,155
Town of Monroe	12-31-09	44.19	1,388,229	824,672
Monroe Woodbury CSD	11-11-10	20.70	<u>24,078,033</u>	<u>16,501,833</u>
Total			<u>\$ 32,529,440</u>	<u>\$ 23,478,660</u>

Sources: Annual Reports of the respective units for the most recently completed fiscal year on file with the Office of the State Comptroller or more recently published Official Statements.

FINANCES OF THE VILLAGE

Financial Statements and Accounting Procedures

The Village maintains its financial records in accordance with the Uniform System of Accounts for Villages prescribed by the State Comptroller. The financial affairs of the Village are subject to periodic compliance review by the Office of the State Comptroller to ascertain whether the Village has complied with the requirements of various State and Federal statutes. The Village also prepares an audited financial report on an annual basis. The last such report made available for public inspection covers the fiscal year ended May 31, 2011 and is attached as Appendix B. A summary of the operating results for the past five fiscal years is attached as Appendix A hereto.

Investment Policy

The Village has adopted an investment policy which is summarized as follows:

The primary objectives of the local government's investment activities are, in priority order

- to conform with all applicable federal, state and other legal requirements (legal);
- to adequately safeguard principal (safety);
- to provide sufficient liquidity to meet all operating requirements (liquidity); and
- to obtain a reasonable rate of return (yield).

The governing board's responsibility for administration of the investment program is delegated to the Village Treasurer who has established written procedures for the operation of the investment program consistent with these investment guidelines. Such procedures include an adequate internal control structure to provide a satisfactory level of accountability based on a data base or records incorporating description and amounts of investments, transaction dates, and other relevant information such procedures also regulate the activities of subordinate employees. Certain aspects of such procedures are summarized as follows:

All participants in the investment process shall seek to act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence in the Village to govern effectively.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the safety of the principal as well as the probable income to be derived.

All participants involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

It is the policy of the Village to diversify its deposits and investments by financial institution, by investment instrument, and by maturity scheduling.

It is the policy of the Village for all moneys collected by an officer or employee of the government to transfer those funds to the Village Treasurer within the time period specified by law.

The Village Treasurer is responsible for establishing and maintaining an internal control structure to provide reasonable, but not absolute, assurance that deposits and investments are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly, and are managed in compliance with applicable laws and regulations.

In accordance with the provisions of General Municipal Law, §10, all deposits of the Village, including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act shall be secured:

By a pledge of "eligible securities" with an aggregate "market value" as provided by GML §10, equal to the aggregate amount of deposits.

Eligible securities used for collateralizing deposits shall be held by a third party bank or trust company subject to security and custodial agreements.

The security agreement shall provide that eligible securities are being pledged to secure local government deposits together with agreed upon interest, if any, and any costs or expenses arising out of the collection of such deposits upon default. It shall also provide the conditions under which the securities may be sold, presented for payment, substituted or released and the events which will enable the local government to exercise its rights against the pledged securities. In the event that the securities are not registered or inscribed in the name of the Village, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the Village or its custodial bank.

The custodial agreement shall provide that securities held by the bank or trust company, or agent of and custodian for, the Village, will be kept separate and apart from the general assets of the custodial bank or trust company and will not, in any circumstances, be commingled with or become part of the backing for any other deposit or other liabilities. The agreement should also describe that the custodian shall confirm the receipt, substitution or release of the securities. The agreement shall provide for the frequency of revaluation of eligible securities and for the substitution of securities when a change in the rating of a security may cause ineligibility. Such agreement shall include all provisions necessary to provide the Village a perfected interest in the securities.

As authorized by General Municipal Law, §11, the Village authorizes the Village Treasurer to invest moneys not required for immediate expenditure for terms not to exceed its projected cash flow needs in the following types of investments:

- Special time deposit accounts;
- Certificates of deposit;
- Obligations of the United States of America;
- Obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America;
- Obligations of the State of New York;

- Obligations issued pursuant to Local Finance Law §24.00 or 25.00 (with approval of the State Comptroller) by any municipality, school district or district corporation other than the Village;
- Obligations of public authorities, public housing authorities, urban renewal agencies and industrial development agencies where the general State statutes governing such entities or the specific enabling legislation authorizes such investments.

All investment obligations shall be payable or redeemable at the option of the Village within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable at the option of the Village within two years of the date of purchase.

The Village shall maintain a list of financial institutions and dealers approved for investment purposes and establish appropriate limits to the amount of investments which can be made with each financial institution or dealer. All financial institutions with which the Village conducts business must be credit worthy. Banks shall provide their most recent Consolidated Report of Condition (Call Report) at the request of the Village. Security dealers not affiliated with a bank shall be required to be classified as reporting dealers affiliated with the New York Federal Reserve Bank, as primary dealers. The Village Treasurer is responsible for evaluating the financial position and maintaining a listing of proposed depositaries, trading partners and custodians. Such listing shall be evaluated at least annually.

Budgetary Procedure

The head of each administrative unit of the Village is required to file detailed estimates of revenues (other than real property taxes) and expenditures for the next fiscal year with the Budget Officer. After reviewing these estimates, the Budget Officer prepares a tentative budget which includes his recommendations. Subsequently, the Village Clerk presents the tentative budget to the Board at a regular or special meeting. Review and preliminary alteration of the tentative budget by the Board and the tentative budget and such modifications, if any, as approved by the Board become the preliminary budget. A public hearing on the preliminary budget, notice of which must be given at least five (5) days prior to the hearing, must be held not later than April 15th. After the public hearing, the Board may further change and revise the preliminary budget. The board must adopt the preliminary budget as submitted or amended by May 1st, at which time the preliminary budget becomes the annual budget of the Village for the ensuing fiscal year. Budgetary control is the responsibility of the Village Treasurer.

Fund Structure and Accounts

The General Fund is the general operating fund for the Village and is used to account for substantially all revenues and expenditures of the Village. The Village also maintains a Water Fund.

Basis of Accounting

The Village's governmental funds are accounted for on a modified accrual basis whereby revenues, other than those susceptible ("measurable" and "available" to finance current operations) to accrual, are recorded when received in cash. Revenues susceptible to accrual include real property taxes and State aid. The Village generally records expenditures on the accrual basis when fund liabilities are incurred, except as follows: Interest on general obligation debt which is recorded when it becomes due. Pension costs billed to the Village by the State are recorded as expenditures in full in the fiscal year billed. The estimated unbilled portion of these pension costs for governmental funds are shown as a liability on the balance sheet of the general long-term debt accounts group. Accumulated vacation and sick leave are also accounted for in the general long-term debt account group. Inventories are generally not recorded but expensed at the time of purchase. Fixed assets are recorded at cost; there is no provision for depreciation expense.

Revenues

The Village receives most of its revenues from a real property tax on all non-exempt real property situated within the Village. Non-Property Taxes, Intergovernmental Charges, Departmental Income and State aid. A summary of such revenues for the five most recently completed fiscal years and estimated revenues for the current fiscal year may be found in Appendix A. See also "New Tax Levy Limit Law" herein.

Real Property Taxes

See "Tax Information", herein.

State Aid

The Village receives financial assistance from the State. If the State should not adopt its budget in a timely manner, municipalities and school districts in the State, including the Village, may be affected by a delay in the payment of State aid. Additionally, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the Village, in this year or future years, the Village may be affected by a delay in the receipt of State aid until sufficient State taxes have been received by the State to make State aid payments.

Based on the audited financial statements of the Village, the Village received approximately 4% of its total General Fund operating revenue from State aid in the fiscal year ending May 31, 2011. There is no assurance, however, that State appropriations for aid to municipalities will continue, either pursuant to existing formulas or in any form whatsoever. The State is not constitutionally obligated to maintain or continue such aid and, in fact, the State has drastically reduced funding to municipalities and school districts in the last several years in order to balance its own budget.

Although the Village cannot predict at this time whether there will be any delays and/or reductions in State aid in the current year or in future fiscal years, the Village may be able to mitigate the impact of any delays or reductions by reducing expenditures, increasing revenues appropriating other available funds on hand, and/or by any combination of the foregoing

Expenditures

The major categories of expenditure for the Village are General Government Support, Public Safety, Transportation, Home & Community Services and Employee Benefits. A summary of the expenditures for the five most recently completed fiscal years and the estimated expenditures for the current fiscal year may be found in Appendix A.

Employee Pension System

Substantially all employees of the Village are members of the New York State and Local Employees' Retirement System or the Local Police and Fire Retirement System (the "Retirement Systems"). The Retirement Systems are cost-sharing multiple public employer retirement systems. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement Systems and Social Security Law (the "Retirement Systems Law"). The Retirement 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 benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service. The Retirement System Law generally provides that all participating employers in the Retirement Systems are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement Systems. The Retirement Systems are non-contributory with respect to members hired prior to July 27, 1976. All members hired on or after July 27, 1976 must contribute three percent of their gross annual salary towards the costs of retirement programs until they attain ten years in the Retirement System, at such time contributions become voluntary. On December 10, 2009, the Governor signed into law the creation of a new Tier 5, which is effective for new Retirement System employees hired after January 1, 2010. New Retirement System employees in Tier 5 will now contribute 3% of their salaries. There is no provision for these contributions to cease for Tier 5 employees after a certain period of service.

As a result of significant capital market declines in the recent past, in certain years the State's Retirement System portfolio has experienced negative investment performance and severe downward trends in market earnings. As a result of the foregoing, it is anticipated that the employer contribution rate for the State's Retirement System in future years may be significantly higher than the minimum contribution rate established under applicable law. The Office of the New York State Comptroller has informed participating employers that due to the global economic crisis, the rate of return of the pension fund has experienced an unprecedented decline and consequently, for the next several years, contribution rates will increase. The Employer Contribution Stabilization Program, signed into law on August 11, 2010 gives local governments the option to amortize a portion of annual pension costs. Amortizations are paid in equal installments over a ten-year period at an interest rate that is set annually. The interest rate

for 2011 fiscal year was 5 percent. The interest rate for 2012 is 3.75 percent. Under such legislation, local governments and school districts that choose to amortize will be required to set aside and reserve funds for certain future rate increases. The legislation also authorizes local governments and school district to establish reserve accounts to fund future payment increases that are a result of fluctuations in pension plan performance.

The Village is required to contribute an actuarially determined rate. The Village's contributions made to the System were equal to 100% of the contributions required for each year. The required contributions for the five most recently completed fiscal years are as follows:

Payments to the Retirement Systems

Fiscal Year Ending <u>May 31:</u>	<u>ERS</u>	<u>PFRS</u>	<u>Total</u>
2008	\$113,577	\$223,781	\$337,358
2009	131,305	202,986	334,291
2010	117,055	221,064	338,119
2011	204,326	287,304	491,630
2012	260,275	352,161	612,436

Other Post Employment Benefits

The Village provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. Accounting rules now require governmental entities, such as the Village, to account for post-retirement health care benefits as its accounts for vested pension benefits. GASB Statement No. 45 ("GASB 45") described below requires such accounting.

OPEB refers to "other post-employment benefits," meaning benefits other than pension benefits. OPEB consists primarily of health care benefits, and may include other benefits such as disability benefits and life insurance. Before GASB 45, OPEB costs were generally accounted for and managed as current expenses in the year paid and were not reported as a liability on governmental financial statements.

GASB 45 requires municipalities and school districts to account for OPEB liabilities in the same manner as they already account for pension liabilities. It requires them to adopt the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside any funds against this liability. Unlike GASB Statement No. 27, which covers accounting for pensions, GASB 45 does not require municipalities or school districts to report a net OPEB obligation at the start.

Under GASB 45, based on actuarial valuation, an annual required contribution ("ARC") is determined for each municipality or school district. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality or school district contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 45 does not require that the unfunded liability actually be amortized nor that it be advance funded, only that the municipality or school district account for its unfunded accrued liability and compliance in meeting its ARC. The Village presents its financial statements under a comprehensive statutory basis of accounting in accordance with principles prescribed by the Office of the State Comptroller ("OSC") of the State of New York.

The cost of retiree health care benefits is recognized as an expenditure as claims are paid. For the year ended May 31, 2011, \$393,680 was paid on behalf of its 32 retirees and this amount was recorded as an expenditure in the various funds.

Actuarial Valuation is required every two years for OPEB plans with more than two hundred members, or every three years if there are less than two hundred members. Additional information about GASB 45 and other accounting rules applicable to municipalities and school districts may be obtained from GASB.

TAX INFORMATION

Real Property Taxes

The Village derives its power to levy an ad valorem real property tax from the Constitution of the State. The Village's power to levy real property taxes, other than for debt service and certain other purposes, is limited by the State Constitution to two percent of the five-year average full valuation of taxable property of the Village. The State Board of Real Property Services annually establishes State Equalization Rates for all localities in the State, which are determined by statistical sampling of market sales/assessment studies. The equalization rates are used in the calculation and distribution of certain State aids and are used by many localities in the calculation of debt contracting and real property taxing limitations.

Tax Collection Procedure

Taxes are payable until June 30 without penalty. Penalties are imposed thereafter at an annual rate determined by the New York State Commissioner of Taxation and Finance. On November 1, uncollected taxes are turned over to the County Commissioner of Finance and uncollected taxes and penalties are relieved as part of the County tax levy. The County guarantees to pay the Village the full amount of such uncollected taxes prior to the end of the Village fiscal year.

New Tax Levy Limit Law

Prior to the enactment of Chapter 97 of the Laws of 2011 (the "New Tax Levy Limit Law") on June 24, 2011, all the taxable real property within the Village had been subject to the levy of ad valorem taxes to pay the bonds and notes of the Village and interest thereon without limitation as to rate or amount. However, the New Tax Levy Limit Law imposes a tax levy limitation upon the Village for any fiscal year commencing after May 31, 2012, continuing through May 31, 2016 or later as provided in the New Tax Levy Limit Law, without providing an exclusion for debt service on obligations issued by the Village. As a result, the power of the Village to levy real estate taxes on all the taxable real property within the Village, without limitation as to rate or amount, may or may not be subject to statutory limitations, according to the formulas set forth in New Tax Levy Limit Law. The actual effect of the New Tax Levy Limit Law would depend upon the interpretation of such law by a court of competent jurisdiction in the event of a legal challenge.

The following is a brief summary of certain relevant provisions of New Tax Levy Limit Law. The summary is not complete and the full text of the New Tax Levy Limit Law should be read in order to understand the details and implications thereof.

The New Tax Levy Limit Law imposes a limitation on increases in the real property tax levy of the Village, subject to certain exceptions. The New Tax Levy Limit Law permits the Village to increase its overall real property tax levy over the tax levy of the prior year by no more than the "Allowable Levy Growth Factor", which is the lesser of one and two-one hundredths or the sum of one plus the Inflation Factor; provided, however that in no case shall the levy growth factor be less than one. The "Inflation Factor" is the quotient of: (i) the average of the 20 National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the coming fiscal year minus the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, divided by: (ii) the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, with the result expressed as a decimal to four places. The Village is required to

calculate its tax levy limit for the upcoming year in accordance with the provision above and provide all relevant information to the New York State Comptroller prior to adopting its budget. The New Tax Levy Limit Law sets forth certain exclusions to the real property tax levy limitation of the Village, including exclusions for certain portions of the expenditures for retirement system contributions and tort judgments payable by the Village. The Board of Trustees may adopt a budget that exceeds the tax levy limit for the coming fiscal year, only if the governing board of the Village first enacts, by a vote of at least sixty percent of the total voting power of the Board of Trustees, a local law to override such limit for such coming fiscal year.

The New Tax Levy Limit Law does not contain an exception from the levy limitation for the payment of debt service on either outstanding general obligation bonds or notes of the Village or such indebtedness incurred after the effective date of the New Tax Levy Limit Law. As such, there can be no assurances that the New Tax Levy Limit Law will not come under legal challenge for violating (i) Article VIII, Section 12 of the State Constitution for not providing an exception for debt service on obligations issued prior to the enactment of the New Tax Levy Limit Law, (ii) Article VIII, Section 10 of the State Constitution by effectively eliminating the exception for debt service to general real estate tax limitations, and (iii) Article VIII, Section 2 of the State Constitution by limiting the pledge of its faith and credit by a municipality or school district for the payment of debt service on obligations issued by such municipality or school district. See “Legal Matters and the New Tax Levy Limit Law,” herein.

Tax Limit

The Constitution limits the amount that may be raised by the Village ad valorem tax levy on real estate in any fiscal year to two per centum (2%) of the five-year average full valuation of taxable real estate of the Village plus (1) the amounts required for principal and interest on all capital indebtedness, and (2) current appropriations for certain purposes. The tax limit for the Village for the 2011-2012 fiscal year (based on the 2010 assessment roll) is as follows:

Five-Year Average Full Valuation	\$945,150,171
Tax Limit – 2% thereof	18,903,003
Tax Levy for General Village Purposes	5,547,086
Less: Exclusions	464,571
Tax Levy Subject to Tax Limit	<u>5,082,515</u>
 Constitutional Tax Margin	 <u>13,820,488</u>

Tax Levy and Collection Record and Tax Rates

Fiscal Year Ending May 31:	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Taxes on Roll	\$4,094,723	\$4,321,940	\$4,874,594	\$5,211,370	\$5,317,429
Relevied Water Rents	88,336	147,248	207,256	138,111	168,316
Other	<u>2,490</u>	<u>160</u>	<u>50</u>	<u>1,897</u>	<u>652</u>
Total Taxes	\$4,185,549	\$4,469,348	\$5,081,900	\$5,351,379	\$5,486,397
Collected During Year	\$4,185,549	\$4,469,348	\$5,081,900	\$5,351,379	\$5,486,397
Total Uncollected Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Percent Collected	100%	100%	100%	100%	100%
Taxes Rate per \$1,000 Assessed Valuation	\$28.04	\$30.82	\$32.31	\$33.79	\$34.78

Selected Listing of Large Taxable Properties¹ 2011-2012 Assessment Roll

<u>Name</u>	<u>Type</u>	<u>Assessed Valuations</u>
Super Intermediate Co. LLC	Shopping Center	\$3,373,800
Orange & Rockland	Utility	2,682,036
ACP Monroe Assoc. LLC	Shopping Center	2,200,000
Frontier Communications	Utility	1,869,839
Hillside Plaza Inc.	Mfg – Housing	1,302,800
ASTAR 325 Rt. 17M-Monroe LLC	Commercial	788,600
Bassman Family LLC	Various Commercial	648,500
BV Builders Corp.	Various Commercial	618,400
400 Monroe Realty LLC	Various Commercial	563,900
Warwick, Savings Bank Total	Bank	<u>414,000</u>
		<u>\$14,461,875</u>

¹ Represents 9.06% of the most recently available Total Taxable Assessed Valuation.

LITIGATION

In common with other villages, the Village from time to time receives notices of claim and is party to litigation. In the opinion of the Village, after consultation with its attorney, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no significant claims or actions pending in which the Village has not asserted a substantial and adequate defense, nor which, if determined against the Village, would have an adverse material effect on the financial conditions of the Village.

NOTEHOLDER RISKS AND MARKET FACTORS AFFECTING FINANCINGS OF THE STATE AND MUNICIPALITIES OF THE STATE

There are certain potential risks associated with an investment in the Notes, and investors should be thoroughly familiar with this Official Statement, including its appendices, in order to make an informed investment decision. Investors should consider, in particular, the following factors.

The Village's credit rating could be affected by circumstances beyond the Village's control. Economic conditions such as rate of unemployment and inflation, termination of commercial operations by corporate taxpayers and employers, as well as natural catastrophes, could adversely affect the assessed valuation of Village property and its ability to maintain fund balances and other statistical indices commensurate with its current credit rating. Accordingly, a decline in the Village's credit rating could adversely affect the market value of the Notes.

In addition, if and when a holder of any of the Notes should elect to sell a Note prior to its maturity, there can be no assurance that a market shall have been established, maintained and be in existence for the purchase and sale of any Notes. The price or principal value of the Notes is dependent on the prevailing level of interest rates. If interest rates should increase, the price of a bond or note may decline causing the bond or noteholder to potentially incur a capital loss if such bond or note is sold prior to its maturity.

The financial condition of the Village as well as the market for the Notes could be affected by a variety of factors, some of which are beyond the Village's control. There can be no assurance that adverse events in the State including, for example, the seeking by a municipality of remedies pursuant to the Federal Bankruptcy Act or otherwise, will not occur which might affect the market price of and the market for the Notes. If a significant default or other financial crisis should occur in the affairs of the State or any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the Village to arrange for additional borrowing and the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

The Village is dependent in part on financial assistance from the State in the form of State aid. There may be reductions in State aid to local governments and school districts, including the Village, in the current and future fiscal years. State aid accounts for a 2.96% portion of the Village's 2012 budgeted revenues. The Village does not believe future State aid reductions will have a material adverse effect on the Village. Should the Village fail to receive State aid expected from the State in the amounts and at the times expected, occasioned by a delay in the payment of such monies or by a cut in State aid, the Village is authorized by the Local Finance Law to provide operating funds by borrowing on account of such uncollected State aid. (See also "State Aid")

Future amendments to applicable statutes affecting the treatment of interest paid on municipal notes, including the Notes, for income taxation purposes could have an adverse effect on the market value of the Notes (see "Tax Matters" herein).

The enactment of the New Tax Levy Limit Law, which imposes a tax levy limitation upon municipalities, school districts and fire district in the State, including the Village, without providing exclusion for debt service on obligations issued by municipalities and fire districts, including the Village, may have an impact upon the market price for the Notes. See "Legal Matters and the New Tax Levy Limit Law," and "New Tax Levy Limit Law," herein.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Village, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed upon such corporations. The Arbitrage and Use of Proceeds Certificate of the Village, which will be delivered concurrently with the delivery of the Notes will contain provisions and procedures relating to compliance with applicable requirements of the Code. In rendering its opinion, Bond Counsel will rely on certain representations, certifications of fact, and statements of reasonable expectations made by the Village in connection with the Notes, and Bond Counsel will assume compliance by the Village with certain ongoing provisions and procedures set forth in the Arbitrage and Use of Proceeds Certificate relating to compliance from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the Village, under existing statutes, interest on the Notes are exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Notes. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Notes, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain significant ongoing requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on such obligations be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Notes, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Notes to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Village, in executing the Arbitrage and Use of Proceeds Certificate, will certify to the effect that the Village will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Notes. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Note. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Notes.

Prospective owners of the Notes should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have

incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Notes may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a bond or note (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of each of the Notes of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of a bond or note is expected to be the initial public offering price set forth in this Official Statement. Bond Counsel further is of the opinion that, for any Notes having OID (a “Discount Obligation”), OID that has accrued and is properly allocable to the owners of the Discount Obligations under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Notes.

In general, under Section 1288 of the Code, OID on a Discount Obligation accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Obligation. An owner’s adjusted basis in a Discount Obligation is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Obligation. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Obligation even though there will not be a corresponding cash payment.

Owners of Discount Obligations should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Obligations.

Note Premium

In general, if an owner acquires a Note for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Notes after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Notes (a “Premium Obligation”). In general, under Section 171 of the Code, an owner of a Premium Obligation must amortize the bond premium over the remaining term of the Premium Obligation, based on the owner’s yield over the remaining term of the Premium Obligation, determined based on constant yield principles (in certain cases involving a Premium Obligation callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Obligation must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Obligation, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Obligation may realize a taxable gain upon disposition of the Premium Obligation even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Obligation should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of obligation premium on, sale, exchange, or other disposition of Premium Obligations.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Notes. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing Notes through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Notes from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Notes under Federal or state law or otherwise prevent beneficial owners of the Notes from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Notes. For example, on September 12, 2011, President Obama sent to Congress draft legislation entitled the "American Jobs Act of 2011" (the "Proposed Act"). On September 13, 2011, Senator Harry Reid introduced the Proposed Act in the Senate (S.1549). The Proposed Act includes a provisions that, if enacted as proposed, would limit the amount of exclusions (including tax-exempt interest, such as interest on the Notes) and deductions certain high income taxpayers could use to reduce their income tax liability for taxable years after 2012, and accordingly the Proposed Act could affect the market price or marketability of the Notes.

Prospective purchasers of the Notes should consult their own tax advisors regarding the foregoing matters.

DOCUMENTS ACCOMPANYING DELIVERY OF THE NOTES

Absence of Litigation

Upon delivery of the Notes, the Village shall furnish a certificate of the Village Attorney, dated the date of delivery of the Notes, to the effect that there is no controversy or litigation of any nature pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Notes, or in any way contesting or affecting the validity of the Notes or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Notes, and further stating that there is no controversy or litigation of any nature now pending or threatened by or against the Village wherein an adverse judgment or ruling could have a material adverse impact on the financial condition of the Village or adversely affect the power of the Village to levy, collect and enforce the collection of taxes or other revenues for the payment of the Notes, which has not been disclosed in this Official Statement.

Legal Matters and the New Tax Levy Limit Law

Legal matters incident to the authorization, issuance and sale of the Notes will be subject to the final approving opinion of the law firm of Hawkins Delafield & Wood LLP, Bond Counsel to the Village with respect to the Notes, which will be available at the time of delivery of the Notes. Such opinion will be to the effect that the Notes are valid and legally binding general obligations of the Village for which the Village has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the Village is subject to the levy of ad valorem real estate taxes to pay the Notes and interest thereon, subject to the limitations imposed by the New Tax Levy Limit Law. Prior to the

enactment of the New Tax Levy Limit Law, all the taxable real property within the Village had been subject to the levy of ad valorem taxes to pay the Notes and interest thereon without limitation as to rate or amount; however, the power of the Village to levy unlimited real estate taxes on all the real property in the Village may or may not be subject to the statutory limitations imposed by the New Tax Levy Limit Law, depending upon the interpretation of such statute by a court of competent jurisdiction in the event of a legal challenge. See “New Tax Levy Limit Law,” herein. Such opinion shall also state that the enforceability of rights or remedies with respect to such Notes may be limited by bankruptcy, insolvency or other laws affecting creditors’ rights or remedies heretofore or hereafter enacted.

Closing Certificates

Upon the delivery of the Notes, the Purchaser will be furnished with the following items: (i) a Certificate of the Village Treasurer of the Village to the effect that as of the date of this Official Statement and at all times subsequent thereto, up to and including the time of the delivery of the Notes, this Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, and further stating that there has been no adverse material change in the financial condition of the Village since the date of this Official Statement up to and including the time of delivery of the Notes, and having attached thereto a copy of this Official Statement; (ii) a Certificate signed by the Village Treasurer evidencing payment for the Notes; (iii) a Signature Certificate evidencing the due execution of the Notes, including statements that (a) no litigation of any nature is pending or threatened, restraining or enjoining the issuance and delivery of the Notes or the levy and collection of taxes to pay the principal thereof and interest thereon, nor in any manner questioning the proceedings and authority under which the Notes were authorized or affecting the validity of the Notes thereunder, (b) neither the corporate existence or boundaries of the Village nor the title of any of the officers thereof to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Notes have been repealed, revoked or rescinded; and (iv) an Arbitrage and Use of Proceeds Certificate executed by the Village Treasurer, as described under “Tax Matters.”

DISCLOSURE UNDERTAKING

This Official Statement is in a form “deemed final” by the Village for the purposes of Securities and Exchange Commission Rule 15c2-12 (the “Rule”). At the time of the delivery of the Notes, the Village will provide an executed copy of its “Undertaking to Provide Notices of Events” (the “Undertaking”). Said Undertaking will constitute a written agreement or contract of the Village for the benefit of holders of and owners of beneficial interests in the Notes, to provide, or cause to be provided, to the Electronic Municipal Market Access (“EMMA”) System implemented by the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto, timely notice not in excess of ten (10) business days after the occurrence of any of the following events with respect to the Notes:

(i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes; (vii) modifications to rights of Noteholders, if material; (viii) Note calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Notes, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the Issuer; [note to clause (xii): For the purposes of the event identified in clause (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but

subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer]; (xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Village may provide notice of the occurrence of certain other events, in addition to those listed above, if it determines that any such other event is material with respect to the Notes; but the Village does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

The Village's Undertaking shall remain in full force and effect until such time as the principal of, redemption premiums, if any, and interest on the Notes shall have been paid in full. The sole and exclusive remedy for breach or default under the Undertaking is an action to compel specific performance of the undertakings of the Village, and no person or entity, including a holder of the Notes, shall be entitled to recover monetary damages thereunder under any circumstances. Any failure by the Village to comply with the Undertaking will not constitute a default with respect to the Notes.

The Village reserves the right to amend or modify the Undertaking under certain circumstances set forth therein; provided that, any such amendment or modification will be done in a manner consistent with Rule 15c2-12 as then in effect.

The Village is in compliance with all previous undertakings made pursuant to Rule 15c2-12.

RATING

The Notes are not rated.

FINANCIAL ADVISOR

Munistat Services, Inc. has assisted the Village as financial advisor in certain matters with respect to the preparation of this Official Statement.

ADDITIONAL INFORMATION

Additional information may be obtained upon request from the Village Treasurer's office, Catherine M. Murray, Village Treasurer, Village of Monroe, 7 Stage Road, Monroe, NY 10950, telephone number (914) 782-8241, email: vomtreasurer@frontiernet.net or from Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number 631/331-8888 and website: <http://www.munistat.com>.

Munistat Services, Inc. may place a copy of this Official Statement on its website at www.munistat.com. Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Munistat Services, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the Village nor Munistat Services, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Munistat Services, Inc. and the Village disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Munistat Services, Inc. and the Village also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be, in fact, realized. This Official Statement is not to be construed as a contract or agreement between the Village and the original purchasers or owners of any of the Notes.

Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Village, expresses no opinion on the accuracy or completeness of information in any documents prepared by or on behalf of the Village for use in connection with the offer and sale of the Notes, including the financial or statistical information in this Official Statement and the appendices hereto.

The preparation and distribution of this Official Statement has been authorized by a resolution of the Village which delegates to the Village Treasurer the power to sell and issue the Notes.

By: s/s CATHERINE M. MURRAY
Village Treasurer
Village of Monroe
Monroe, New York

February 2, 2012

VILLAGE OF MONROE

APPENDIX A

FINANCIAL INFORMATION

Balance Sheets
General Funds
Fiscal Year Ended May 31, 2011

		<u>General Fund</u>
ASSETS		
Cash and Investments	\$	2,180,179
Accounts Receivable		105,499
Due from Other Governments		385,067
Due from Other Funds		<u>40,231</u>
Total	\$	<u><u>2,710,976</u></u>
LIABILITIES		
Accounts Payable	\$	207,984
Accrued Liabilities		138,620
Bond Anticipation Notes Payable		148,134
Due to Other Funds		125,907
Deferred Revenues		294,612
Other Liabilities		<u>18,911</u>
Total Liabilities	\$	<u><u>934,168</u></u>
Fund Balances:		
Reserved For:		
Encumbrances	\$	352,588
Unemployment Insurance		4,347
Employee Benefit Accrued Liabilities		266,918
Insurance		193,129
Capital Projects		281,701
Unreserved:		
Designated for Subsequent year's Expenditures		180,000
Undesignated		<u>498,125</u>
Total Fund Equity	\$	<u><u>1,776,808</u></u>
Total Liabilities and Fund Equity	\$	<u><u>2,710,976</u></u>

Source: Audited Financial Statement of the Village (2011)

NOTE: This Schedule NOT audited

Balance Sheets
Water Funds
Fiscal Year Ended May 31, 2011

		<u>Water Fund</u>
ASSETS		
Cash and Investments	\$	146,258
Accounts Receivable		507,276
Due from Other Governments		510
Capital Assets, Net of Accumulated Depreciation		<u>7,108,720</u>
 Total	 \$	 <u><u>7,762,764</u></u>
LIABILITIES		
Accounts Payable	\$	47,575
Accrued Liabilities		10,800
Accrued Interest Payable		23,831
Deferred Revenues		1,691
Other Liabilities		80
Due From Other Funds		39,806
Bond Anticipation Notes Payable		144,000
Current Portion of Long-Term Liabilities:		
Serial Bonds Payable		190,000
Compensated Absences		698
Worker's Compensation		40,000
Long-Term Liabilities:		
Serial Bonds Payable		1,490,000
Compensated Absences		6,284
Worker's Compensation		132,167
Post Employment Benefits		<u>63,974</u>
 Total Liabilities	 \$	 <u><u>2,190,906</u></u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		5,284,720
Restricted for Capital Projecets	\$	42,302
Unrestricted		<u>244,836</u>
 Total Net Assets	 \$	 <u><u>5,571,858</u></u>
 Total Liabilities and Net Assets	 \$	 <u><u>7,762,764</u></u>

Source: Audited Financial Statement of the Village (2011)

NOTE: This Schedule NOT audited
Village of Monroe

**Statement of Revenues, Expenditures and Fund Balances
General Fund**

	Fiscal Year Ending May 31:				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenues:					
Real Property Taxes & Tax Items	\$ 4,125,297	\$ 4,355,269	4,915,032	\$ 5,259,796	\$ 5,352,308
Non-Property Taxes	1,268,470	1,311,173	1,283,275	1,271,908	1,336,102
Service and Fees	266,865	210,891	247,417	253,646	173,438
Intergovernmental Charges	181,560	253,084	238,589	158,630	61,811
Use of Money and Property	149,660	152,833	105,689	78,140	82,316
Fines & Permits	141,485	250,320	209,805	362,893	294,375
Sale of Property & Compensation for Loss	36,769	23,511	107,676	46,056	91,477
Miscellaneous Local Sources	131,688	5,819	34,141	63,699	42,182
Interfund Revenues	152,162	169,335	125,000	125,000	145,000
State Aid	613,079	399,193	330,683	395,472	315,451
Federal Aid	130,680	44,270	13,500	53,944	123,469
	<u>\$ 7,197,715</u>	<u>\$ 7,175,698</u>	<u>\$ 7,610,807</u>	<u>\$ 8,069,184</u>	<u>\$ 8,017,929</u>
Expenditures:					
General Government Support	821,553	711,258	721,736	733,659	797,648
Public Safety	2,738,242	2,675,139	3,529,914	2,935,772	2,990,877
Health	670	950	1,170	760	1,440
Transportation	879,320	1,022,943	1,015,860	1,097,039	1,511,069
Culture and Recreation	423,489	569,878	478,025	520,975	582,784
Home and Community Services	268,655	307,005	372,644	308,517	188,596
Employee Benefits	1,587,798	1,642,812	1,633,868	1,665,726	1,940,851
Debt Service	162,847	159,476	158,875	153,163	117,977
	<u>\$ 6,882,574</u>	<u>\$ 7,089,461</u>	<u>\$ 7,912,092</u>	<u>\$ 7,415,611</u>	<u>\$ 8,131,242</u>
Other Financing Sources (Uses):					
Proceeds From:					
Refunding of Bond Issue					640,000
Payment for Current Refunding Bond					(600,000)
Funding of Reserves	122,788	441,000	669,426		
Transfer to Rerserves	(122,788)	(441,000)	(669,426)		
Operating Transfers In			8,350	2,500	
Operating Transfers Out		(100,000)		(40,000)	(40,000)
	<u>0</u>	<u>(100,000)</u>	<u>8,350</u>	<u>(37,500)</u>	<u>0</u>
Total Other Financing Sources (Uses)					
Excess (Deficiency) of Revenues & Other Financing Sources Over Expenditures & Other Uses	315,141	(13,763)	(292,935)	616,073	(113,313)
Fund Balance Beginning of Year	1,265,605	1,580,746	1,566,983	1,274,048	1,890,121
Prior Period Adjustments					
Fund Balance End of Year	<u>\$ 1,580,746</u>	<u>\$ 1,566,983</u>	<u>\$ 1,274,048</u>	<u>\$ 1,890,121</u>	<u>\$ 1,776,808</u>

NOTE: This Schedule NOT audited

Statement of Revenues, Expenditures and Fund Balances
Water

	Fiscal Year Ending May 31:				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Operating Revenues:					
Charges for Services	\$ 1,363,318	\$ 1,639,246	\$ 1,520,391	\$ 1,505,202	\$ 1,579,255
Other Operating Revenues	<u>10,226</u>	<u>37,229</u>	<u>52,455</u>	<u>18,466</u>	<u>69,653</u>
 Total Revenues	 \$ <u>1,373,544</u>	 \$ <u>1,676,475</u>	 \$ <u>1,572,846</u>	 \$ <u>1,523,668</u>	 \$ <u>1,648,908</u>
Operating Expenses:					
Salaries, Wages, and Employee Benefits	611,146	643,343	905,371	659,346	746,712
Contactual Expense	345,087	499,997	417,619	493,540	583,018
Depreciation	<u>182,726</u>	<u>185,213</u>	<u>185,930</u>	<u>186,730</u>	<u>186,577</u>
 Total Expenses	 \$ <u>1,138,959</u>	 \$ <u>1,328,553</u>	 \$ <u>1,508,920</u>	 \$ <u>1,339,616</u>	 \$ <u>1,516,307</u>
 Operating Income	 234,585	 347,922	 63,926	 184,052	 132,601
Non-Operating Revenues (Expenses)					
Investment Income	2,948	4,718	1,576	823	906
Interest Expense	(125,403)	(88,801)	(93,560)	(84,112)	(62,118)
Funding of Reserves			38,780		
Interfund Transfer In		1,770			
Transfer to Reserves			<u>(38,780)</u>		
 Total Non-Operating Revenues (Expense)	 <u>(122,455)</u>	 <u>(82,313)</u>	 <u>(91,984)</u>	 <u>(83,289)</u>	 <u>(61,212)</u>
 Change in Net Assets	 112,130	 265,609	 (28,058)	 100,763	 71,389
 Net Assets - Beginning of Year	 <u>5,050,025</u>	 <u>5,162,155</u>	 <u>5,427,764</u>	 <u>5,399,706</u>	 <u>5,500,469</u>
 Net Assets - End of Year	 <u>\$ <u>5,162,155</u></u>	 <u>\$ <u>5,427,764</u></u>	 <u>\$ <u>5,399,706</u></u>	 <u>\$ <u>5,500,469</u></u>	 <u>\$ <u>5,571,858</u></u>

NOTE: This Schedule NOT audited.

Budget Summaries
General Fund

	Fiscal Year Ending May 31, 2012	
	<u>General</u>	<u>Water</u>
Revenues:		
Real Property Taxes and Tax Items	\$ 5,583,337	\$
Non-Property Tax Items	1,205,000	
Departmental Income	94,465	1,548,292
Use of Money and Property	90,036	850
Licenses & Permits	68,800	1,000
Fines & Forfeitures	145,963	
Sale of Property & Insurances	13,750	
State Aid	230,163	
Interfund Revenues	145,000	
Appropriations of Fund Balance	180,000	28,310
Miscellaneous	<u>12,000</u>	
 Total Revenues	 <u>\$ 7,768,514</u>	 <u>\$ 1,578,452</u>
Expenditures:		
General Government Support	\$ 679,879	\$ 18,907
Public Safety	2,772,485	
Health	800	
Transportation	1,352,011	
Culture and Recreation	496,314	
Home and Community Services	153,150	943,817
Employee Benefits	2,041,527	281,871
Interfund Transfers (with Debt Service)	<u>272,348</u>	<u>333,857</u>
 Total Expenditures	 <u>\$ 7,768,514</u>	 <u>\$ 1,578,452</u>

Sources: 2011-2012 Budget Adopted by the Village of Monroe

VILLAGE OF MONROE

APPENDIX B

**AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MAY 31, 2011**

NOTE: SUCH FINANCIAL REPORT AND OPINIONS WERE PREPARED AS OF THE DATE THEREOF AND HAVE NOT BEEN REVIEWED AND/OR UPDATED BY THE DISTRICT'S AUDITORS IN CONNECTION WITH THE PREPARATION AND DISSEMINATION OF THIS OFFICIAL STATEMENT. CONSENT OF THE AUDITORS FOR INCLUSION OF THE AUDITED FINANCIAL REPORTS IN THIS OFFICIAL STATEMENT HAS NOT BEEN REQUESTED NOR OBTAINED.

VILLAGE OF MONROE, NEW YORK

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Freed Maxick & Battaglia, CPAs, PC

Independent Auditor's Report

The Honorable Members of the Village Board
Village of Monroe, New York

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Monroe, New York (the Village) as of and for the year ended May 31, 2011, 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, the business-type activities, and each major fund of the Village, as of May 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof 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 1 through 17, the schedule of funding progress for retiree health plan and the budgetary comparison schedule on pages A34 and A35 are not a required part of the basic financial statements but are 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Freed Maxick & Battaglia, CPAs, PC

Batavia, New York
November 29, 2011

**Management's Discussion and Analysis
Village of Monroe, New York
Fiscal Year ended May 31, 2011**

This section of Village of Monroe, New York's (the Village) annual financial report presents its discussion and analysis of the Village's financial performance during the fiscal year ended May 31, 2011. Please read it in conjunction with the Village's financial statements, which immediately follow this section.

Financial Highlights

- There was a decrease in mortgage tax revenue due to the significant downturn in the real estate market.
- The Village refinanced its \$600,000 serial bond for the Police Station and realized a \$13,102 savings this year. The total aggregate savings of over the remaining 10 year term is \$29,841.
- The Village refinanced a \$144,000 BAN for water tank improvements and is on target with its plan to systematically pay it off by fiscal year 2013.
- The Village initiated a \$148,134 BAN for tax certiorari judgments and is on target with its plan to systematically pay it off by fiscal year 2016.
- The Enterprise Fund experienced a significant increase in Other Revenues. The primary reason was insurance recoveries regarding old worker compensation claims paid under Section 15-8 of the W.C. Law Indemnity fund.
- The Parkland Reserve repaid the General Fund \$100,546 for the Racetrack acquisition.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (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 governmental funds statements tell how basic services such as public safety and transportation 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 shows how the various parts of this annual report are arranged and related to one another.

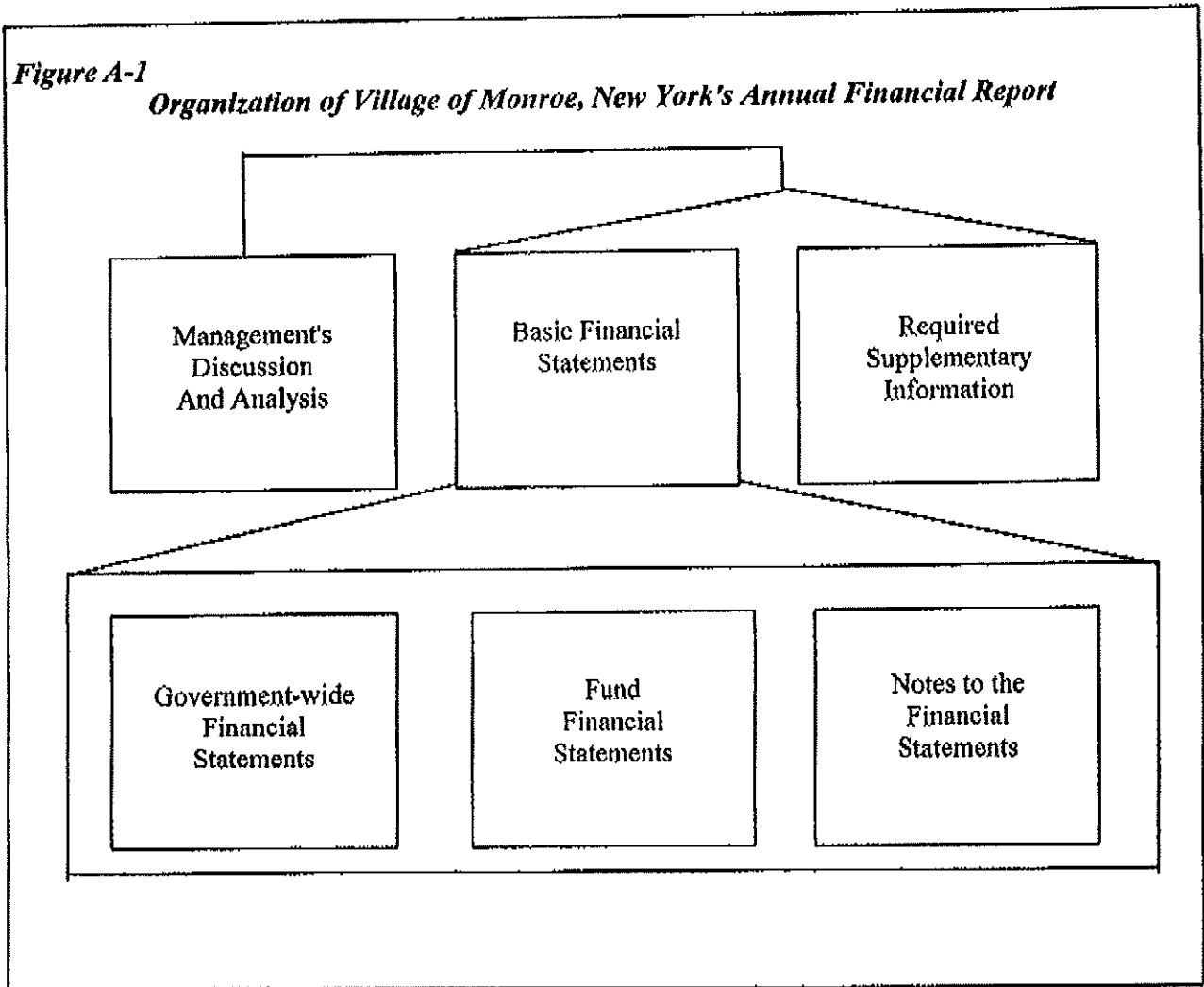


Figure A-2 summarizes the major features of the Village's financial statements, including the portion of the Village's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

		Fund Financial Statements	
	Governmental-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire government (except Fiduciary funds)	The activities of the Village that are not proprietary or fiduciary, such as public safety and transportation	The activities of the Village which the Village charges services for
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement Revenues, Expenses and Changes in Net Assets • Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources 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; generally no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenditures during year, regardless of when cash is 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 revenues and expenditures 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 government-wide financial statements present the financial picture of the Village from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business type activities separately. These statements include all assets of the Village (including infrastructure) as well as all liabilities (including long-term debt).

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 - is one way to measure the Village's financial health or financial 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 the Village's infrastructure and other facilities.

In the statement of net assets and the statement of activities and changes in net assets, we separate the Village activities as follows:

Governmental activities - Most of the Village's basic services are reported in this category, including the general government, public safety, health, transportation, culture and recreation and home and community services. Property and sales taxes, mortgage tax, user fees, interest earnings, franchise fees, and state and federal grants finance these activities.

Business-type activities - The Village charges a fee to customers to cover all or most of the cost of certain services it provides. The Village's water activities are reported in this category.

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. Some funds are required to be established by State law. However, the Village Board establishes other funds to control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants or other money.

The Village has three 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 can readily be converted to cash flow in and out and (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 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, additional information at the bottom or on a separate page of the governmental funds statements explains the relationship (or differences) between them.
- **Proprietary Funds:** These funds are generally used to account for services for which the Village charges customers (both external and internal). These funds use accrual accounting, which is the same method used by the private sector. The Village of Monroe has one enterprise fund. The Village's enterprise fund is the Water Fund. Enterprise funds provide the same type of information as shown in the government-wide financial statements, only in more detail.

- **Fiduciary Funds:** The Village is the trustee, or fiduciary, for assets that belong to others, such as bid deposits. The Village is responsible for ensuring that the assets reported in these funds are used only for their intended purposes or returned to those to whom the assets belong. 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

- There was a decrease in mortgage tax revenue due to the significant downturn in the real estate market.
- The final Police collective bargaining agreement was settled retroactive to May 31, 2007. All of the Police collective bargaining agreements, including the above, expired May 31, 2011 and are in the process of being renegotiated.
- During fiscal year 2010 the Village began using an accrual method to include the amount of the CHIPs award pending for work already completed during the fiscal year. The fiscal year 2011 more accurately reflects this award.
- The Village refinanced its \$600,000 serial bond for the Police Station and realized a \$13,102 savings this year. The total aggregate savings of over the remaining 10 year term is \$29,841.
- The Village refinanced a \$144,000 BAN for water tank improvements and is on target with its plan to systematically pay it off by fiscal year 2013.
- The Village initiated a \$148,134 BAN for tax certiorari judgments and is on target with its plan to systematically pay it off by fiscal year 2016.
- The Enterprise Fund experienced a significant increase in Other Revenues. The primary reason was insurance recoveries regarding old worker compensation claims paid under Section 15-8 of the W.C. Law Indemnity fund.
- The Parkland Reserve repaid the General Fund \$100,546 for the Racetrack acquisition.
- The Monroe Police Department received grants for the STEP (Selected Traffic Enforcement Program), DWI, BUNY (Buckle Up New York), and CPSS (Child Protective Safety Seats) programs.

Figure A-3

Condensed Statement of Net Assets
(In thousands of dollars)

	Governmental Activities		Total Percentage Change	Business-Type Activities		Total Percentage Change
	2011	2010		2011	2010	
Current and other assets	\$ 2,747	\$ 2,509	9.5%	\$ 614	\$ 631	-2.7%
Capital assets not being depreciated	584	581	0.5%	-	-	0.0%
Capital assets, net of accumulated depreciation	3,895	4,173	-6.7%	7,109	7,280	-2.3%
Total assets	<u>7,226</u>	<u>7,263</u>	<u>-0.5%</u>	<u>7,723</u>	<u>7,911</u>	<u>-2.4%</u>
Long-term liabilities	2,303	1,734	32.8%	1,923	2,100	-8.4%
Other liabilities	808	492	64.2%	228	311	-26.7%
Total liabilities	<u>3,111</u>	<u>2,226</u>	<u>39.8%</u>	<u>2,151</u>	<u>2,411</u>	<u>-10.8%</u>
Invested in capital assets, net of related debt	3,904	4,154	-6.0%	5,285	5,189	1.9%
Restricted for:						
Unemployment insurance	4	4	0.0%	-	-	0.0%
Employee benefit accrued liability	267	241	10.8%	-	-	0.0%
Insurance	193	213	-9.4%	-	-	0.0%
Capital projects	282	275	2.5%	42	47	-10.6%
Unrestricted (deficit)	<u>(535)</u>	<u>150</u>	<u>456.7%</u>	<u>245</u>	<u>264</u>	<u>-7.2%</u>
Total net assets	<u>\$ 4,115</u>	<u>\$ 5,037</u>	<u>-18.3%</u>	<u>\$ 5,572</u>	<u>\$ 5,500</u>	<u>1.3%</u>

Figure A-4

*Changes in Net Assets from Operating Results
(In thousands of dollars)*

	Governmental Activities		Total Percentage Change	Business-Type Activities		Total Percentage Change
	2011	2010		2011	2010	
Program revenues:						
Charges for services	\$ 560	\$ 805	-30.4%	\$ 1,579	\$ 1,505	4.9%
Operating grants	37	-	100.0%	-	-	0.0%
Capital grants and contributions	227	230	-1.3%	-	-	0.0%
General revenues:						
Real property taxes	5,318	5,211	2.1%	-	-	0.0%
Real property tax items	35	48	-27.1%	-	-	0.0%
Non-property taxes	1,336	1,272	5.0%	-	-	0.0%
Interest earnings	82	78	5.1%	1	1	0.0%
State aid	175	220	-20.5%	-	-	0.0%
Other	42	65	-35.4%	70	15	366.7%
Interfund revenues	145	125	16.0%	-	-	0.0%
Total revenues	7,957	8,054	-1.2%	1,650	1,521	8.5%
Program expenses:						
General government	1,076	888	21.2%	-	-	0.0%
Public safety	4,914	4,253	15.5%	-	-	0.0%
Health	2	1	100.0%	-	-	0.0%
Transportation	1,528	1,381	10.6%	-	-	0.0%
Culture and recreation	621	562	10.5%	-	-	0.0%
Home and community service	233	417	-44.1%	1,578	1,424	10.8%
Interest on debt	17	36	-52.8%	-	-	0.0%
Loss on sale of capital assets	448	(8)	5700.0%	-	(3)	100.0%
Total expenses	8,839	7,530	17.4%	1,578	1,421	11.0%
Increase (decrease) in net assets	(882)	524	-268.3%	72	100	-28.0%
Transfers	(40)	(38)	-5.3%	-	-	100.0%
Change in net assets	(922)	486	-289.7%	72	100	-28.0%
Net assets-beginning of year	5,037	4,551	10.7%	5,500	5,528	-0.5%
Net assets-end of year	\$ 4,115	\$ 5,037	-18.3%	\$ 5,572	\$ 5,628	-1.0%

Governmental activities. Governmental activities decreased the Village's net assets by \$922,359. Key elements of this decrease are as follows:

Charges for Services. There were two contributing factors regarding the reduction in charges for services from fiscal year 2010 to 2011.

- The Village's fire company was incorporated into a fire district effective January 1, 2011. Partial funding by the Town of Monroe discontinued resulting in a reduction from fiscal year 2010 to 2011 in the amount of \$123,000.
- During the fiscal year the Village Board resolved to discontinue and refund fire protection fees on all new construction. This resulted in a reduction of fees collected from fiscal year 2010 to 2011 in the amount of \$67,000.

Operating grants: There was an increase in fiscal year 2011 as a result of the Village receiving a \$37,000 grant for the racetrack that was acquired several years ago after certain technical issues were resolved.

State Aid: There was a decrease in mortgage tax revenue due to the significant downturn in the real estate market.

Other: There was a reduction from the prior year regarding local grants collected.

Interfund Revenues: The increase in the revenue was the result of what was budgeted to accommodate shared expenses with the Enterprise Fund.

General Government: The Village was compelled to pay tax certiorari judgments going back several years on properties that were reassessed.

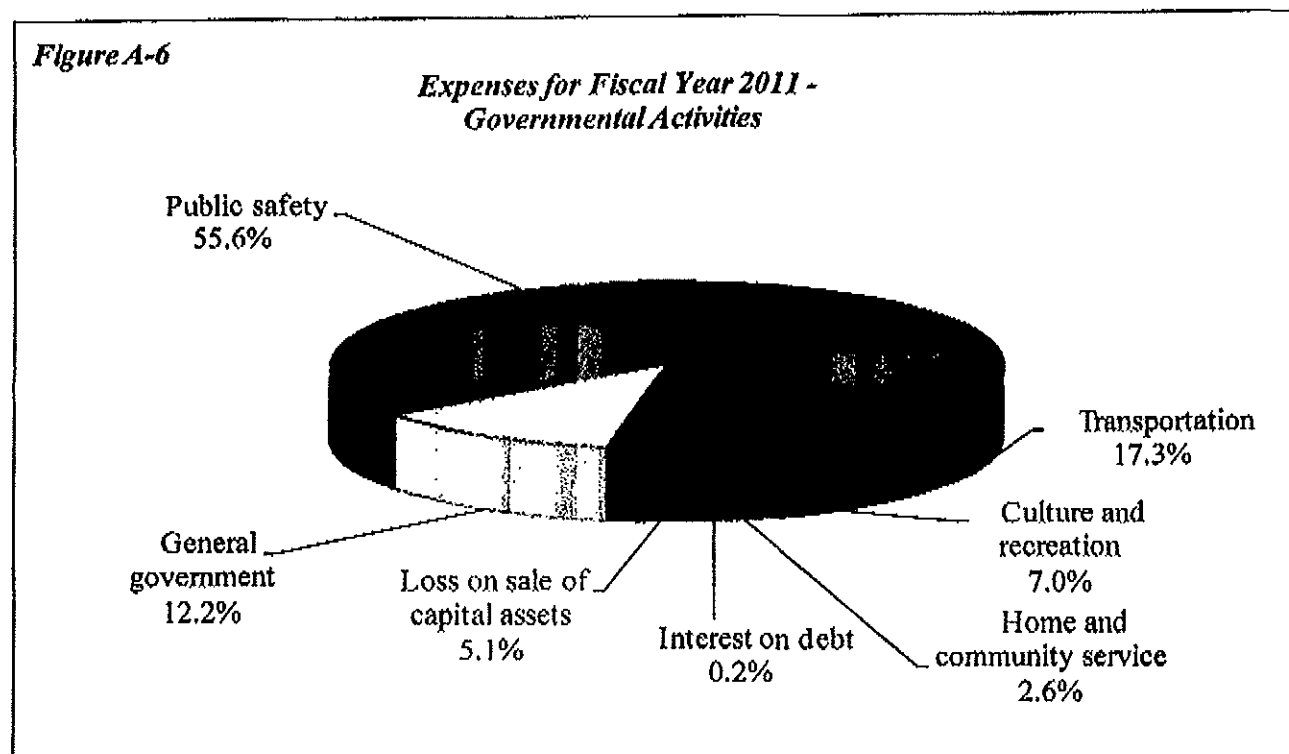
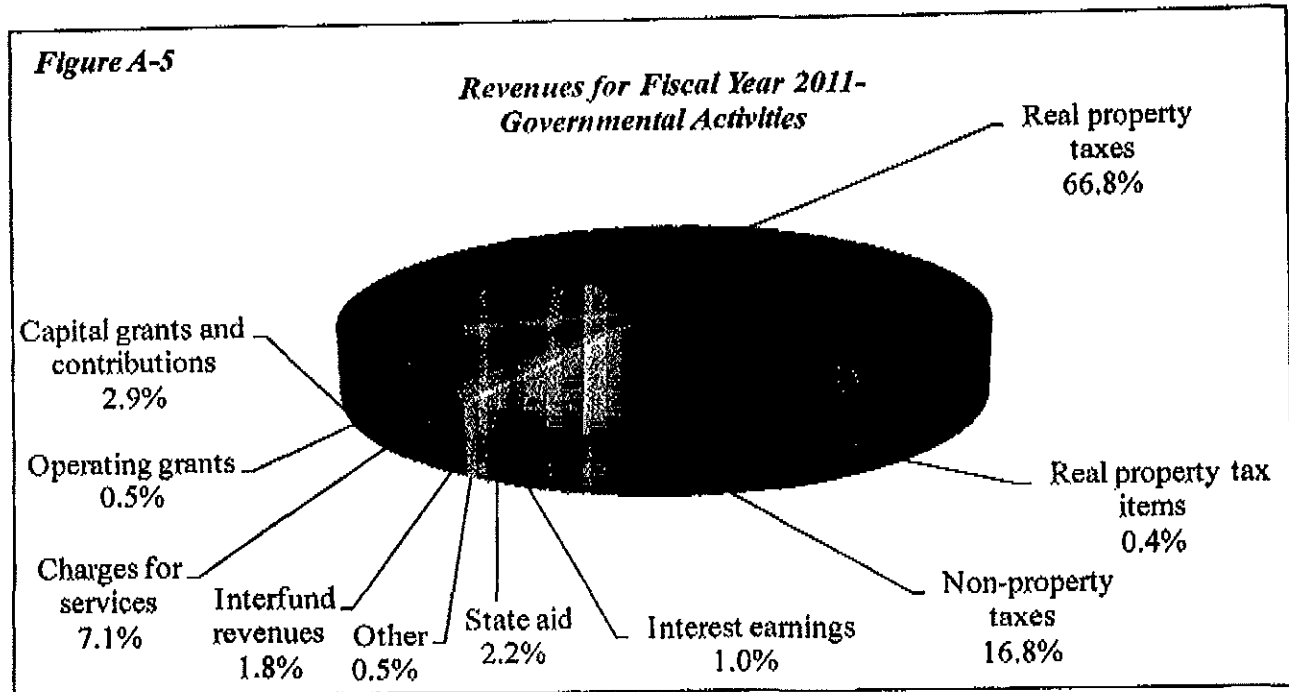
Public Safety: The final collective bargaining agreement was settled retroactive to May 31, 2007. Further, the Village purchased equipment reflecting additional expenses, however the equipment was covered under a COPS grant.

Culture and recreation: There was an increase in expense resulting from the purchase of a piece of equipment.

Home and community services: The decrease was primarily the result of a reallocation of payroll expense concerning street cleaning services.

Interest on Debt: The Village refinanced its Police Station bond and realized a \$13,102 reduction in the cost of interest on this bond alone this year. Further reductions were the result of systematically paying down outstanding debt from prior years.

Loss on sale of capital assets: The fire company was merged into a district with two other local fire companies. Those related assets used by the fire company were transferred over to the district and no longer belong to the Village.



This section presents the cost of seven major Village activities: general government, public safety, health, transportation, culture and recreation, home and community services and debt service. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the Village's taxpayers by each of these functions.

Figure A-7

Net Cost of Governmental Activities
(in thousands of dollars)

	Total Cost of Services		Total Percentage Change	Net Cost of Services		Total Percentage Change
	2011	2010		2011	2010	
General government	\$ 1,076	\$ 888	21.2%	\$ 720	\$ 412	74.8%
Public safety	4,914	4,253	15.5%	4,839	4,026	20.2%
Health	2	1	100.0%	-	-	0.0%
Transportation	1,528	1,381	10.6%	1,398	1,205	16.0%
Culture and recreation	621	562	10.5%	584	562	3.9%
Home and community services	233	417	-44.1%	9	262	-96.6%
Interest on debt	17	36	-52.8%	17	36	-52.8%
Total	\$ 8,391	\$ 7,538	11.3%	\$ 7,567	\$ 6,503	16.4%

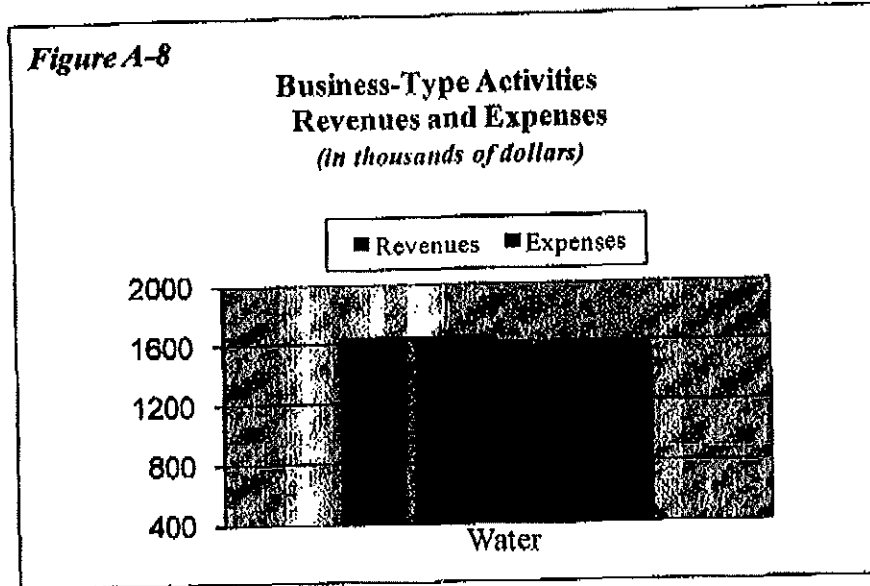
Business-type activities: Business-type activities increased the Village's net assets by \$71,389. Key elements of this increase are as follows:

Revenues: The water usage was up this year from the prior year resulting in increased billing. Water billing fluctuations are typically weather related.

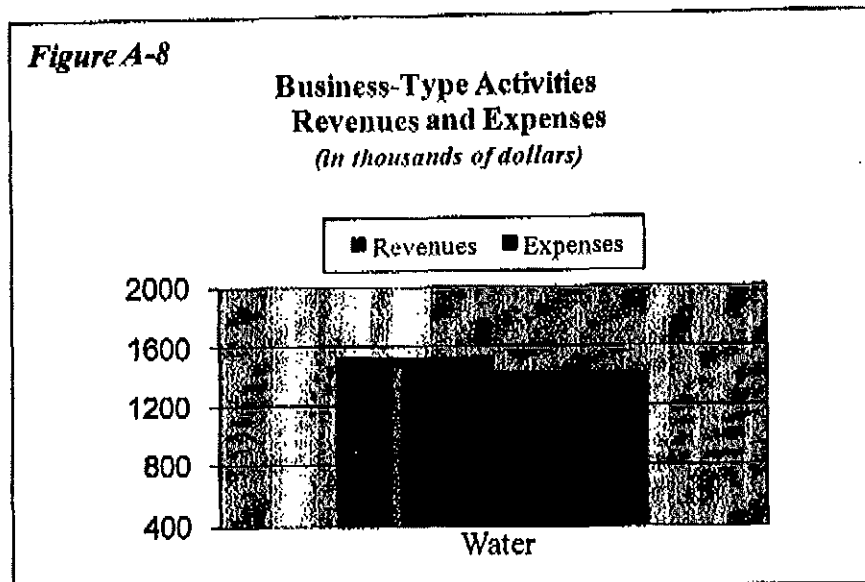
Other Revenues: The Village received insurance recoveries regarding old worker compensation claims paid under Section 15-8 of the New York State Workers Compensation Law Indemnity Fund.

Home and Community Service: Expenses spread across various categories including administration, source, purification and distribution were up this year not attributable to any specific item or event.

2011



2010



Financial Analysis of the Village's Funds

Fund balance in the General Fund of \$1,776,808 consists of the following:

Designated for 2011-2012 budget	\$ 180,000
Reserved for:	
Encumbrances	\$ 352,588
Unemployment insurance	\$ 4,347
Employee benefit accrued liability	\$ 266,918
Insurance	\$ 193,129
Capital	\$ 281,701
Unreserved fund balance	\$ 498,125

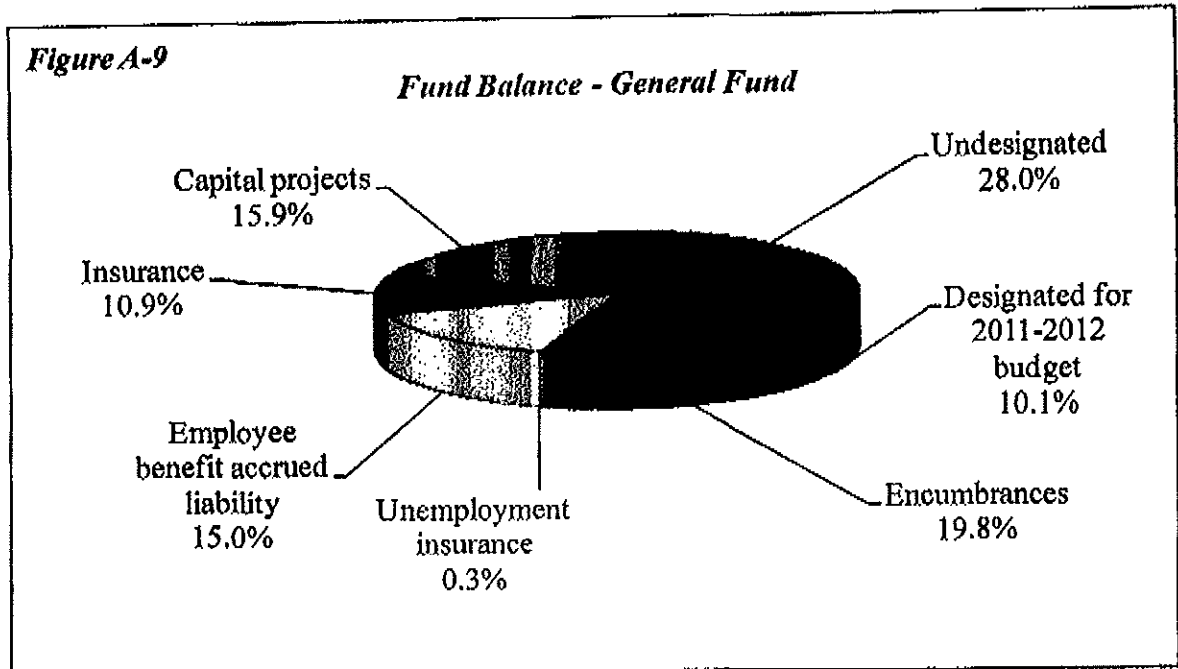


Figure A-10

**Revenues, Expenditures and Changes in Fund
Balances/Net Assets
(in thousands of dollars)**

	2011		
	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balances/ Net Assets</u>
General Fund	\$ 8,658	\$ 8,771	\$ 1,777
Capital Projects Fund	-	-	126
Water Fund	1,650	1,578	5,572

	2010		
	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balances/ Net Assets</u>
General Fund	\$ 8,072	\$ 7,456	\$ 1,890
Capital Projects Fund	57	-	126
Water Fund	1,524	1,424	5,500

General Fund Budgetary Highlights

Budget modifications for revenues and expenses in connection with grant monies received were made throughout the fiscal year by Village Board resolution. In addition, expenditures were made from reserve accounts that were approved by a Village Board resolution. Budget amendments between departmental expenditure accounts occur throughout the fiscal year and are approved by the Village Board.

The budget is monitored continuously, department heads receive status reports at the end of each month, and appropriation accounts requiring closer attention are flagged. Accounts that have been over-expended are highlighted for the Board's review.

Capital Asset and Debt Administration

Capital Assets

The Village's investment in capital assets for its governmental and business-type activities as of May 31, 2011, amounts to approximately \$9,189,000 (net of related debt). This investment in capital assets includes land, construction in progress, buildings, improvements, vehicles and equipment and infrastructure.

Figure A-11

Capital Assets, Net of Depreciation
(in thousands of dollars)

	Governmental Activities		Business-Type Activities	
	2011	2010	2011	2010
Land	\$ 504	\$ 504	\$ -	\$ -
Construction in progress	80	77	-	-
Buildings	2,321	2,387	2,778	2,857
Improvements	13	14	-	-
Vehicles and equipment	1,368	1,675	137	149
Infrastructure	193	97	4,194	4,274
Total	\$ 4,479	\$ 4,754	\$ 7,109	\$ 7,280

Long-Term Debt

At the end of the current fiscal year, the Village had total bonded debt outstanding of \$2,255,000. This entire amount is backed by the full faith and credit of the Village of Monroe. Following is a statement of outstanding debt:

Figure A-12

Outstanding Long-Term Obligations
(in thousands of dollars)

	Governmental Activities		Business-Type Activities	
	2011	2010	2011	2010
General obligation bonds	\$ 575	\$ 600	\$ 1,680	\$ 1,875
Compensated absences	387	346	7	7
Workers' compensation	727	452	172	186
Post employment benefits	614	336	64	32
Total	\$ 2,303	\$ 1,734	\$ 1,923	\$ 2,100

Factors Bearing on the Village's Future

In April 2010 Moody's upgraded the Village of Monroe's bond rating from medium upper grade of A2 to a high grade rating of Aa3. During this fiscal year the the Village of Monroe refinanced its 1999 Refunding Bonds with an aggregate savings of \$29,841 over the remaining 10 years.

The Village also refinanced its EFC Water System Serial Bond-2000 with an aggregate savings of \$137,708 over the remaining 10 years. The Village will begin realizing the savings in fiscal year 2012.

The collective bargaining agreements within the Police Department expired May 31, 2011 and are in the process of renegotiation.

The three fire departments within the Town of Monroe consolidated into a fire district effective January 1, 2011. One of the fire companies was within the Village. The Village no longer budgets or appropriates for its former fire company.

The real property assessed valuation effective July 2011 is up by \$1.6 million despite tax certiorari reductions. One of the condominium complexes within the Village recently entered Phase III of its construction increasing building permit revenue in fiscal year 2012. These units are selling and tax rolls are again projected to increase.

After the close of this fiscal year, the Village adopted a Bond Resolution for DPW Facilities Replacement at an aggregate cost not to exceed \$1,700,000. The DPW is doing much of the work itself, such as digging foundations, etc. As a result, the Village is on target to complete the construction during the Spring of 2012 at a lower projected cost closer to \$1,000,000 that is well below the initial \$1,700,000 projection.

The Village was impacted by the late summer 2011 tropical storms Irene and Lee where many families were evacuated as well as an unseasonable October nor'easter leaving 15 inches of snow that downed many trees, branches and electrical service for many of its residents. The Village has applied for FEMA assistance to mitigate some of the overtime and other related costs the tropical storm repairs and clean up warranted. The Village is consulting with engineers to determine a course of action to repair a dam that shifted during the storm at Crane Park.

Contacting the Village's Financial Management

This financial report is designed to provide the Village's citizens, taxpayers, customers, and investors and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Catherine Murray, Village Treasurer, Village of Monroe, Monroe, New York.

VILLAGE OF MONROE, NEW YORK
STATEMENT OF NET ASSETS
MAY 31, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 2,180,179	\$ 146,258	\$ 2,326,437
Accounts receivable	105,499	507,276	612,775
Due from other governments	385,067	510	385,577
Deferred charges	36,000	-	36,000
Due from fiduciary funds	40,231	(39,806)	425
Capital assets not being depreciated	584,557	-	584,557
Capital assets, net of accumulated depreciation	<u>3,894,758</u>	<u>7,108,720</u>	<u>11,003,478</u>
 Total assets	 <u>7,226,291</u>	 <u>7,722,958</u>	 <u>14,949,249</u>
LIABILITIES AND NET ASSETS			
LIABILITIES:			
Accounts payable	207,984	47,575	255,559
Accrued liabilities	138,620	10,800	149,420
Accrued interest payable	-	23,831	23,831
Deferred revenues	294,612	1,691	296,303
Other liabilities	18,911	80	18,991
Bond anticipation note payable	148,134	144,000	292,134
Long-term liabilities:			
Due and payable within one year	168,768	230,698	399,466
Due and payable after one year	<u>2,134,701</u>	<u>1,692,425</u>	<u>3,827,126</u>
 Total liabilities	 <u>3,111,730</u>	 <u>2,151,100</u>	 <u>5,262,830</u>
 NET ASSETS:			
Invested in capital assets, net of related debt	3,904,315	5,284,720	9,189,035
Restricted for:			
Unemployment insurance	4,347	-	4,347
Employee benefit accrued liability	266,918	-	266,918
Insurance	193,129	-	193,129
Capital projects	281,701	42,302	324,003
Unrestricted (deficit)	<u>(535,849)</u>	<u>244,836</u>	<u>(291,013)</u>
 Total net assets	 <u>\$ 4,114,561</u>	 <u>\$ 5,571,858</u>	 <u>\$ 9,686,419</u>

See notes to basic financial statements.

VILLAGE OF MONROE, NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2011

	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 1,075,955	\$ 355,596	\$ -	\$ -	\$ (720,359)	\$ -	\$ (720,359)
Public safety	4,914,064	35,172	-	40,076	(4,838,816)	-	(4,838,816)
Health	1,440	1,440	-	-	-	-	-
Transportation	1,528,118	26,831	-	103,069	(1,398,218)	-	(1,398,218)
Culture and recreation	620,952	-	37,000	-	(583,952)	-	(583,952)
Home and community services	233,275	140,918	-	83,393	(8,964)	-	(8,964)
Interest on debt	16,977	-	-	-	(16,977)	-	(16,977)
Total governmental activities	<u>8,390,781</u>	<u>559,957</u>	<u>37,000</u>	<u>226,538</u>	<u>(7,567,286)</u>	<u>-</u>	<u>(7,567,286)</u>
Business-type activities:							
Water	<u>1,578,425</u>	<u>1,579,255</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>830</u>	<u>830</u>
Total governmental and business-type activities	<u>\$ 9,969,206</u>	<u>\$ 2,139,212</u>	<u>\$ 37,000</u>	<u>\$ 226,538</u>	<u>(7,567,286)</u>	<u>830</u>	<u>(7,566,456)</u>
General revenues:							
					5,317,429	-	5,317,429
					34,879	-	34,879
					1,336,102	-	1,336,102
					82,316	906	83,222
					175,382	-	175,382
					42,182	69,653	111,835
					145,000	-	145,000
					(448,363)	-	(448,363)
					(40,000)	-	(40,000)
					<u>6,644,927</u>	<u>70,559</u>	<u>6,715,486</u>
					(922,359)	71,389	(850,970)
					<u>5,036,920</u>	<u>5,500,469</u>	<u>10,537,389</u>
					<u>\$ 4,114,561</u>	<u>\$ 5,571,858</u>	<u>\$ 9,686,419</u>

VILLAGE OF MONROE, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS
MAY 31, 2011

	General	Capital Projects	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ 2,180,179	\$ -	\$ 2,180,179
Accounts receivable	105,499	-	105,499
Due from other governments	385,067	-	385,067
Due from other funds	40,231	125,907	166,138
Total assets	\$ 2,710,976	\$ 125,907	\$ 2,836,883
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts payable	\$ 207,984	\$ -	\$ 207,984
Accrued liabilities	138,620	-	138,620
Bond anticipation notes payable	148,134	-	148,134
Due to other funds	125,907	-	125,907
Deferred revenue	294,612	-	294,612
Other liabilities	18,911	-	18,911
Total liabilities	934,168	-	934,168
FUND BALANCES:			
Reserved for:			
Encumbrances	352,588	-	352,588
Unemployment insurance	4,347	-	4,347
Employee benefit accrued liability	266,918	-	266,918
Insurance	193,129	-	193,129
Capital projects	281,701	-	281,701
Unreserved:			
Designated for subsequent year's expenditures	180,000	-	180,000
Undesignated	498,125	125,907	624,032
Total fund balances	1,776,808	125,907	1,902,715
Total liabilities and fund balances	\$ 2,710,976	\$ 125,907	

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 in the funds, net of accumulated depreciation	4,479,315
Long-term liabilities including deferred charges, serial bonds payable, compensated absences, workers' compensation and post employment benefits are not due and payable in the current period and therefore are not reported in the funds	(2,267,469)
Net assets	\$ 4,114,561

See notes to basic financial statements.

VILLAGE OF MONROE, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MAY 31, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES:			
Real property taxes	\$ 5,317,429	\$ -	\$ 5,317,429
Real property tax items	34,879	-	34,879
Non-property taxes	1,336,102	-	1,336,102
Services and fees	173,438	-	173,438
Intergovernmental charges	61,811	-	61,811
Use of money and property	82,316	-	82,316
Fines and permits	294,375	-	294,375
Sale of property and compensation for loss	91,477	-	91,477
Miscellaneous local sources	42,182	-	42,182
Interfund revenues	145,000	-	145,000
State sources	315,451	-	315,451
Federal sources	123,469	-	123,469
Total revenues	<u>8,017,929</u>	<u>-</u>	<u>8,017,929</u>
EXPENDITURES:			
General government	797,648	-	797,648
Public safety	2,990,877	-	2,990,877
Health	1,440	-	1,440
Transportation	1,511,069	-	1,511,069
Culture and recreation	582,784	-	582,784
Home and community services	188,596	-	188,596
Employee benefits	1,940,851	-	1,940,851
Debt service:			
Principal	65,000	-	65,000
Interest	12,977	-	12,977
Bond issuance costs	40,000	-	40,000
Total expenditures	<u>8,131,242</u>	<u>-</u>	<u>8,131,242</u>
Deficit of revenues over expenditures	(113,313)	-	(113,313)
OTHER FINANCING SOURCES (USES):			
Refunding of bonds issued	640,000	-	640,000
Payment for current refunding bond	(600,000)	-	(600,000)
Interfund transfer out	(40,000)	-	(40,000)
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(113,313)	-	(113,313)
Fund balances - beginning of year	<u>1,890,121</u>	<u>125,907</u>	<u>2,016,028</u>
Fund balances - end of year	<u>\$ 1,776,808</u>	<u>\$ 125,907</u>	<u>\$ 1,902,715</u>

See notes to basic financial statements.

VILLAGE OF MONROE, NEW YORK
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2011

Net change in fund balances - total governmental funds \$ (113,313)

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

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$700,704) excluding completed construction work in progress (\$98,357) exceeded depreciation (\$367,967) in the current period. 234,380

In the statement of activities, the loss on the sale of assets is reported, whereas in the governmental funds, only the proceeds from the sale increase financial resources and are reported as revenues. (509,507)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of debt repayments made in the current period. 65,000

Governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. (4,000)

Increases/decreases in accrued compensated absences reported in the statement of activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds. (41,648)

Increases/decreases in accrued workers' compensation reported in the statement of activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds. (275,069)

On the statement of activities, the actual and projected long term expenditures for post employment benefits are reported whereas on the governmental funds only the actual expenditures are recorded for post employment benefits. (278,202)

Change in net assets of governmental activities \$ (922,359)

VILLAGE OF MONROE, NEW YORK
STATEMENT OF NET ASSETS - ENTERPRISE FUND
MAY 31, 2011

ASSETS	<u>Water</u>
Cash and cash equivalents	\$ 146,258
Accounts receivable	507,276
Due from other governments	510
Capital assets, net of accumulated depreciation	<u>7,108,720</u>
 Total assets	 <u>7,762,764</u>
LIABILITIES AND NET ASSETS	
LIABILITIES:	
Accounts payable	47,575
Accrued liabilities	10,800
Accrued interest payable	23,831
Deferred revenue	1,691
Other liabilities	80
Due to other funds	39,806
Bond anticipation notes payable	144,000
Current portion of long-term liabilities:	
Serial bonds payable	190,000
Compensated absences	698
Workers' compensation	40,000
Long-term liabilities:	
Serial bonds payable	1,490,000
Compensated absences	6,284
Workers' compensation	132,167
Post employment benefits	<u>63,974</u>
 Total liabilities	 <u>2,190,906</u>
 NET ASSETS:	
Invested in capital assets, net of related debt	5,284,720
Restricted for capital projects	42,302
Unrestricted	<u>244,836</u>
 Total net assets	 <u>\$ 5,571,858</u>

See notes to basic financial statements.

VILLAGE OF MONROE, NEW YORK
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - ENTERPRISE FUND
FOR THE YEAR ENDED MAY 31, 2011

	Water
OPERATING REVENUES:	
Charges for services	\$ 1,579,255
Other operating revenues	69,653
Total operating revenues	1,648,908
OPERATING EXPENSES:	
Salaries, wages and employee benefits	746,712
Contractual expense	583,018
Depreciation	186,577
Total operating expenses	1,516,307
Operating income	132,601
NON-OPERATING REVENUES (EXPENSES):	
Investment income	906
Interest expense	(62,118)
Total non-operating expenses	(61,212)
Change in net assets	71,389
Net assets - beginning of year	5,500,469
Net assets - end of year	\$ 5,571,858

See notes to basic financial statements.

VILLAGE OF MONROE, NEW YORK
STATEMENT OF CASH FLOWS - ENTERPRISE FUND
FOR THE YEAR ENDED MAY 31, 2011

	<u>Water</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash received from customers	\$ 1,569,617
Cash payments for contractual expenses	(578,764)
Cash payments to employees for services	(728,611)
Other operating revenues	69,653
Net cash provided by operating activities	<u>331,895</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>	
Interfund loans made or repaid	<u>1,654</u>
Net cash provided by noncapital financing activities	<u>1,654</u>
<u>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES</u>	
Acquisition and construction of capital assets	(15,261)
Principal payments on debt	(267,000)
Interest paid on debt	<u>(77,568)</u>
Net cash used by capital and financing activities	<u>(359,829)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest on cash and investments	<u>906</u>
Net cash provided by investing activities	<u>906</u>
Net decrease in cash and cash equivalents	(25,374)
Cash and cash equivalents - beginning of year	<u>171,632</u>
Cash and cash equivalents - end of year	<u>\$ 146,258</u>
Reconciliation of income from operations to net cash provided by operating activities:	
Income from operations	\$ 132,601
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Depreciation	186,577
Change in assets and liabilities:	
Decrease (increase) in:	
Accounts receivable	(9,638)
Due from other governments	(510)
Increase (decrease) in:	
Accounts payable	3,037
Accrued liabilities	1,787
Deferred revenues	(60)
Compensated absences	(117)
Workers' compensation	(13,811)
Post employment benefits	<u>32,029</u>
Net cash provided by operating activities	<u>\$ 331,895</u>

See notes to basic financial statements.

VILLAGE OF MONROE, NEW YORK
STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
MAY 31, 2011

	<u>Private Purpose Trust</u>	<u>Agency</u>
ASSETS		
Cash and cash equivalents	\$ <u>71,704</u>	\$ <u>624,205</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Due to other funds	\$ -	\$ 425
Agency liabilities	<u>-</u>	<u>623,780</u>
Total liabilities	-	624,205
NET ASSETS:		
Restricted trust funds	<u>71,704</u>	<u>-</u>
Total liabilities and net assets	\$ <u>71,704</u>	\$ <u>624,205</u>

See notes to basic financial statements.

VILLAGE OF MONROE, NEW YORK
STATEMENT OF CHANGES IN NET ASSETS -
FIDUCIARY FUND
MAY 31, 2011

	<u>Private Purpose Trust</u>
ADDITIONS:	
Interest	\$ 437
Interfund transfer in	40,000
Total additions	<u>40,437</u>
Change in net assets	40,437
Net assets - beginning of the year	<u>31,267</u>
Net assets - end of year	\$ <u><u>71,704</u></u>

See notes to basic financial statements.

VILLAGE OF MONROE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The Village reports related organizations under the guidance of the Governmental Accounting Standards Board. The Standards define the primary government, and redefine and establish the criteria for which potential component units are included in the reporting entity. The Standards also defines financial accountability of the primary government as being determined on the basis of fiscal dependency, appointment of a voting majority of a governing board, ability to impose its will or potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government.

The accompanying basic financial statements include only the operations of the Village, since management has determined that there are no other organizations that meet the criteria for inclusion in the reporting entity of the Village.

B. BASIS OF PRESENTATION

1. Government-wide financial statements

The Statement of Net Assets and the Statement of Activities present financial information about the reporting government as a whole. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. The statements distinguish between governmental and business-type activities. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include specific operating and discretionary (either operation or capital) grants. The capital grants column reflects capital-specific grants. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities presents a comparison between direct expenses and direct 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. Direct revenues include charges paid by the recipients of goods or services offered by the Village, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as direct revenues, including all taxes, are presented as general revenues.

VILLAGE OF MONROE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Village or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Governmental Funds

- a. General Fund - the principal operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Capital Projects Fund - used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.

Proprietary Funds

Water Fund - used to account for operations that provide water services and are financed primarily by user charges for these services.

Fiduciary Fund Types

Fiduciary Fund Types include Private Purpose Trust Funds and Agency Funds. The Private Purpose Trust Funds and Agency Funds are used to account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, and other governments.

Private Purpose Trust Funds are accounted for on the accrual basis. Agency Funds are custodial in nature (assets equal liabilities) and generally are accounted for on the cash basis, which approximates the modified accrual basis of accounting.

VILLAGE OF MONROE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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 transaction takes place. Nonexchange 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 are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements 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 the revenues are collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, pension costs, other post employment benefits, and compensated absences, which are recognized as expenditures when paid. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

The Village has elected to apply all GASB pronouncements, applicable Financial Accounting Standards Board (FASB) pronouncements, and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The Proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue for the water fund is sale of water. Operating expenses for the proprietary fund include the cost of sales and services, personnel services, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. PROPERTY TAXES

Real property taxes are levied annually no later than May 15th and become a lien on June 1st. Taxes are collected during the period June 1st to November 1st.

Unpaid Village taxes are turned over to the County for enforcement. Any such taxes remaining unpaid at year end are relieved as County taxes in the subsequent year.

VILLAGE OF MONROE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. BUDGETARY DATA

1. BUDGET POLICIES - The budget policies are as follows:

- a. No later than March 31st, the Village Treasurer submits a tentative budget to the Village Board for the fiscal year commencing the following June 1st. The tentative budget includes proposed expenditures and the proposed means of financing for all funds except Capital Projects and Fiduciary Funds.
- b. After public hearings are conducted to obtain taxpayer comments, no later than May 1st, the Village Board adopts the budget. Appropriations established by the budget constitute a limitation on expenditures which may be incurred.
- c. All modifications of the budget must be approved by the Village Board and all appropriations lapse at fiscal year end.

2. 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 as a control in preventing over-expenditure of established appropriations.

Open encumbrances are reported as reservations of fund balance since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

3. BUDGET BASIS OF ACCOUNTING

Budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Budgetary comparisons presented in this report are on a GAAP basis and represent the original and modified budget.

F. CASH AND CASH EQUIVALENTS

The Village's cash and cash equivalents consists of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

G. ACCOUNTS RECEIVABLE

Accounts receivables are carried at their net realizable value. Accounts are written-off as uncollectible after the likelihood of payment is considered remote by management. The allowance for uncollectible accounts is established by management, using past history of uncollectible accounts. As of May 31, 2011, no allowance for uncollectible accounts was deemed necessary by management.

VILLAGE OF MONROE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. DUE TO/FROM OTHER FUNDS

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and service type transactions are classified as "due to and from other funds."

The amounts reported on the Statement of Net Assets for due to and due from other funds represents amounts due between different fund types (governmental activities, business-type activities and fiduciary fund). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year-end is provided subsequently in Note 3., A., 3.

I. CAPITAL ASSETS

Government-wide financial statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Prior to January 1, 1980, governmental funds' infrastructure assets were not capitalized. The Village has elected to adopt the more liberal provisions of GASB Statement No. 34 which allows retroactive reporting of only major general infrastructure assets acquired, significantly reconstructed or that received significant improvements in fiscal years ending after December 31, 1979. Capital assets are reported at actual cost for acquisitions subsequent to June 1, 2004.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$25,000	straight-line	50 years
Building improvements	25,000	straight-line	20 years
Infrastructure	25,000	straight-line	65 years
Furniture and equipment	1,000	straight-line	5-30 years
Vehicles	15,000	straight-line	8 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

VILLAGE OF MONROE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. INSURANCE

The Village is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, personal injury liability, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. 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. Settled claims from these risks have not yet exceeded commercial insurance coverage for the past three fiscal years.

K. DEFERRED REVENUE

Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both recognition criteria are met, or when the Village has legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized. As of May 31, 2011, deferred revenue in the General Fund and Water Fund amounted to \$294,612 and \$1,691, respectively. This deferred revenue consists of monies collected from developers to assist with permits and legal fees incurred during development and grant money received in advance.

L. COMPENSATED ABSENCES

The Village labor agreements provide for sick leave, vacations and miscellaneous other paid absences. Upon retirement certain eligible employees qualify for paid medical premiums and/or payment for value of unused sick leave. These payments are budgeted annually without accrual.

Compensated absences for government fund type employees are reported as a fund liability and expenditure in the government-wide financial statements. The compensated absences liability for the Governmental and Proprietary Funds at the year-end totaled \$387,679 and \$6,982, respectively.

Payment of compensated absences recorded in the government-wide financial statements is dependent upon many factors; therefore, timing of future payment is not readily determinable. However, management believes that sufficient resources will be made available for the payment of compensated absences when such payments become due.

M. POST EMPLOYMENT BENEFITS

In addition to providing pension benefits, the Village provides health insurance coverage for retired employees as described at Note 3., B., 2.

VILLAGE OF MONROE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. LONG-TERM LIABILITIES

In the government-wide financial statements, and business-type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond issuance costs are deferred and amortized over the life of the bonds using the straight line method. The long-term liabilities consist primarily of serial bonds, compensated absences, other post employment benefits, and workers' compensation liabilities.

In the fund financial statements, governmental fund types recognized bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

O. FUND EQUITY

Government-wide statements

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

- a. 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.
- b. Restricted net assets - Consists of net assets with constraints 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.
- c. 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

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

VILLAGE OF MONROE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following is a description of the reserves and designations utilized by the Village:

- a. Reserve for Encumbrances - Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as a reservation of fund balance, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.
- b. Reserve for Unemployment Insurance - This balance represents amounts reserved to finance future unemployment claims against the Village.
- c. Reserve for Employee Benefit Accrued Liability - This balance represents amounts reserved to finance accrued employee benefits due an employee on termination.
- d. Reserve for Insurance - This balance represents amounts reserved to finance uninsured losses, claims, actions or judgments.
- e. Reserve for Capital Projects - This balance represents amounts reserved to finance future construction, reconstruction, or acquisition of capital improvement type items or equipment as authorized when the reserve was established.
- f. Designated for Subsequent Year's Expenditures - represents funds to be used to assist in supporting the subsequent years authorized appropriations.

P. INTERFUND TRANSFERS

The operations of the Village give rise to certain transactions between funds, including transfers of expenditures and revenues to provide services and construct assets.

Q. USE OF ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

R. STATEMENT OF CASH FLOWS

For the purposes of the Statement of Cash Flows - Enterprise Fund, the Village considers cash to be all unrestricted and restricted cash accounts including demand accounts and certificates of deposit with an original maturity of generally three months or less.

VILLAGE OF MONROE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 - REPORTING ON BUDGETARY BASIS

The Village reports its budgetary status with the actual data including outstanding encumbrances as charges against budget appropriations. This results in the following reconciliation of fund balance computed on a GAAP basis and budgetary basis.

GAAP BASIS:

Fund balance - May 31, 2011	\$1,776,808
Deduct outstanding encumbrances	<u>352,588</u>
BUDGETARY BASIS - Fund balance - May 31, 2011	<u>\$1,424,220</u>

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. ASSETS

1. DEPOSITS AND INVESTMENTS

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

Collateral is required for demand deposits and certificates of 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.

Investment and Deposit Policy

The Village implemented Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*.

The Village follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Village Treasurer.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The Village's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

VILLAGE OF MONROE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

Credit Risk

The Village's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The Village's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts.
- Certificates of deposit.
- Obligations of the United States Treasury and United States agencies.
- Obligations of New York State and its localities.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the Village's investment and deposit policy, all deposits of the Village including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 102% of the aggregate amount of deposits. The Village restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by New York State and its localities.

2. RECEIVABLES

Major revenues accrued by the Village at May 31, 2011 include the following:

<u>General Fund:</u>	
Gross utilities	\$ 22,065
Court fines	28,444
Sale of equipment	<u>54,990</u>
Total accounts receivable	105,499
Sales tax	288,728
State highway	80,846
CDBG grant	10,653
Miscellaneous	<u>4,840</u>
Total due from other governments	<u>385,067</u>
Total	\$ <u>490,566</u>

VILLAGE OF MONROE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

Water Fund:

Water rents	\$ 152,158
Unbilled receivables	<u>355,118</u>
Total	<u>\$ 507,276</u>

3. INTERFUND ACTIVITY

Interfund activity at May 31, 2011, were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 40,231	\$ 125,907	\$ -	\$ 40,000
Capital Projects Fund	125,907	-	-	-
Water Fund	-	39,806	-	-
Private Purpose Trust Fund	-	-	40,000	-
Agency Fund	-	<u>425</u>	-	-
Total	<u>\$ 166,138</u>	<u>\$ 166,138</u>	<u>\$ 40,000</u>	<u>\$ 40,000</u>

4. CAPITAL ASSETS

Capital asset activity for the year ended May 31, 2011, was as follows:

	<u>Balance 06/01/10</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 05/31/11</u>
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 504,071	\$ -	\$ -	\$ 504,071
Construction in process	<u>77,291</u>	<u>101,552</u>	<u>98,357</u>	<u>80,486</u>
Total capital assets, not being depreciated	<u>\$ 581,362</u>	<u>\$ 101,552</u>	<u>\$ 98,357</u>	<u>\$ 584,557</u>
Capital assets, being depreciated:				
Buildings	\$ 3,311,228	\$ -	\$ -	\$ 3,311,228
Improvements	181,033	-	-	181,033
Vehicles & equipment	5,204,804	500,795	2,864,281	2,841,318
Infrastructure	<u>104,361</u>	<u>98,357</u>	-	<u>202,718</u>
Total capital assets, being depreciated	<u>8,801,426</u>	<u>599,152</u>	<u>2,864,281</u>	<u>6,536,297</u>

VILLAGE OF MONROE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

	<u>Balance</u> <u>06/01/10</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>05/31/11</u>
Less accumulated depreciation				
Buildings	924,559	65,687	-	990,246
Improvements	167,410	755	-	168,165
Vehicles & equipment	3,529,795	298,406	2,354,774	1,473,427
Infrastructure	<u>6,582</u>	<u>3,119</u>	-	<u>9,701</u>
Total accumulated depreciation	<u>4,628,346</u>	<u>367,967</u>	<u>2,354,774</u>	<u>2,641,539</u>
 Total capital assets, being depreciated - net	 <u>4,173,080</u>	 <u>231,185</u>	 <u>509,507</u>	 <u>3,894,758</u>
 Governmental activities capital assets, net	 <u>\$ 4,754,442</u>	 <u>\$ 332,737</u>	 <u>\$ 607,864</u>	 <u>\$ 4,479,315</u>
 <u>Business-type activities:</u>				
Capital assets, being depreciated:				
Buildings	\$ 3,961,539	\$ -	\$ -	\$ 3,961,539
Improvements	29,613	-	-	29,613
Vehicles & equipment	476,394	18,997	4,420	490,971
Infrastructure	<u>5,225,889</u>	-	-	<u>5,225,889</u>
 Total capital assets, being depreciated	 <u>9,693,435</u>	 <u>18,997</u>	 <u>4,420</u>	 <u>9,708,012</u>
 Less accumulated depreciation				
Buildings	1,104,618	79,177	-	1,183,795
Improvements	29,614	-	-	29,614
Vehicles & equipment	327,608	27,002	684	353,926
Infrastructure	<u>951,559</u>	<u>80,398</u>	-	<u>1,031,957</u>
Total accumulated depreciation	<u>2,413,399</u>	<u>186,577</u>	<u>684</u>	<u>2,599,292</u>
 Business-type capital assets, net	 <u>\$ 7,280,036</u>	 <u>\$ (167,580)</u>	 <u>\$ 3,736</u>	 <u>\$ 7,108,720</u>

VILLAGE OF MONROE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

Depreciation expense was charged to functions as follows:

Governmental activities:	\$ 52,706
General government	157,082
Public safety	156,193
Transportation	<u>1,986</u>
Home and community services	
Total governmental activities depreciation expense	367,967
Business-type activities:	
Home and community service	<u>186,577</u>
Total depreciation expense	<u>\$554,544</u>

B. LIABILITIES

1. PENSION PLAN

PLAN DESCRIPTION

The Village of Monroe participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS) and the Public Employees' Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide 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 Systems.

The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue 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, 110 State Street, Albany, NY 12244.

VILLAGE OF MONROE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

FUNDING POLICY

Plan members who joined the Systems before July 27, 1976 are not required to make contributions. Those joining after July 27, 1976 and before January 1, 2010 who have less than 10 years of service or membership are required to contribute three percent of their annual salary. Employees joining on or after January 1, 2010 are required to contribute three percent of their annual salary throughout their active membership. The Comptroller of the State of New York certifies the rates expressed as proportions of members' payroll annually, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The required contributions for the current year and two preceding years were:

	<u>ERS</u>	<u>PFRS</u>
2011	\$ 206,301	\$ 290,081
2010	117,055	221,064
2009	131,305	202,986

The Village's contributions made to the System were equal to 100 percent of the contributions required for each year.

2. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

a. PLAN DESCRIPTION

The Village of Monroe (the Village) administers the Village of Monroe Retiree Medical Plan (the Plan) as a single-employer defined benefit Other Post Employment Benefit plan (OPEB). The Plan provides for continuation of medical insurance benefits for certain retirees and their spouses and can be amended by action of the Village subject to applicable collective bargaining and employment agreements. The Plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

b. FUNDING POLICY

The obligations of the plan members, employers and other entities are established by action of the Village pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members varies depending on the applicable agreement. The Village currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the Village.

c. ACCOUNTING POLICY

The accrual basis of accounting is used. The fair market value of assets, if any, is determined by the market value of assets, if any, paid by a willing buyer to a willing seller.

VILLAGE OF MONROE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

d. ANNUAL OPEB COST AND NET OPEB OBLIGATION

The Village's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The Village has engaged an actuary to calculate the ARC and related information per the provisions of GASB Statement No. 45 for employers in plans with less than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Village's annual OPEB cost for the year, the amount actually contributed to the plan, and the Village's net OPEB obligation to the Retiree Health Plan at May 31, 2011:

<u>Annual OPEB Cost</u>	Fiscal Year Ending
	<u>05/31/11</u>
Normal Cost	\$ 282,625
Amortization of UAAL	395,284
Interest	<u>8,006</u>
ARC	685,915
Interest on OPEB obligation	34,296
Adjustment to ARC	<u>(16,300)</u>
OPEB Expense	703,911
Net OPEB contributions made during the fiscal year	<u>393,680</u>
Net OPEB obligation for the current fiscal year	310,231
Net OPEB obligation at beginning of year	<u>367,999</u>
Net OPEB obligation at end of year	<u>\$ 678,230</u>
Percentage of expense contributed	55.9%

e. FUNDED STATUS AND FUNDING PROGRESS

As of May 31, 2011, the actuarial accrued liability for benefits was \$9,097,590, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was unavailable, and the ratio of the unfunded actuarial accrued liability to the covered payroll was unavailable. The total post employment health insurance cost to the Village for 32 retirees was \$393,680 for the year ended May 31, 2011.

VILLAGE OF MONROE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events 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 on page A34, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

f. METHODS AND ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 the point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following assumptions were made:

The May 31, 2011, actuarial valuation, utilized the projected unit credit actuarial cost method. The actuarial assumptions included a 5 percent investment rate of return (net of administrative expenses), which is the expected short-term investment rate of the Village's own assets since currently the plan has no assets at the valuation date in order to establish a plan investment rate, and an ultimate healthcare cost trend of 5 percent. Both rates included a 3 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The amortization period at May 31, 2011 was twenty-nine years.

3. SHORT-TERM DEBT

The Village may issue bond anticipation notes (BANs), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date. The bond anticipation notes listed below were issued for the purposes of a water tank and tax certiorari payments. During the current year, the Village recognized \$3,950 of expenditures for short-term debt interest related to BAN's

VILLAGE OF MONROE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

Transactions in short-term debt for the year are summarized below:

	Balance 06/01/10	Issued	Redeemed	Balance 05/31/11
BAN maturing 01/30/10 at 2.79%	\$ 216,000	\$ -	\$ 72,000	\$ 144,000
BAN maturing 06/03/11 at 1.49%	-	148,134	-	148,134
	<u>\$ 216,000</u>	<u>\$ 148,134</u>	<u>\$ 72,000</u>	<u>\$ 292,134</u>

4. LONG-TERM LIABILITIES

- a. **SERIAL 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 receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the Village. The provision to be made in the future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities. During the current year, the Village recognized \$75,145 of expenditures for long-term debt interest related to serial bonds including the amortization of bond issuance costs associated with debt refunding.
- b. **OTHER LONG-TERM LIABILITIES** - In addition to the above long-term debt, the Village had a non-current liability for compensated absences, which represents the value of the earned and unused portion of the liability for compensated absences, and workers' compensation which represents the reserve liability for claims from the Village's prior workers' compensation plan. The Village also has a liability for post employment benefits as described at Note 3., B., 2.
- c. The following is a summary of changes in long-term liabilities for the year ended May 31, 2011:

	Balance 06/01/10	Additions	Payments	Balance 05/31/11	Due Within One Year
Governmental activities:					
General obligation debt:					
Serial Bonds	\$ 600,000	\$ 640,000	\$ 665,000	\$ 575,000	\$ 70,000
Other liabilities:					
Compensated absences	346,031	280,236	238,588	387,679	38,768
Workers' compensation	451,465	387,853	112,784	726,534	60,000
Post employment benefits	336,054	614,335	336,133	614,256	-
Total governmental activities	<u>\$ 1,733,550</u>	<u>\$ 1,922,424</u>	<u>\$ 1,352,505</u>	<u>\$ 2,303,469</u>	<u>\$ 168,768</u>

VILLAGE OF MONROE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

	<u>Balance</u> <u>06/01/10</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>05/31/11</u>	<u>Due Within</u> <u>One Year</u>
Business-type activities:					
General obligation debt:					
Serial Bonds	\$ 1,875,000	\$ -	\$ 195,000	\$ 1,680,000	\$ 190,000
Other liabilities:					
Compensated absences	7,099	5,901	6,018	6,982	698
Workers' compensation	185,978	26,496	40,307	172,167	40,000
Post employment benefits	<u>31,945</u>	<u>89,576</u>	<u>57,547</u>	<u>63,974</u>	<u>-</u>
Total business-type activities	<u>\$ 2,100,022</u>	<u>\$ 121,973</u>	<u>\$ 298,872</u>	<u>\$ 1,923,123</u>	<u>\$ 230,698</u>

- d. **LONG-TERM DEBT MATURITY SCHEDULE** - The following is a summary of serial bonds with corresponding maturity schedules:

	<u>Original</u> <u>Date Issued</u>	<u>Original</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Date of</u> <u>Final Maturity</u>	<u>Balance</u> <u>05/31/11</u>
<u>General Fund:</u>					
Police Station-Refunding	06/10	\$ 640,000	Variable	09/19	\$ 575,000
<u>Water Fund:</u>					
Filtration and Chlorination Plant	02/98	980,000	6.0%	09/14	200,000
Water Treatment Plant Improvements	07/00	4,026,019	4.6%*	01/21	<u>1,480,000</u>
Total					<u>\$2,255,000</u>

*Gross rates subject to subsidy from the New York State Environmental Facilities Corporation (EFC).

The terms of the EFC borrowings provide for an interest subsidy of approximately one-third of the stated interest rates shown above. The subsidy is generated from a United States Environmental Protection Agency grant to the EFC which EFC invests and credits the borrower with the earnings on the invested funds as an offset to the interest payable on the bonds.

VILLAGE OF MONROE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

e. The following table summarizes the Village's future debt service requirements as of May 31, 2011:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2012	260,000	71,713
2013	260,000	59,033
2014	260,000	53,311
2015	260,000	46,762
2016	210,000	40,460
2017-2021	<u>1,005,000</u>	<u>104,477</u>
Totals	<u>\$2,255,000</u>	<u>\$ 375,756</u>

There is a statutory debt limit applicable to Villages within New York State. The Village is in compliance with this debt limit.

On June 1, 2010, the Village issued \$640,000 of Refunding Bonds, Series 2010 to refund on a current basis all the \$600,000 of outstanding Public Improvement Serial Bonds, Series 1999, and to pay expenses of issuance of the Series 2010 Bonds. The current refunding transaction resulted in a cash flow savings over the next nine years of \$29,841, and a net present value debt service savings of \$27,421.

NOTE 4 - COMMITMENTS AND CONTINGENCIES

A. WORKERS' COMPENSATION PLAN

As of January 1, 2008 the Village of Monroe terminated its agreement with the Orange County Self-Insurance Workmen's Compensation Plan and became self-insured in accordance with Subdivision 3-a of Section 50 of the Workers' Compensation Law. All workers' compensation claims that arose prior to January 1, 2008 are now being paid for directly by the Village and are being administered by Wright Risk Management.

The Village is a participant in the New York State Municipal Workers' Compensation Alliance (the Alliance) for all claims that arose subsequent to January 1, 2008. The Alliance was established under the provisions of Workers' Compensation Law of the State of New York and provides the Village the opportunity to participate in a non-profit group self-insurance program for providing workers' compensation benefits to its employees.

VILLAGE OF MONROE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4 - COMMITMENTS AND CONTINGENCIES (Continued)

Eligible participants may become members upon filing with the Executive Secretary of the Alliance a certified copy of the resolution of the prospective member's governing board electing participation in the Alliance. Voluntary withdrawal from the Alliance is effective only once annually. Withdrawal from the Alliance is effective at the end of the current operating year upon filing with the Executive Secretary of the Plan a certified copy of the resolution of the member's governing board electing to withdraw from the Alliance. Upon withdrawal the participant shall pay, in a lump sum or in installments, an equitable share of the outstanding liabilities of the Alliance as of the date of withdrawal, as determined by the Alliance administrator. Contributions to the Alliance are determined annually based on claim payment experience and the prior year's budgeted payroll.

No refunds or assessments, other than periodic premiums, are charged to the participant organizations, except in the case where the Alliance's assets are not sufficient to meet liabilities. In that instance, a special assessment may be assessed against the participant organizations. The Alliance has established reserve liabilities which provide for current claim expenses. As of May 31, 2011 the Village's reserve liability amounted to \$898,701, which is accounted for in the government-wide financial statements.

NOTE 5 - STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY

Overdrawn Appropriations

Expenditures for the year ended May 31, 2011 exceeded appropriations in the General Fund for employee benefits by \$24,231, for culture and recreation by \$78,886 and debt service principal by \$5,000.

NOTE 6 - SUBSEQUENT EVENTS

In July 2011, the Village authorized the issuance of bonds not to exceed \$1,700,000 for construction of highway facilities. As of the date of this report \$500,000 of the bond has been issued. In October 2011, the Village authorized the issuance of serial bonds of \$200,000 to purchase highway equipment.

VILLAGE OF MONROE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7 - FUTURE GASB PRONOUNCEMENTS

A. FUND BALANCE REPORTING AND GOVERNMENTAL FUND TYPE DEFINITIONS

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which will be effective for the Village beginning with its year ending May 31, 2012. Statement No. 54 is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. It distinguishes fund balance between amounts that are considered *nonspendable*, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications such as restricted, committed, assigned and unassigned.

The new standards also clarify the definitions of individual governmental fund types. It interprets certain terms within the definition of special revenue fund types, while further clarifying the debt service and capital projects fund type definitions. The final standard also specifies how economic stabilization or "rainy-day" amounts should be reported. GASB Statement No. 54 is effective for financial statements for periods beginning after June 15, 2010. Governments that wish to implement earlier than that date are encouraged to do so.

B. OPEB MEASUREMENTS BY AGENT EMPLOYERS AND AGENT MULTIPLE-EMPLOYER PLANS

In December 2009, GASB issued Statement No. 57 which addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. (In agent multiple-employer plans, separate liabilities are calculated and separate asset accounts are kept for each participating government, rather than being administered and accounted for as a single plan as is done in a cost-sharing plan). GASB Statement No. 57 amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

This Statement enables certain agent employers to use the alternative measurement method, a less complex and potentially less expensive alternative to a full actuarial valuation. It also adjusts the requirement that a defined benefit OPEB plan obtain an actuarial valuation, in light of the change allowing more qualifying employers to use the alternative measurement method and clarifies that the same frequency and timing of determining OPEB measures are required for both agent multiple-employer plans and their participating employers. GASB Statement No. 57 is effective for financial statements for periods beginning after June 15, 2011, however, earlier application of this Statement is encouraged.

VILLAGE OF MONROE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7 - FUTURE GASB PRONOUNCEMENTS (Continued)

C. THE FINANCIAL REPORTING ENTITY: OMNIBUS

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. The Statement is designed to improve guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity by modifying certain requirements in GASB Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*.

Component units are legally separate organizations that state and local governments include in their financial reports. Statement No. 61 modifies the existing criteria for inclusion of organizations that are “fiscally dependent” on a government. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government’s management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

Statement No. 61 also amends the criteria for reporting component units as if they were part of the primary government (*i.e.*, blending) in certain circumstances. For component units that currently are blended based on the “substantively the same governing body” criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The requirements of Statement No. 61 are effective for financial statements for periods beginning after June 15, 2012, with earlier application encouraged

VILLAGE OF MONROE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7 - FUTURE GASB PRONOUNCEMENTS (Continued)

**D. CODIFICATION OF ACCOUNTING AND FINANCIAL REPORTING GUIDANCE
CONTAINED IN PRE-NOVEMBER 30, 1989 FASB AND AICPA PRONOUNCEMENTS**

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncements issued before November 30, 1989:

- Financial Accounting Standards Board (FASB) Statements and Interpretations
- Accounting Principles Board Opinions
- Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedure.

While the guidance included largely has been taken "as is" from the original FASB and AICPA pronouncements, it has been modified when appropriate to relate specifically to the governmental environment to increase its usefulness to this audience. By incorporating and maintaining this guidance in a single source, the Statement reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports. It also eliminates the need for financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments. The requirements of Statement No. 62 are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged.

VILLAGE OF MONROE, NEW YORK
SCHEDULE OF FUNDING PROGRESS FOR RETIRE HEALTH PLAN
FOR THE YEAR ENDED MAY 31, 2011

<u>Schedule of Funding Progress</u>	Actuarial Valuation Date <u>05/31/10</u>
1. Actuarial Accrued Liability	\$ 9,097,590
2. Actuarial Value of Assets	<u> -</u>
3. Unfunded Actuarial Accrued Liability	\$ <u>9,097,590</u>
4. Funded Ratio (2. divided by 1.)	---%
5. Annual Covered Payroll	Unavailable
6. Ratio of Unfunded Actuarial Accrued Liability to Covered Payroll	Unavailable

<u>Schedule of Employer Contributions</u>	<u>Fiscal Year Ending</u>
May 31, 2010	\$ 317,916
May 31, 2011	393,680

VILLAGE OF MONROE, NEW YORK
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2011

	Original Budget	Modified Budget	Actual	Variance from Modified Budget
REVENUES:				
Real property taxes	\$ 5,117,429	\$ 5,317,429	\$ 5,317,429	\$ -
Real property tax items	36,250	36,250	34,879	(1,371)
Non-property taxes	1,205,000	1,205,000	1,336,102	131,102
Services and fees	86,075	194,730	173,438	(21,292)
Intergovernmental charges	8,101	27,101	61,811	34,710
Use of money and property	87,976	87,976	82,316	(5,660)
Fines and permits	220,477	220,477	294,375	73,898
Sale of property and compensation for loss	13,750	92,875	91,477	(1,398)
Miscellaneous local sources	12,000	46,040	42,182	(3,858)
Interfund revenues	145,000	145,000	145,000	-
State sources	288,428	315,775	315,451	(324)
Federal sources	-	241,110	123,469	(117,641)
Total revenues	<u>7,420,486</u>	<u>7,929,763</u>	<u>8,017,929</u>	<u>88,166</u>
EXPENDITURES:				
General government	636,447	879,240	797,648	81,592
Public safety	2,956,510	3,146,504	2,990,877	155,627
Health	800	1,440	1,440	-
Transportation	1,467,368	1,635,607	1,511,069	124,538
Culture and recreation	499,174	503,898	582,784	(78,886)
Home and community services	148,830	201,179	188,596	12,583
Employee benefits	1,881,118	1,916,620	1,940,851	(24,231)
Debt service:				
Principal	60,000	60,000	65,000	(5,000)
Interest	31,080	31,080	12,977	18,103
Bond issuance costs	-	-	40,000	(40,000)
Total expenditures	<u>7,681,327</u>	<u>8,375,568</u>	<u>8,131,242</u>	<u>244,326</u>
Excess (deficit) of revenues over expenditures	<u>(260,841)</u>	<u>(445,805)</u>	<u>(113,313)</u>	<u>332,492</u>
OTHER FINANCING SOURCES (USES):				
Refunding of bonds issued	-	-	640,000	640,000
Payment for current refunding bond	-	-	(600,000)	(600,000)
Interfund transfer out	155,000)	(199,613)	(40,000)	159,613
Appropriated fund balance	<u>415,841</u>	<u>645,418</u>	<u>-</u>	<u>(645,418)</u>
Total other financing sources (uses)	<u>260,841</u>	<u>445,805</u>	<u>-</u>	<u>(445,805)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(113,313)</u>	<u>(113,313)</u>
Fund balances - beginning of year	<u>-</u>	<u>-</u>	<u>1,890,121</u>	<u>1,890,121</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,776,808</u>	<u>\$ 1,776,808</u>