

VILLAGE OF HAMBURG, NEW YORK

**BASIC FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITOR'S REPORT**

YEAR ENDED MAY 31, 2018

VILLAGE OF HAMBURG, NEW YORK

Table of Contents

	<u>Page No</u>
Independent Auditor's Report	1 - 3
Management's Discussion and Analysis	4 - 16
Basic Financial Statements:	
Statement of Net Position	17 - 18
Statement of Activities	19
Balance Sheet – Governmental Funds	20 - 21
Reconciliation of Governmental Funds to the Statement of Net Position	22
Statement of Revenues, Expenditures and Changes in Fund Equity	23 - 24
Reconciliation of Governmental Fund Revenues, Expenditures, and Change in Fund Balance to the Statement of Activities	25
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	26 - 27
Statement of Net Position – Proprietary Fund – Enterprise Fund	28
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund – Enterprise Fund	29
Statement of Cash Flows – Proprietary Fund	30
Statement of Fiduciary Net Position	31

VILLAGE OF HAMBURG, NEW YORK

Table of Contents

	<u>Page No</u>
Notes to the Financial Statements	32 - 62
Report on Internal Control Over Financial Reporting and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	63 - 64
Required Supplemental Information	65 - 68

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INDEPENDENT AUDITOR'S REPORT

Honorable Village Board
Village of Hamburg
Hamburg, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Hamburg, New York, as of and for the year ended May 31, 2018, and the related notes to the financial statements, which collectively comprise the Village of Hamburg's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Hamburg, New York, as of May 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Hamburg's basic financial statements. The Combining and Individual Fund Statements and Schedules, and the Financial Statements of Individual Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Combining and Individual Fund Statements and Schedules, and the Financial Statements of Individual Funds are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2018 on our consideration of the Village of Hamburg's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Village of Hamburg's internal control over financial reporting and compliance.

Amato, Fox & Company, P.C.

Amato, Fox & Company, P.C.
Tonawanda, New York
December 31, 2018

MANAGEMENT DISCUSSION AND ANALYSIS

VILLAGE OF HAMBURG, NEW YORK

Management's Discussion and Analysis For the Year Ended May 31, 2018

This section of the Village of Hamburg's (the "Village") annual financial report presents a discussion and analysis of the Village's financial performance during the fiscal year ended May 31, 2018. Please read it in conjunction with the Village's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The assets of the Village exceeded liabilities at the close of the 2018 fiscal year by \$10,413,185 (total net position). Of this amount, \$1,829,845 is restricted for specific purpose (restricted net position), (\$15,438,432) is unrestricted, and \$24,021,772 is invested in capital assets, net of related debt.
- The government's total net position increased by \$887,731.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$4,714,577 or 63.2% of total general fund balance. The amount of \$279,456 is designated for subsequent year's expenditures within the 2019 fiscal year budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts - *Management's Discussion and Analysis* (this section), and the *Basic Financial Statements*.

Basic Financial Statements

Governmental-Wide Financial Statements are two statements designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private sector business.

The *Statement of Net Position* presents information on all Village assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *Statement of Activities* presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event occurs giving rise to the change, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (i.e., unallocated taxes and earned but unused vacation leave).

VILLAGE OF HAMBURG, NEW YORK

Management's Discussion and Analysis For the Year Ended May 31, 2018

Both of these government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or, in part, a portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government, public safety, health, transportation, economic assistance and opportunity, culture and recreation, home and community services, interest and fiscal charges and depreciation.

The government-wide financial statements can be found on pages 17 through 19 of this report.

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate finance related legal compliance. All funds of the Village can be divided into three categories: governmental funds, proprietary funds and fiduciary fund.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as, balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a Village's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the governmental-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village maintains three individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, Sewer Fund, and the Capital Projects Fund.

The Village adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 20 through 27 of this report.

VILLAGE OF HAMBURG, NEW YORK

Management's Discussion and Analysis For the Year Ended May 31, 2018

Proprietary Funds: The Village of Hamburg maintains an enterprise fund, which is used to report the same function, presented as business-type activities in the government-wide financial statements. The Village uses an enterprise fund to account for its municipal natural gas system.

The proprietary fund financial statements can be found on pages 28 through 30 of this report.

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Village's own programs. The Village has one fiduciary fund, the Agency Fund, which is used to account for funds held by the Village as agent for employees' withholdings, monies due to other governments, and other miscellaneous items.

The fiduciary fund financial statement can be found on page 31 of this report.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes can be found on pages 32 through 62 of this report.

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve as a useful indicator of a government's financial position over time. In the case of the Village, total assets exceeded total liabilities by \$10,413,185 at the close of the most recent fiscal year.

VILLAGE OF HAMBURG, NEW YORK

**Management's Discussion and Analysis
For the Year Ended May 31, 2018**

Summary of Village of Hamburg's Net Position

	Governmental		Business Type		Total	
	Activities		Activities			
	<u>May 31, 2018</u>	<u>May 31, 2017</u>	<u>May 31, 2018</u>	<u>May 31, 2017</u>	<u>May 31, 2018</u>	<u>May 31, 2017</u>
Current and other assets	\$ 11,329,110	\$ 7,830,516	\$ 29,263	\$ 53,761	\$ 11,358,373	\$ 7,884,277
Capital assets	<u>32,674,772</u>	<u>31,470,503</u>	<u>-</u>	<u>-</u>	<u>32,674,772</u>	<u>31,470,503</u>
Total assets	<u>44,003,882</u>	<u>39,301,019</u>	<u>29,263</u>	<u>53,761</u>	<u>44,033,145</u>	<u>39,354,780</u>
Deferred outflows of resources	<u>2,574,402</u>	<u>1,241,314</u>	<u>-</u>	<u>-</u>	<u>2,574,402</u>	<u>1,241,314</u>
Long-term liabilities	29,797,682	29,288,635	-	-	29,797,682	29,288,635
Other liabilities	<u>3,778,353</u>	<u>598,821</u>	<u>183,761</u>	<u>195,660</u>	<u>3,962,114</u>	<u>794,481</u>
Total Liabilities	<u>33,576,035</u>	<u>29,887,456</u>	<u>183,761</u>	<u>195,660</u>	<u>33,759,796</u>	<u>30,083,116</u>
Deferred inflows of resources	<u>2,434,566</u>	<u>974,925</u>	<u>-</u>	<u>-</u>	<u>2,434,566</u>	<u>974,925</u>
Net Position:						
Net investments in capital assets	24,021,772	25,175,503	-	-	24,021,772	25,175,503
Restricted	1,829,845	1,735,023	-	-	1,829,845	1,735,023
Unrestricted	<u>(15,283,934)</u>	<u>(17,230,574)</u>	<u>(154,498)</u>	<u>(141,899)</u>	<u>(15,438,432)</u>	<u>(17,372,473)</u>
Total Net Position	<u>\$ 10,567,683</u>	<u>\$ 9,679,952</u>	<u>\$ (154,498)</u>	<u>\$ (141,899)</u>	<u>\$ 10,413,185</u>	<u>\$ 9,538,053</u>

VILLAGE OF HAMBURG, NEW YORK

Management's Discussion and Analysis For the Year Ended May 31, 2018

Summary of Village of Hamburg's Net Position (cont.)

The largest portion of the Village's net position of \$24,021,772 reflects its investment in capital assets (e.g. land, buildings, improvements, infrastructure, and equipment); less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another portion of the Village's net position of \$1,829,845 represents resources that are subject to external restrictions on how they may be used.

The remaining balance of the Village's net position represents unrestricted net position for governmental activities of (\$15,283,934).

Government-wide activities increased the Village's net position by \$875,132. Governmental activities increased net position by \$887,731 and business-type activities decreased net position by \$12,599.

VILLAGE OF HAMBURG, NEW YORK

**Management's Discussion and Analysis
For the Year Ended May 31, 2018**

The following table indicates the changes in net position:

Summary of Village of Hamburg's Changes in Net Position

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>May 31, 2018</u>	<u>May 31, 2017</u>	<u>May 31, 2018</u>	<u>May 31, 2017</u>	<u>May 31, 2018</u>	<u>May 31, 2017</u>
Revenues:						
Program revenues:						
Charges for services	\$ 808,281	\$ 440,086	\$ 292,954	\$ 254,592	\$ 1,101,235	\$ 694,678
Operating grants and contributions	233,112	193,960	-	-	233,112	193,960
Capital grants and contributions	530,325	-	-	-	530,325	-
General revenues:						
Property taxes	6,674,468	6,618,699	-	-	6,674,468	6,618,699
Real property tax items	162,725	153,771	-	-	162,725	153,771
Non-property tax items	1,490,674	1,445,144	-	-	1,490,674	1,445,144
Licenses and permits	45,502	6,092	-	-	45,502	6,092
Fines and forfeitures	88,367	98,801	-	-	88,367	98,801
Use of money and property	236,855	208,017	9	12	236,864	208,029
Sale of property and compensation for loss	88,026	63,101	-	-	88,026	63,101
State Aid	721,062	328,820	-	-	721,062	328,820
Miscellaneous	281,696	62,856	-	-	281,696	62,856
Transfers	(26,000)	(25,500)	26,000	25,500	-	-
Total revenues	<u>\$ 11,335,093</u>	<u>\$ 9,593,847</u>	<u>\$ 318,963</u>	<u>\$ 280,104</u>	<u>\$ 11,654,056</u>	<u>\$ 9,873,951</u>

VILLAGE OF HAMBURG, NEW YORK

Management's Discussion and Analysis
For the Year Ended May 31, 2018

Summary of Village of Hamburg's Changes in Net Position (Cont.)

	Governmental Activities		Business Type Activities		Total	
	May 31, 2018	May 31, 2017	May 31, 2018	May 31, 2017	May 31, 2018	May 31, 2017
Expenses:						
General government support	\$ 2,522,200	\$ 6,145,348	\$ -	\$ -	\$ 2,522,200	\$ 6,145,348
Public safety	3,628,435	12,468,697	-	-	3,628,435	12,468,697
Health	16,165	13,293	-	-	16,165	13,293
Transportation	1,968,467	4,095,385	-	-	1,968,467	4,095,385
Culture and Recreation	1,002,927	1,025,263	-	-	1,002,927	1,025,263
Home and community services	1,139,066	1,627,374	331,561	259,175	1,470,627	1,886,549
Unallocated Interest	170,102	177,823	-	-	170,102	177,823
Total expenses	<u>10,447,362</u>	<u>25,553,183</u>	<u>331,561</u>	<u>259,175</u>	<u>10,778,923</u>	<u>25,812,358</u>
Change in net position	887,731	(15,959,336)	(12,599)	20,929	875,132	(15,938,407)
Net position -Beginning	<u>9,679,952</u>	<u>25,639,288</u>	<u>(141,899)</u>	<u>(162,828)</u>	<u>9,538,053</u>	<u>25,476,460</u>
Net position - Ending	<u>\$ 10,567,683</u>	<u>\$ 9,679,952</u>	<u>\$ (154,498)</u>	<u>\$ (141,899)</u>	<u>\$ 10,413,185</u>	<u>\$ 9,538,053</u>

VILLAGE OF HAMBURG, NEW YORK

Management's Discussion and Analysis For the Year Ended May 31, 2018

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

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

Governmental Funds: The general governmental functions are contained in the General and Capital Projects. The focus of the Village's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Village's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At May 31, 2018, the Village's governmental funds reported combined fund balances of \$6,747,387. Of the combined fund balances, \$419,260 constitutes *non-spendable fund balance*, \$1,829,845 is restricted, \$500,249 is assigned, and \$3,998,033 is unassigned.

The General Fund is the chief operating fund of the Village. At May 31, 2018, unassigned fund balance of the General Fund was \$4,714,577, while total fund balance reached \$7,452,106. As a measure of General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 50.9% of total fund expenditures, while total fund balance also represents 80.6% of that same amount.

Revenues for governmental functions totaled \$11,361,093 in fiscal year ended May 31, 2018, which represents an increase of 18.1% from fiscal year ended May 31, 2017.

VILLAGE OF HAMBURG, NEW YORK

Management’s Discussion and Analysis
For the Year Ended May 31, 2018

The following table presents the amount of revenues from various sources, as well as increases or decreases from the prior year:

Revenues Classified by Source - Governmental Funds

	<u>May 31, 2018</u>	<u>Percent of</u>	<u>May 31, 2017</u>	<u>Amount of</u>	<u>Percent of</u>
	<u>Amount</u>	<u>Total</u>	<u>Amount</u>	<u>Increase</u>	<u>Increase</u>
				<u>(Decrease)</u>	<u>(Decrease)</u>
Revenues:					
Real property taxes and tax items	\$ 6,837,193	60.18%	\$ 6,772,470	\$ 64,723	0.96%
Non-property tax items	1,490,674	13.12%	1,445,144	45,530	3.15%
Departmental income	600,277	5.28%	276,599	323,678	117.02%
Intergovernmental charges	208,004	1.83%	163,487	44,517	27.23%
Use of money and property	236,855	2.08%	208,017	28,838	13.86%
Licenses and permits	45,502	0.40%	6,092	39,410	646.91%
Fines and forfeitures	88,367	0.78%	98,801	(10,434)	-10.56%
Sale of property and compensation for loss	88,026	0.77%	63,101	24,925	39.50%
Miscellaneous	281,696	2.48%	62,855	218,841	348.17%
State aid	1,484,499	13.07%	522,781	961,718	183.96%
Total revenues	\$ 11,361,093	100.00%	\$ 9,619,347	\$ 1,741,746	

The following provides an explanation of revenues by source that changed significantly over the prior year:

Departmental income – the change was caused by an increase in charges for refuse and garbage due to the Village implementing a garbage tote program.

Licenses and permits – the change can be attributed to an increase in building permits during the year.

State aid – the notable increase from the prior year was due to the Village receiving more state aid in the current year for public safety, housing, and recycling.

VILLAGE OF HAMBURG, NEW YORK

Management’s Discussion and Analysis
For the Year Ended May 31, 2018

The following table presents expenditures, by function, compared to prior year amounts:

Expenditures by Function - Governmental Funds

	May 31, 2018	Percent of	May 31, 2017	Amount of	Percent of
	Amount	Total	Amount	Increase	Increase
				(Decrease)	(Decrease)
Expenditures:					
General governmental support	\$ 1,690,029	15.08%	\$ 1,773,320	\$ (83,291)	-4.70%
Public safety	1,881,637	16.79%	1,781,362	100,275	5.63%
Health	16,165	0.14%	13,293	2,872	21.61%
Transportation	1,417,188	12.64%	1,401,726	15,462	1.10%
Culture and recreation	1,427,881	12.74%	662,039	765,842	115.68%
Home and community services	1,382,988	12.34%	1,139,429	243,559	21.38%
Employee benefits	2,568,534	22.92%	2,410,415	158,119	6.56%
Debt service	823,591	7.35%	679,032	144,559	21.29%
Total expenditures	\$ 11,208,013	100.00%	\$ 9,860,616	\$ 1,347,397	

The following provides an explanation of the expenditures by function that changed significantly over the prior year:

Culture and recreation – the large change from the prior year was caused because of an increase in money spent on capital projects.

Home and community services – the change from the prior year was caused because of an increase in money spent on capital projects.

VILLAGE OF HAMBURG, NEW YORK

**Management's Discussion and Analysis
For the Year Ended May 31, 2018**

The current year excess of revenues over expenditures is presented below:

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

	<u>General</u>	<u>Sewer</u>	<u>Capital Projects</u>	<u>Total</u>
Revenues	\$ 10,793,678	\$ 14,560	\$ 552,855	\$ 11,361,093
Expenditures	<u>(9,252,048)</u>	<u>(116,142)</u>	<u>(1,839,823)</u>	<u>(11,208,013)</u>
Excess (deficiency) of revenues over expenditures	<u>1,541,630</u>	<u>(101,582)</u>	<u>(1,286,968)</u>	<u>153,080</u>
Other financing sources, net	<u>(848,363)</u>	<u>-</u>	<u>884,325</u>	<u>35,962</u>
Excess (deficiency) of revenues and other financing sources over expenditures	693,267	(101,582)	(402,643)	189,042
Fund Balance (Deficit) at June 1, 2017	<u>6,758,839</u>	<u>113,407</u>	<u>(313,901)</u>	<u>6,558,345</u>
Fund Balance (Deficit) at May 31, 2018	<u><u>\$ 7,452,106</u></u>	<u><u>\$ 11,825</u></u>	<u><u>\$ (716,544)</u></u>	<u><u>\$ 6,747,387</u></u>

Proprietary Funds: The Village's proprietary fund provides the same type of information found in the government-wide financial statements but in more detail.

VILLAGE OF HAMBURG, NEW YORK

**Management's Discussion and Analysis
For the Year Ended May 31, 2018**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Village's investment in capital assets for its governmental activities as of May 31, 2018, amounted to \$32,674,772 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings, equipment and fire trucks and vehicles.

All depreciable capital assets were depreciated under the straight-line method using the full-year convention.

Capital assets net of depreciation are presented below:

Summary of Village of Hamburg's Capital Assets (Net of Depreciation)

Land	\$ 1,774,805
Construction in progress	2,427,298
Buildings and Improvements	2,815,896
Machinery and Equipment	1,958,950
Infrastructure	<u>23,697,823</u>
Total	<u>\$ 32,674,772</u>

Additional information on the Village of Hamburg's capital assets can be found on page 52.

VILLAGE OF HAMBURG, NEW YORK

Management's Discussion and Analysis For the Year Ended May 31, 2018

Long-term Debt

As of May 31, 2018, the Village's long-term debt was composed of the following items:

Serial bonds	\$ 5,650,000
Compensated absences	1,058,995
Other post employment benefits	18,887,545
Net pension liability - state retirement	646,328
Net pension liability - LOSAP	<u>3,554,814</u>
Total long-term debt	<u>\$ 29,797,682</u>

During the year, the Village implemented GASB statement no. 75, *Accounting and Reporting for Postemployment Benefits Other Than Pensions*, and GASB statement no. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB statement 68*. These accounting standards resulted in the Village recognizing a larger OPEB liability on the Statement of Net Position and the recognition of a LOSAP liability on the statement of net position. As a component of implementation, both of these GASB statements required the Village to recognize deferred inflows and deferred outflows on their Statement of Net Position.

New York State statutes limit the amount of general obligation debt a governmental entity may issue to 7% of its five-year valuation. The current debt limitation for the Village is \$22,764,009, of which 18.33% is exhausted.

Additional information on the Village's long-term debt can be found on pages 48 through 50 of the Notes to the Financial Statements

Request for Information

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to: Village of Hamburg, 100 Main Street, Hamburg, New York 14075.

BASIC FINANCIAL STATEMENTS

VILLAGE OF HAMBURG, NEW YORK

Statement of Net Position
May 31, 2018

	<u>Governmental Activities</u>	<u>Business-type Activity</u>	<u>Total</u>
ASSETS AND DEFERRED OUTFLOWS			
Assets:			
Current assets:			
Cash and cash equivalents	\$ 9,875,999	\$ 5,289	\$ 9,881,288
Receivables (net of allowances for estimated uncollectables)	63,594	12,876	76,470
Due from other governments	806,697	-	806,697
Due from enterprise fund	163,535	-	163,535
Due from fiduciary fund	25	-	25
Prepaid expenses	419,260	-	419,260
Inventory	-	11,098	11,098
Capital assets:			
Land	1,774,805	-	1,774,805
Construction in progress	2,427,298	-	2,427,298
Other capital assets, net of depreciation	28,472,669	-	28,472,669
Total assets	<u>44,003,882</u>	<u>29,263</u>	<u>44,033,145</u>
Deferred outflows of resources:			
Pensions	1,494,312	-	1,494,312
LOSAP	288,032	-	288,032
Other post employment benefits	792,058	-	792,058
Total deferred outflows of resources	<u>2,574,402</u>	<u>-</u>	<u>2,574,402</u>
Total assets and deferred outflows	<u>\$ 46,578,284</u>	<u>\$ 29,263</u>	<u>\$ 46,607,547</u>

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

VILLAGE OF HAMBURG, NEW YORK

**Statement of Net Position
May 31, 2018**

	Governmental Activities	Business-type Activity	Total
LIABILITIES, DEFERRED INFLOWS AND NET POSITION			
Liabilities:			
Current liabilities:			
Accounts payable	\$ 401,203	\$ 20,226	\$ 421,429
Accrued interest	43,941	-	43,941
Due to governmental funds	-	163,535	163,535
Compensated absences - current portion	330,209	-	330,209
BANs payable	3,003,000	-	3,003,000
Long-term liabilities:			
Due within one year:			
Bonds payable	490,000	-	490,000
Due in more than one year:			
Bonds payable	5,160,000	-	5,160,000
Compensated absences	1,058,995	-	1,058,995
Other post employment benefits	18,887,545	-	18,887,545
Net pension liability - proportionate share	646,328	-	646,328
Net pension liability - LOSAP	3,554,814	-	3,554,814
Total liabilities	<u>33,576,035</u>	<u>183,761</u>	<u>33,759,796</u>
Deferred inflows of resources:			
Deferred revenues	847,311	-	847,311
Pensions	1,587,255	-	1,587,255
Total deferred inflows of resources	<u>2,434,566</u>	<u>-</u>	<u>2,434,566</u>
Net position:			
Net invested in capital assets	24,021,772	-	24,021,772
Restricted	1,829,845	-	1,829,845
Unrestricted	(15,283,934)	(154,498)	(15,438,432)
Total net position	<u>10,567,683</u>	<u>(154,498)</u>	<u>10,413,185</u>
Total liabilities, deferred inflows and net position	\$ 46,578,284	\$ 29,263	\$ 46,607,547

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

VILLAGE OF HAMBURG, NEW YORK

Statement of Activities
May 31, 2018

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activity	Total
Functions/Programs:							
Governmental activities:							
General government	\$ (2,522,200)	\$ 2,137	\$ -	\$ -	\$ (2,520,063)	\$ -	\$ (2,520,063)
Public safety	(3,628,435)	196,710	26,026	-	(3,405,699)	-	(3,405,699)
Health	(16,165)	-	-	-	(16,165)	-	(16,165)
Transportation	(1,968,467)	5,190	204,557	-	(1,758,720)	-	(1,758,720)
Culture and recreation	(1,002,927)	323,754	2,529	530,325	(146,319)	-	(146,319)
Home and community services	(1,139,066)	280,490	-	-	(858,576)	-	(858,576)
Unallocated interest	(170,102)	-	-	-	(170,102)	-	(170,102)
Total governmental activities	<u>(10,447,362)</u>	<u>808,281</u>	<u>233,112</u>	<u>530,325</u>	<u>(8,875,644)</u>	<u>-</u>	<u>(8,875,644)</u>
Business-type activity:							
Gas utility	(331,562)	292,954	-	-	-	(38,608)	(38,608)
Total primary government	<u>\$ (10,778,924)</u>	<u>\$ 1,101,235</u>	<u>\$ 233,112</u>	<u>\$ 530,325</u>	<u>(8,875,644)</u>	<u>(38,608)</u>	<u>(8,914,252)</u>
General revenues:							
Real property tax					6,674,468	-	6,674,468
Real property tax items					162,725	-	162,725
Non-property tax items					1,490,674	-	1,490,674
Licenses and permits					45,502	-	45,502
Fines and forfeitures					88,367	-	88,367
Use of money and property					236,855	9	236,864
Sale of property and compensation for loss					88,026	-	88,026
State aid					721,062	-	721,062
Miscellaneous					281,696	-	281,696
Transfers					(26,000)	26,000	-
Total general revenues					<u>9,763,375</u>	<u>26,009</u>	<u>9,789,384</u>
Change in net position					887,731	(12,599)	875,132
Total net position at beginning of year (restated)					<u>9,679,952</u>	<u>(141,899)</u>	<u>9,538,053</u>
Total net position at end of year					<u>\$ 10,567,683</u>	<u>\$ (154,498)</u>	<u>\$ 10,413,185</u>

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

VILLAGE OF HAMBURG, NEW YORK

Balance Sheet – Governmental Funds
May 31, 2018

	<u>General</u>	<u>Sewer</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 7,506,164	\$ 25,712	\$ 2,344,123	\$ 9,875,999
Accounts receivable	63,594	-	-	63,594
Due from other funds	190,926	-	26,407	217,333
Due from other governments	806,697	-	-	806,697
Prepaid expenditures	<u>419,260</u>	<u>-</u>	<u>-</u>	<u>419,260</u>
Total assets	<u>\$ 8,986,641</u>	<u>\$ 25,712</u>	<u>\$ 2,370,530</u>	<u>\$ 11,382,883</u>

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

VILLAGE OF HAMBURG, NEW YORK

Balance Sheet – Governmental Funds
May 31, 2018

	<u>General</u>	<u>Sewer</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 344,495	\$ -	\$ 56,708	\$ 401,203
Due to other funds	26,407	-	27,366	53,773
BANs payable	-	-	3,003,000	3,003,000
Compensated absences	330,209	-	-	330,209
Total liabilities	<u>701,111</u>	<u>-</u>	<u>3,087,074</u>	<u>3,788,185</u>
Deferred inflows of resources:				
Deferred revenues	<u>833,424</u>	<u>13,887</u>	<u>-</u>	<u>847,311</u>
Total deferred inflows of resources	<u>833,424</u>	<u>13,887</u>	<u>-</u>	<u>847,311</u>
Fund balances:				
Non-spendable	419,260	-	-	419,260
Restricted	1,829,813	32	-	1,829,845
Committed	-	-	-	-
Assigned	488,456	11,793	-	500,249
Unassigned	<u>4,714,577</u>	<u>-</u>	<u>(716,544)</u>	<u>3,998,033</u>
Total fund balances	<u>7,452,106</u>	<u>11,825</u>	<u>(716,544)</u>	<u>6,747,387</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 8,986,641</u>	<u>\$ 25,712</u>	<u>\$ 2,370,530</u>	<u>\$ 11,382,883</u>

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

VILLAGE OF HAMBURG, NEW YORK

Reconciliation of Governmental Funds to the
Statement of Net Position
For the Year Ended June 30, 2018

Total governmental fund balances	\$ 6,747,387
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not financial resources and are not reported in the funds.	
Capital assets	54,378,811
Accumulated depreciation	(21,704,039)
Deferred outflows of employee retirement system liability	679,828
Deferred outflows of police and fire retirement system liability	814,484
Deferred outflows of length of service awards program	288,032
Deferred outflows of other post employment benefits	792,058
Certain liabilities are not financial uses or are not due or payable in the current period and are not reported in the funds:	
Bonds payable	(5,650,000)
Compensated absences	(1,058,995)
Proportionate share of employee retirement system liability	(261,740)
Proportionate share of police and fire retirement system liability	(384,588)
Accrued post-employment benefit obligation	(18,887,545)
Length of service awards program liability	(3,554,814)
Accrued interest	(43,941)
Deferred inflows of employee retirement system liability	(834,437)
Deferred inflows of police and fire retirement system liability	(752,818)
Net position of governmental activities	<u>\$ 10,567,683</u>

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

VILLAGE OF HAMBURG, NEW YORK

GOVERNMENTAL FUNDS

Statement of Revenues, Expenditures and Changes in Fund Equity
May 31, 2018

	<u>General</u>	<u>Sewer</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues:				
Real property taxes	\$ 6,674,468	\$ -	\$ -	\$ 6,674,468
Other property tax items	162,725	-	-	162,725
Non-property tax items	1,490,674	-	-	1,490,674
Departmental income	600,277	-	-	600,277
Intergovernmental charges	193,630	14,374	-	208,004
Use of money and property	229,715	186	6,954	236,855
Licenses and permits	45,502	-	-	45,502
Fines and forfeitures	88,367	-	-	88,367
Sale of property and compensation for loss	88,026	-	-	88,026
Miscellaneous	267,620	-	14,076	281,696
State aid	952,674	-	531,825	1,484,499
Total revenues	<u>\$ 10,793,678</u>	<u>\$ 14,560</u>	<u>\$ 552,855</u>	<u>\$ 11,361,093</u>

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

VILLAGE OF HAMBURG, NEW YORK

GOVERNMENTAL FUNDS

Statement of Revenues, Expenditures and Changes in Fund Equity
May 31, 2018

	<u>General</u>	<u>Sewer</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Expenditures:				
Current:				
General government support	\$ 1,684,143	\$ 5,886	\$ -	\$ 1,690,029
Public safety	1,881,637	-	-	1,881,637
Health	16,165	-	-	16,165
Transportation	1,212,631	-	204,557	1,417,188
Culture and recreation	739,218	-	688,663	1,427,881
Home and community services	436,385	-	946,603	1,382,988
Employee benefits	2,568,534	-	-	2,568,534
Debt service - principal	575,000	70,000	-	645,000
Debt service - interest	138,335	40,256	-	178,591
Total expenditures	<u>9,252,048</u>	<u>116,142</u>	<u>1,839,823</u>	<u>11,208,013</u>
Excess (deficiency) of revenues over expenditures	<u>1,541,630</u>	<u>(101,582)</u>	<u>(1,286,968)</u>	<u>153,080</u>
Other sources and (uses):				
Transfers in	155,173	-	977,536	1,132,709
Transfers out	<u>(1,003,536)</u>	<u>-</u>	<u>(93,211)</u>	<u>(1,096,747)</u>
Total other sources and (uses)	<u>(848,363)</u>	<u>-</u>	<u>884,325</u>	<u>35,962</u>
Excess (deficiency) of revenues and other sources over expenditures and other (uses)	693,267	(101,582)	(402,643)	189,042
Fund balances (deficit) at beginning of year	<u>6,758,839</u>	<u>113,407</u>	<u>(313,901)</u>	<u>6,558,345</u>
Fund balances at end of year	<u>\$ 7,452,106</u>	<u>\$ 11,825</u>	<u>\$ (716,544)</u>	<u>\$ 6,747,387</u>

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

VILLAGE OF HAMBURG, NEW YORK

**Reconciliation of Governmental Fund Revenues, Expenditures, and
Change in Fund Balance to the Statement of Activities
For the Year Ended May 31, 2018**

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

Net change in fund balances total governmental funds.	\$	189,042
Governmental funds report all capital outlays as expenditures. However, in the statement of activities, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital assets increased in the current year.		1,972,086
Depreciation recorded on the statements of activities but not in the governmental funds.		(767,817)
Accrued interest is reported on the statement of activities but not in the governmental funds. This is the net change in accrued interest.		8,489
The payment of bond principal consumes the current financial resources of governmental funds: Payment of bond principal		645,000
The net change in compensated absences are recorded in the statement of activities but not in the statement of governmental funds.		62,291
Other post employment benefits increase deferred outflows, liabilities, and deferred inflows in the statement of activities, but not governmental funds:		
Change in deferred outflows		792,058
Change in net OPEB liability		(1,748,482)
The net change in long-term retirement payable are recorded in the statement of activities:		
Change in deferred outflows - employee retirement system		121,237
Change in deferred outflows - police and fire retirement system		131,761
Change in proportionate share of employee retirement liability		483,594
Change in proportionate share of police and fire retirement liability		325,918
Change in deferred inflows - employee retirement system		(712,052)
Change in deferred inflows - police and fire retirement system		(626,058)
The length of service program's deferred outflows, liability, and deferred inflows do not impact the governmental funds:		
Change in deferred outflows		288,032
Change in LOSAP liability		(277,368)
Change in net position of governmental activities	\$	<u>887,731</u>

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

VILLAGE OF HAMBURG, NEW YORK

Statement of Revenue, Expenditures, and Changes in Fund Balances
 General Fund – Budget and Actual
 For the Year Ended May 31, 2018

	General Fund		
	Budget	Actual	Variance
Revenues:			
Real property taxes	\$ 6,675,381	\$ 6,674,468	\$ (913)
Other property tax items	179,352	162,725	(16,627)
Non-property tax items	1,440,000	1,490,674	50,674
Departmental income	554,732	600,277	45,545
Intergovernmental charges	181,755	193,630	11,875
Use of money and property	156,934	229,715	72,781
Licenses and permits	44,615	45,502	887
Fines and forfeitures	95,000	88,367	(6,633)
Sale of property and compensation for loss	84,792	88,026	3,234
Miscellaneous	66,250	267,620	201,370
State aid	529,335	952,674	423,339
Total revenues	<u>\$ 10,008,146</u>	<u>\$ 10,793,678</u>	<u>\$ 785,532</u>

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

VILLAGE OF HAMBURG, NEW YORK

Statement of Revenue, Expenditures, and Changes in Fund Balances
 General Fund – Budget and Actual
 For the Year Ended May 31, 2018

	General Fund		
	Budget	Actual	Variance
Expenditures:			
Current:			
General government support	\$ 1,975,542	\$ 1,684,143	\$ (291,399)
Public safety	1,960,065	1,881,637	(78,428)
Health	19,350	16,165	(3,185)
Transportation	1,238,396	1,212,631	(25,765)
Culture and recreation	802,830	739,218	(63,612)
Home and community services	449,100	436,385	(12,715)
Employee benefits	2,602,160	2,568,534	(33,626)
Debt service - principal	483,820	575,000	91,180
Debt service - interest	106,661	138,335	31,674
Total expenditures	<u>9,637,924</u>	<u>9,252,048</u>	<u>(385,876)</u>
Excess (deficiency) of revenues over expenditures	<u>370,222</u>	<u>1,541,630</u>	<u>1,171,408</u>
Other sources and (uses):			
Transfers from other funds	-	155,173	155,173
Transfers to other funds	<u>(447,455)</u>	<u>(1,003,536)</u>	<u>(556,081)</u>
Total other sources and (uses)	<u>(447,455)</u>	<u>(848,363)</u>	<u>(400,908)</u>
Excess (deficiency) of revenues and other sources over expenditures and other (uses)	(77,233)	693,267	770,500
Fund balance at beginning of year	<u>6,758,839</u>	<u>6,758,839</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 6,681,606</u></u>	<u><u>\$ 7,452,106</u></u>	<u><u>\$ 770,500</u></u>

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

VILLAGE OF HAMBURG, NEW YORK
PROPRIETARY FUND – ENTERPRISE FUND

Statement of Net Position
May 31, 2018

	Business-type Activities
	Gas Utility
Assets:	
Current assets:	
Cash and cash equivalents	\$ 5,289
Accounts receivable	12,876
Inventory	11,098
Total assets	29,263
 Liabilities and net position:	
Current liabilities:	
Accounts payable	20,226
Due to other funds	163,535
Total liabilities	183,761
 Net position:	
Unrestricted	(154,498)
Total net position	(154,498)
Total liabilities and net position	\$ 29,263

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

VILLAGE OF HAMBURG, NEW YORK

PROPRIETARY FUND – ENTERPRISE FUND

Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended May 31, 2018

	<u>Business-type Activities</u>
	<u>Gas Utility</u>
Operating revenues:	
Sale of natural gas	\$ 292,954
Interest and earnings	9
Total operating revenues	<u>292,963</u>
Other revenue sources:	
Transfers in	<u>26,000</u>
Total revenue	<u>318,963</u>
Operating expenses:	
Natural gas distribution	<u>331,562</u>
Total operating income (loss)	<u>(12,599)</u>
Change in net position	(12,599)
Total net position at June 1, 2017	<u>(141,899)</u>
Total net position at May 31, 2018	<u><u>\$ (154,498)</u></u>

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

VILLAGE OF HAMBURG, NEW YORK
PROPRIETARY FUND – ENTERPRISE FUND

Statement of Cash Flow
For the Year Ended May 31, 2018

	Business-type Activities
	Gas Utility
Cash flows from operating activities:	
Receipts from customers and users	\$ 294,534
Interest earned	9
Transfers in	26,000
Payments to suppliers	(313,230)
Net cash from operating activities	7,313
Cash flows from financing activities:	
Distributions	(31,000)
Decrease in cash	(23,687)
Cash and cash equivalents at June 1, 2017	28,976
Cash and cash equivalents at May 31, 2018	\$ 5,289
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (12,599)
Adjustments to reconcile income to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Increase in accounts receivable	1,580
Decrease in inventory	(769)
Increase in accounts payable	19,101
Total adjustments	19,912
Net cash from operating activities	\$ 7,313

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

VILLAGE OF HAMBURG, NEW YORK

FIDUCIARY FUND

Statement of Fiduciary Net Position
May 31, 2018

	<u>Agency Fund</u>
Assets:	
Cash and cash equivalents	\$ 111,287
Total assets	<u><u>111,287</u></u>
Liabilities and net position:	
Liabilities:	
Accounts payable	4,774
Due to other funds	25
Employee withholding and temporary deposits	22,935
Other agency liabilities	<u>83,553</u>
Total liabilities	<u>111,287</u>
Net position:	
Net position	<u>-</u>
Total liabilities and net position	<u><u>\$ 111,287</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements May 31, 2018

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Village of Hamburg, New York (the “Village”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The more significant of the Village’s accounting policies are described below.

Financial Reporting Entity - The Village of Hamburg is governed by its Charter, the Village law and other general laws of the State of New York and various local laws. The Village Board is the legislative body responsible for overall operations, the Mayor serves as chief executive officer and the Village Clerk-Treasurer serves as chief fiscal officer.

The following basic services are provided: police and law enforcement, fire protection, highway, recreation and natural gas service.

All governmental activities and functions performed for the Village of Hamburg are its direct responsibility. No other component units have been included or excluded from the reporting entity.

Government-wide and Fund Financial Statements - The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effects of interfund activity have been removed from these statements. Government activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements May 31, 2018

Note 1 - Summary of Significant Accounting Policies (Cont.)

Fund Accounting - The accounts of the Village are organized on the basis of fund accounting, each of which is considered a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The various funds are summarized by type in the financial statements. Certain funds of the Village are utilized to account for resources derived from, and/or expenditures applicable to an area less than the entire Village. The following fund types are used:

Fund Categories

Governmental Funds - Governmental funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is upon determination of financial position and changes in financial position. The following are the Village's governmental fund types:

General Fund - the principal operating fund and includes all operations not required to be recorded in other funds.

Sewer Fund - This fund accounts for the revenues and expenditures derived from providing sanitary sewer services to Village residents.

Capital Projects Fund - used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Proprietary Fund - used to account for organizations or activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position and changes in financial position. The Village's proprietary fund is an enterprise fund used for its municipal natural gas system.

Fiduciary Funds - used to account for assets held by the local government in a trustee or custodial capacity:

Agency Fund - used to account for money (and/or property) received and held in the capacity of trustee, custodian or agent. These include private purpose trusts, permanent trusts and agency funds. The private purpose trust is accounted for in essentially the same manner as governmental funds. The permanent trust funds are proprietary in nature and use the accrual basis of accounting. The agency funds are custodial in nature (i.e., assets equal liabilities) and do not involve measurement of results of operations.

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements May 31, 2018

Note 1 - Summary of Significant Accounting Policies (Cont.)

Measurement Focus, Basis of Accounting and Financial Statement Presentation - Measurement focus is the determination of what is expressed in reporting an entity's financial performance and position, (i.e., expenditures or expenses). A particular measurement focus is accomplished both by considering what resources will be measured and the basis of accounting.

Basis of accounting refers to when revenues and expenditures/expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured, i.e., expenditures or expenses

Accrual Basis - Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Modified Accrual Basis - All governmental funds are accounted for using the modified accrual basis of accounting. Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities for the current period. Material revenues that are accrued include real property taxes, state and federal aid, sales tax and certain user charges. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made.

Expenditures are recorded when incurred except when:

- a) Expenditures for prepaid expenses and inventory-type items are recognized at the time of purchase.
- b) Principal and interest on long-term debt are not recognized as expenditure until due.
- c) Compensated absences, such as vacation and sick leave, which vests or accumulates, are charged as an expenditure when paid.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements May 31, 2018

Note 1 - Summary of Significant Accounting Policies (Cont.)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont.)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Property taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Village reports the following major governmental funds:

General Fund - the principal operating fund and includes all operations not required to be recorded in other funds.

Sewer Fund – this fund accounts for the revenues and expenditures derived from providing sanitary sewer services to Village residents.

Capital Projects Fund - used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Additionally, the Village reports the following fiduciary fund type that is used to account for assets held by the Village in a custodial capacity:

Agency Fund - used to account for money and property received and held in the capacity of custodian or agent. The Agency Fund is custodial in nature and does not involve measurement of results and operations. Agency funds, such as payroll withholdings, are reported as liabilities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. General revenues are those that cannot be associated directly with program activities.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements May 31, 2018

Note 1 - Summary of Significant Accounting Policies (Cont.)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont.)

Property Taxes - Village property taxes are levied annually by June 1. The Village tax rate is based on the amount per \$1,000 assessed valuation. Taxes may be paid without penalties on or before June 1 through July 1. Interest of 7.5% is added if paid between July 2 and July 31. An additional 1.5% is added for each month thereafter.

The Village receives the full amount of their levies annually. The uncollected portion of the tax roll is sent to the Erie County Commissioner of Finance at which time all unpaid taxes and penalties are relieved onto the town/county tax bill. The County enforces all liens.

Budgetary Data

Budget Policies - The budget policies are as follows:

- a) No later than March 31 the budget officer submits a tentative budget to the Village Board for the fiscal year commencing the following June 1. The tentative budget includes proposed expenditures and the proposed means of financing for all funds except the Capital Projects Fund.
- b) After public hearings are conducted to obtain taxpayer comments, no later than May 1, the Village Board adopts the budget.
- c) All modifications of the budget must be approved by the Village Board.
- d) Budgetary controls are established for the Capital Projects Fund through resolutions authorizing individual projects, which remain in effect for the life of the projects.
- e) Budgetary controls are established by applicable grant agreements, which cover a period other than the Village's fiscal year.

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements May 31, 2018

Note 1 - Summary of Significant Accounting Policies (Cont.)

Budgetary Data

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

Budget Basis of Accounting - Budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

General Fund comparisons of budgetary and actual data at the legal level of budgetary control, i.e. the object level, are not presented in this report due to the excessive detail involved. However, a separate budgetary comparison report is available which contains this information.

Insurance - The Village purchases insurance covering liability for most risks including, but not limited to, property damage, general liability, vehicle liability, workers' compensation and excess liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred, the amount of loss can be reasonably estimated and the estimated amount of loss exceeds insurance coverage.

Vacation and Sick Leave and Compensated Absences - Most Village employees are granted vacation, personal and sick leave and earn compensatory time in varying amounts. Employees may accumulate compensated absences and sick leave. Sick leave may accumulate up to a maximum of 300 days and are considered additional service time for those employees who retire. Some employees hired after June 1, 2010 may accumulate a maximum of 450 days which they can use to pay their cost of continuing their health insurance coverage upon retirement.

Post Employment Benefits - Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Village provides health care benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured on or before the fifteenth (15th) day of the month prior to the actual month covered. There is no associated cost to the Village under this program.

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements May 31, 2018

Note 1 - Summary of Significant Accounting Policies (Cont.)

Pensions - Nearly all Village employees are members of various New York State retirement systems. The Village is invoiced annually by the systems for its share of the costs.

Capitalized Interest - The Village generally capitalizes interest during construction as part of the cost of constructing capital projects when material.

Statement of Cash Flows - For the purposes of the statement of cash flows, the proprietary fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Inventory - Inventory type items are stated at cost.

Capital Assets - Capital assets, which include property, plant, equipment and infrastructure assets (e.g., streets and water lines), are reported in the governmental activities column on the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost equal to or greater than \$20,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated cost if purchased or constructed after 1980. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives is not capitalized. Property, plant and equipment are depreciated using the straight-line method over the estimated useful lives as follows:

Building and Building Improvements	15-40 years
Machinery and Equipment	3-25 years
Transportation Network	20-100 years
Water Treatment and Distribution Network	20-100 years

When capital assets are retired, or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period in the government-wide statements. Amortization of capital leases is computed using the straight-line method over the lease term or the estimated useful lives of the assets, whichever is shorter. Maintenance and repairs are charged to expense as incurred; significant renewals and betterments are capitalized.

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements May 31, 2018

Note 1 - Summary of Significant Accounting Policies (Cont.)

Restrictions, Reserves and Designations - The government-wide fund financial statements utilize a net position presentation: capital assets (net of related debt), restricted and unrestricted.

Net position is categorized as invested in:

Net Investment in Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This category represents net position of the Village not restricted for any project or other purpose.

Non-Spendable – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or law or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General Fund are classified as restricted fund balance.

Committed - Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Village's highest level of decision making authority, ie., the Board of Trustees.

Assigned - Included amounts that are constrained by the Village's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as Assigned Fund Balance.

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

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2018

Note 2 - Detail Notes on All Funds

Assets

Cash and Investments - The Village investment policies are governed by state statutes. In addition, the Village also has its own written investment policy.

Village monies must be deposited in FDIC-insured commercial banks or trust companies located within the state. The Clerk Treasurer is authorized to use demand accounts and certificates of deposit.

Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit at 102-105% of the amount of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and school districts.

For purposes of reporting cash flow, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and near their maturity. The Statutory Basis Statement of Cash Flows uses the indirect method of reporting cash flows.

Deposits and investments at year-end were entirely covered by federal depository insurance or by collateral held by the Village's custodial bank in the Village's name. They consisted of:

Deposits - All deposits including certificates of deposit are carried at cost plus accrued interest.

	Bank Balance
Cash on Hand	\$ -
Insured (FDIC)	500,000
Collateralized:	
Collateral Held by Bank's Agent in Village's Name	<u>7,833,528</u>
Total Deposits	<u>\$ 8,333,528</u>

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2018

Note 2 - Detail Notes on All Funds (Cont.)

Accounts Receivable - Major revenues accrued by the Village at May 31, 2018 include the following:

General Fund	
Franchise fees	\$ 30,000
Other miscellaneous receivables	18,351
NYSEG	7,904
National Fuel Gas	<u>7,339</u>
Total	<u><u>\$ 63,594</u></u>

Due From Other Governments - Major other government revenues accrued by the Village at May 31, 2018 include the following:

General Fund	
Erie County - Sales Tax	\$ 265,000
NYS Housing Grant	225,000
Recycling Grant	111,019
Mortgage Tax	45,639
Creekbend Shelter rents	40,000
DOT Grant	37,500
Other Grant	30,000
CHIPS	26,407
Other Grants and Revenues	<u>26,132</u>
Total	<u><u>\$ 806,697</u></u>

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2018

Note 2 - Detail Notes on All Funds (Cont.)

Interfund Activity

	Interfund		Interfund Transfers	
	Receivables	Payables	Transfer in	Transfers out
General Fund	\$ 190,926	\$ 26,407	\$ 155,173	\$ 1,003,536
Enterprise Fund	-	163,535	26,000	-
Sewer Fund	-	-	-	-
Capital Projects Fund	26,407	27,366	977,536	93,211
Trust & Agency Fund	-	25	-	61,962
Total	\$ 217,333	\$ 217,333	\$ 1,158,709	\$ 1,158,709

All interfund loans are expected to be repaid within one year.

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2018

Note 2 - Detail Notes on All Funds (Cont.)

Liabilities

Pension Plans

The Village of Hamburg participates in the New York State and Local Employees' Retirement System (ERS) and the New York State Local Police and Fire Retirement System (PFRS). These are cost-sharing multiple-employer retirement systems. The system provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the system. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Village of Hamburg also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information which regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.pho or obtained by writing to the New York State and Local retirement system, 110 State Street Albany, NY 12244.

Contributions

The system is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS) who generally contribute 3 percent of their salary for the entire length of service. Under the authority of the NYSRSSL, the comptroller annually certifies the actuarially determined rates expressly used in computing the employers; contribution based salaries paid during the Systems' fiscal year ending March 31. Contribution for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

	<u>ERS</u>	<u>PFRS</u>
2018	\$ 327,232	\$ 307,708
2017	317,027	299,679
2016	388,648	289,530

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2018

Note 2 - Detail Notes on All Funds (Cont.)

Pension Liabilities, Pension Expenses and Deferred Outflows of resources and deferred Inflows of Resourced Related to Pensions

At May 31, 2018, the Village of Hamburg reported a liability of \$646,328 for its proportionate share of the pension liability (\$261,740 ERS, \$384,588 PFRS). The net pension liability was measured as of March 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Village of Hamburg’s proportion of the net pension liability was based on a projection of the Village of Hamburg’s long-term share of contributions to the pension plan relative to the projected contribution of all participating members, actuarially determined.

At May 31, 2018, the Village of Hamburg’s proportion was .046 percent, which was a decrease of .004 from its proportion measured March 31, 2017.

For the year ended May 31, 2018, the Village of Hamburg recognized pension expense of \$706,551. At May 31, 2018, the village reported deferred outflows of resources and deferred inflows of resources related to pension from the following resources:

	<u>ERS</u>		<u>PFRS</u>	
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual experience	\$ 93,354	\$ 77,144	\$ 158,293	\$ 102,194
Changes of assumptions	173,555	-	291,395	-
Net difference between projected and actual earnings on pension plan investments	380,157	750,391	311,279	626,899
Changes in proportion and differences between Village contributions and proportionate share of contributions	29,971	6,902	51,153	23,725
Village contributions subsequent to the measurement date	<u>2,791</u>	<u>-</u>	<u>2,364</u>	<u>-</u>
Total	<u>\$ 679,828</u>	<u>\$ 834,437</u>	<u>\$ 814,484</u>	<u>\$ 752,818</u>

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2018

Note 2 - Detail Notes on All Funds (Cont.)

Net amount of the Village's balances of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended May 31,	ERS	PFRS
2019	65,901	91,618
2020	50,043	82,827
2021	(188,608)	(78,004)
2022	(84,736)	(53,545)
2023	-	16,406
Thereafter	-	-

Actuarial Assumptions

The total pension liability at March 31, 2018 was determined by using an actuarial valuation as of April 1, 2017. The actuarial valuation used the following actuarial assumptions:

	ERS	PFRS
Inflation rate	2.5%	2.5%
Salary increases	3.8%	4.5%
Investment rate of return	7.0%	7.0%
Cost-of-living adjustments	1.3%	1.3%

Annuitant mortality rates are based on April 1, 2010- March 31, 2015 System experience with adjustments for mortality improvement based on the Society of Actuaries' Scale MP-2014. The actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2018

Note 2 - Detail Notes on All Funds (Cont.)

Actuarial Assumptions (cont.)

The long term expected rate of return on pension plan investments was determined using a building block method which is best estimates ranges of best estimate future real rates of return (expected returns nets of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2018 are summarized below:

<u>Asset Type</u>	<u>Long term Expected Real Rate</u>
Domestic Equity	4.55%
International Equity	6.35%
Real Estate	5.55%
Bonds and mortgages	1.31%

Discount Rate

The discount used to calculate the total ERS and PFRS liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at the statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods projected benefit payments to determine the total pension liability.

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2018

Note 2 - Detail Notes on All Funds (Cont.)

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the Village of Hamburg's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the Village of Hamburg's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentagepoint lower (6.0 percent) or 1-percentagepoint higher (8.0 percent) than the current rate:

Village's proportionate share of the net pension liability:	1% Decrease <u>(6.0%)</u>	Current Assumption <u>(7.0%)</u>	1% Increase <u>(8.0%)</u>
ERS	\$ 1,980,396	\$ 261,740	\$ (1,192,174)
PFRS	<u>1,883,817</u>	<u>384,588</u>	<u>(872,913)</u>
Total	<u>\$ 3,864,213</u>	<u>\$ 646,328</u>	<u>\$ (2,065,087)</u>

Pension Plan Fiduciary Net Position

The components of the current-year net position liability of the employers participating in the System as of March 31, 2018, were as follows:

	(Dollars in thousands)		
	Employees' Retirement System	Police and Fire Retirement System	Total
Employers' total pension liability	\$ 183,400,590	\$ 32,914,423	\$ 216,315,013
Fiduciary net position	<u>180,173,145</u>	<u>31,903,666</u>	<u>212,076,811</u>
Employers' net pension liability	<u>\$ 3,227,445</u>	<u>\$ 1,010,757</u>	<u>\$ 4,238,202</u>
Ration of fiduciary net position to the employers' total pension liability	98.24%	96.93%	98.04%

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2018

Note 2 - Detail Notes on All Funds (Cont.)

Long-term Debt - At May 31, 2018, the total outstanding bond indebtedness of the Village aggregated \$5,650,000. Of this amount, \$4,173,000 was subject to the constitutional debt limit and represented approximately 18.33% of its debt limit.

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 local government. The provision to be made in 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.

Long-term liabilities - The following is a summary of changes in long-term liabilities for the year ended May 31, 2018:

	Balance			Balance
	June 1, 2017	Additions	Deletions	May 31, 2018
Serial bonds	\$ 6,295,000	\$ -	\$ (645,000)	\$ 5,650,000
Compensated absences	1,121,286	-	(62,291)	1,058,995
Other post employment benefits	17,139,063	1,748,482	-	18,887,545
Net pension liability:				
ERS	745,334	-	(483,594)	261,740
PFRS	710,506	-	(325,918)	384,588
Net pension liability - LOSAP	<u>3,277,446</u>	<u>277,368</u>	<u>-</u>	<u>3,554,814</u>
Long-term liabilities	<u>\$ 29,288,635</u>	<u>\$ 2,025,850</u>	<u>\$ (1,516,803)</u>	<u>\$ 29,797,682</u>

VILLAGE OF HAMBURG, NEW YORK

**Notes to the Financial Statements
May 31, 2018**

Note 2 - Detail Notes on All Funds (Cont.)

Long-term Maturity Schedule - The following is a statement of serial bonds with corresponding maturity schedules.

<u>Description by Fund</u>	<u>Original Date Issued</u>	<u>Original Amount</u>	<u>Rate</u>	<u>Date of Final Maturity</u>	<u>Outstanding</u>
General Fund:					
Public Improvements 2003	7/15/03	\$ 1,905,000	3.50-3.60	7/15/20	\$ 220,000
Public Improvements 2010	2/1/10	3,255,000	2.5-4.00	2/1/28	1,700,000
Roads 2013	7/18/13	2,015,000	2.25-3.50	7/15/27	1,445,000
Sewer 2014	7/2/14	2,576,468	1.82-4.30	5/1/44	2,285,000
Total					<u>\$ 5,650,000</u>

The following table summarizes the Village's future debt service requirements as of May 31, 2018:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 490,000	\$ 150,987
2020	500,000	139,573
2021	395,000	127,895
2022	400,000	119,974
2023	405,000	106,555
2024 - 2028	1,925,000	324,442
2029 - 2033	420,000	140,699
2034 - 2038	475,000	97,759
2039 - 2043	525,000	46,529
2044 - 2048	115,000	2,468
	<u>\$ 5,650,000</u>	<u>\$ 1,256,881</u>

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2018

Note 2 - Detail Notes on All Funds (Cont.)

Other Long-term Debt - In addition to the above long-term debt the Village had the following noncurrent liabilities:

Compensated Absences - represents the value of earned and unused portion of the liability for compensated absences. At May 31, 2018, the balance is \$1,058,995 (\$1,121,286 for 2017).

Other Postemployment Benefits – represents postemployment benefits other than pension benefits. This includes health insurance provided to employees after their retirement date. At May 31, 2018, the balance is \$18,887,545 (\$17,139,063 for 2017).

Net Pension Liability – ERS & PFRS – represents the difference between the total pension liability (the projected benefit payments to employees based on their past service) and the pension assets reserved to pay current employees, retirees, and applicable beneficiaries. The total net pension liability at May 31, 2018 was \$646,328 (\$1,455,840 at May 31, 2017)

Net Pension Liability – LOSAP - represents the difference between the total pension liability (the projected benefit payments to volunteers based on their past service) and the pension assets reserved to pay current and retired volunteers. The total net pension liability at May 31, 2018 was \$3,554,814 (\$3,277,446 at May 31, 2017)

Short-term Debt

Bond Anticipation Notes - Notes issued in anticipation of proceeds from the subsequent sale of bonds are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of the bonds. Such notes may be classified as part of Long-term Debt when (1) the intention is to refinance the debt on a long-term basis and (2) the intention can be substantiated through a post balance sheet issuance of a long-term debt or by an acceptable financing agreement. State law requires that bond anticipation notes issued for capital purposes be converted to long-term financing within five years after the original issue date. The outstanding balance for bond anticipation notes at May 31, 2018 amounted to \$3,003,000.

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2018

Note 2 - Detail Notes on All Funds (Cont.)

Fund Equity

Non-Spendable Fund Balances are as follows:

General Fund - Prepaid Expenditures \$ 419,260

Restricted Fund Balances are as follows:

<u>Fund</u>	<u>Balances</u>
General Fund:	
Capital reserve	\$ 1,068,602
Debt service	520,280
Insurance reserve	<u>240,931</u>
Total General Fund	<u>1,829,813</u>
Sewer Fund:	
Fund balance	<u>32</u>
Total General Fund	<u>32</u>
Total Restricted Fund Balance	<u>\$ 1,829,845</u>

Assigned Fund Balances are as follows:

<u>Fund</u>	<u>Balances</u>
General Fund:	
Reserve for encumbrances	\$ 279,456
Designated fund balance	<u>209,000</u>
Total General Fund	<u>488,456</u>
Sewer Fund:	
Fund Balance	<u>11,793</u>
Total Sewer Fund	<u>11,793</u>
Total Assigned Fund Balance	<u>\$ 500,249</u>

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2018

Note 2 - Detail Notes on All Funds (Cont.)

Fund Equity (continued)

Negative Unassigned Fund Balance – Fund balance in the Capital Projects Fund was negative by \$716,544 for the year ended May 31, 2018. This was due to an increase in expenditures attributable to an increase in the number of active projects undertaken by the Village during the year.

Note 3 - Capital Assets

Capital asset activity for the year ended May 31, 2018 is as follows:

	<u>Balance June 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance May 31, 2018</u>
Capital assets, not being depreciated:				
Land	\$ 1,774,805	\$ -	\$ -	\$ 1,774,805
Construction in Progress	1,454,598	1,933,034	(960,334)	2,427,298
Total Capital Assets, not being depreciated	<u>\$ 3,229,403</u>	<u>\$ 1,933,034</u>	<u>\$ (960,334)</u>	<u>\$ 4,202,103</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 4,185,654	\$ -	\$ -	\$ 4,185,654
Machinery and equipment	5,188,286	947,733	-	6,136,019
Infrastructure	39,803,381	51,654	-	39,855,035
Total Capital Assets, being depreciated	<u>49,177,321</u>	<u>999,387</u>	<u>-</u>	<u>50,176,708</u>
Less: Accumulated depreciation for:				
Buildings and improvements	1,327,677	42,081	-	1,369,758
Machinery and equipment	3,997,823	179,246	-	4,177,069
Infrastructure	15,610,721	546,491	-	16,157,212
Total accumulated depreciation	<u>20,936,221</u>	<u>767,818</u>	<u>-</u>	<u>21,704,039</u>
Total Capital Assets, being depreciated, net	<u>\$ 28,241,100</u>	<u>\$ 231,569</u>	<u>\$ -</u>	<u>\$ 28,472,669</u>

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements May 31, 2018

Note 4 - Commitments and Contingencies

The Village receives financial assistance from numerous federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed expenditures resulting from such audits could become a liability of the governmental funds.

Note 5 - Defined Benefit Volunteer Firefighter Service Award Program (LOSAP – GASB 73)

Plan description

The Village established a defined benefit Service Award Program (referred to as a “LOSAP” – Length of Service Award Program – under Section 457(e)(11) of the Internal Revenue Code” effective January 1, 1993 for the active volunteer firefighter members of the Village of Hamburg Volunteer Fire Department, Inc. The Program was established pursuant to Article 11-A of the New York State General Municipal Law. The Program provides municipally funded deferred compensation to volunteer firefighters to facilitate the recruitment and retention of active volunteer firefighters. The Village is the sponsor of the Program and the Program administrator.

An eligible Program Participant is defined to be an active volunteer firefighter who is at least 18 years of age and has earned one year of Service Award Program Service Credit. An active volunteer firefighter earns a year of Service Credit for each calendar year after the establishment of the Program in which he or she accumulates 50 points. Points are granted for the performance of certain firefighter activities in accordance with a system established by the Sponsor on the basis of a statutory list of activities and point values. A Participant may also receive Service Credit for five years of active volunteer firefighting service rendered prior to the establishment of the Program.

Participants acquire a non-forfeitable right to be paid a Service Award after earning five years of Service Credit, becoming totally and permanently disabled, dying while an active volunteer or upon attaining the Program’s Entitlement Age while an active volunteer. The Program’s Entitlement Age is 62, and is the age at which benefits begin to be paid to Participants.

Benefits provided

A Participant’s Service Award benefit is paid as a ten-year certain and continuous monthly payment life annuity. The amount payable each month equals \$20.00 multiplied by the total number of years of Service Credit earned by the Participant. The maximum number of years of Service Credit a Participant may earn under the Program is 40 years. Currently, there are no other forms of payment of a volunteer’s earned Service Award under the Program.

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2018

Note 5 - Defined Benefit Volunteer Firefighter Service Award Program (LOSAP – GASB 73) (cont.)

Benefits provided (continued)

Except in the case of pre-Entitlement Age death or total and permanent disablement, a Participant's Service Award will not be paid until he or she attains the Entitlement Age. Volunteers who are active after attaining the Entitlement Age and who may have commenced receiving a Service Award have the opportunity to earn Service Credit and, thereby, increase their Service Award payments. The pre-Entitlement Age death and disability benefit is equal to the actuarial value of the Participant's earned Service Award at the time of death or disablement. The Program does not provide extra line-of-duty death or disability benefits. All death and disability benefits are self-insured and are paid from the Program Trust Fund.

Participants covered by the benefit terms – At the December 31, 2017 measurement date, the following participants were covered by the benefit terms:

Inactive participants currently receiving benefit payments	37
Inactive participants entitled to but not currently receiving benefit payments	22
Active participants	<u>45</u>
Total	104

Contributions – New York State Municipal Law 219(d) requires the Village to contribute an actuarially determined contribution on an annual basis. The actuarially determined contribution shall be appropriated annually by the Village.

Trust Assets – Although assets have been accumulated in an irrevocable trust such that the assets are dedicated to providing pensions to plan members in accordance with benefit terms, the trust assets are not legally protected from creditors of the Village. As such, the trust assets do not meet the criteria in paragraph 4 of GASB Statement No. 73.

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2018

Note 5 - Defined Benefit Volunteer Firefighter Service Award Program (LOSAP – GASB 73) (cont.)

Measurement of the Total Pension Liability

The total pension liability at the December 31, 2017 measurement date was determined using an actuarial valuation as of that date.

Actuarial Assumptions – The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Salary Scale:	None assumed

Mortality rates were based on the RP-2017 Male Mortality Table without projection for mortality improvement.

Discount Rate – The discount rate used to measure the total pension liability was 3.16%. This was the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017. In describing this index, S&P Dow Jones Indices notes that the index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years and with a rating of at least Aa2 by Moody’s Investors Service’s, AA by Fitch, or AA by Standard & Poor’s Rating Services.

Changes in the Total Pension Liability

Balance as of 12/31/2016 measurement date	\$ 3,277,446
Service cost	50,765
Interest	120,776
Changes of assumptions and other inputs	244,187
Differences between expected and actual experience	7,200
Benefit payments	<u>(145,560)</u>
Net changes	<u>277,368</u>
Balance as of 12/31/2017 measurement date	<u>\$ 3,554,814</u>

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2018

Note 5 - Defined Benefit Volunteer Firefighter Service Award Program (LOSAP – GASB 73) (cont.)

Changes in the Total Pension Liability (cont.)

Sensitivity of the Total Pension Liability to changes in the discount rate – The following presents the total pension liability of the Village as of the December 31, 2017 measurement date, calculated using the discount rate of 3.16 percent, as well as what the Village’s total pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.16 percent) or 1-percentage point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
Total pension liability	<u>\$ 4,076,910</u>	<u>\$ 3,554,814</u>	<u>\$ 3,129,912</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended May 31, 2018, the Village recognized pension expense of \$212,361.

Components of Pension Expense

Service cost	\$ 50,765
Interest on total pension liability	120,775
Changes of assumptions or other inputs	30,147
Differences between expected and actual experience	889
Pension plan administrative expenses	<u>9,785</u>
Total pension expense	<u>\$ 212,361</u>

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2018

Note 5 - Defined Benefit Volunteer Firefighter Service Award Program (LOSAP – GASB 73) (cont.)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

At May 31, 2018, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,311	\$ -
Changes of assumptions of other inputs	214,040	-
Benefit payments and administrative expenses subsequent to the measurement date	<u>67,681</u>	<u>-</u>
Total	<u>\$ 288,032</u>	<u>\$ -</u>

\$67,681 reported as deferred outflows of resources related to pensions resulting from Village transactions subsequent to the measurement date will be recognized as a reduction of the total pension liability in the year ended May 31, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended May 31:	
2019	\$ 31,035
2020	31,035
2021	31,035
2022	31,035
2023	31,035
Thereafter	65,174

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2018

Note 6 - Other Postemployment Benefits (GASB 75)

Plan Description

The Village's defined benefit OPEB plan provides OPEB for all permanent full-time employees of the Village. The plan is a single-employer defined benefit OPEB plan administered by the Village. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the Village Trustees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. The OPEB plan is currently unfunded.

Benefits provided – The Village provides healthcare benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the Village offices and are available upon request.

Employees covered by the benefit terms – At May 31, 2018, the following employees were covered by the benefit terms:

Active not eligible to retire	38
Active and eligible to retire	15
Retired and surviving spouses	39
Retiree spouses covered	<u>24</u>
Total employees	<u><u>116</u></u>

Total OPEB Liability

The Village's total OPEB liability of \$18,887,545 was measured as of February 28, 2018 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs – The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.72%
Long term bond rate	3.72%
Salary increases	3.37%
Healthcare cost trend rates	6.20% decreasing to 4.23%

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2018

Note 6 - Other Postemployment Benefits (GASB 75) (cont.)

Actuarial assumptions and other inputs (continued)

The discount rate reflects a blending of the investment rate of return and the long-term bond rate using expected benefit plan benefit payments.

The long-term bond rate is based on the Fidelity Municipal Go AA 20-Year Bond rate as of the measurement date.

The salary scale reflects the rate at which payroll amounts are expected to increase over time.

Mortality Rates were based on RPH-2014 Mortality Tables, fully generational using scale MP-2018.

Changes in the Total OPEB Liability

Balance at May 31, 2017	<u>\$ 17,139,063</u>
Changes for the year:	
Service cost	136,160
Interest	630,246
Changes in benefit terms	-
Differences between expected and actual experience	1,438,937
Changes in assumptions or other inputs	145,180
Benefit payments	<u>(602,041)</u>
Net changes	<u>1,748,482</u>
Balance at May 31, 2018	<u>\$ 18,887,545</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.78 percent in 2017 to 3.72 percent in 2018.

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2018

Note 6 - Other Postemployment Benefits (GASB 75) (cont.)

Sensitivity to the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the Village, as well as what the Village’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.72 percent) or 1 percentage point higher (4.72 percent) than the current discount rate:

	<u>1% Decrease (2.72%)</u>	<u>Discount Rate (3.72%)</u>	<u>1% Increase (4.72%)</u>
Total OPEB liability	\$ 22,134,105	\$ 18,887,545	\$ 16,321,060

Sensitivity to the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the Village, as well as what the Village’s total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (5.20 percent) or 1 percentage point higher (7.20 percent) than the current healthcare cost trend rate:

	<u>1% Decrease (5.20% Decreasing to 3.23%)</u>	<u>Healthcare Cost Trend Rates (6.20% Decreasing to 4.23%)</u>	<u>1% Increase (7.20% Decreasing to 5.23%)</u>
Total OPEB liability	\$ 15,883,212	\$ 18,887,545	\$ 22,814,052

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2018

Note 6 - Other Postemployment Benefits (GASB 75) (cont.)

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

The OPEB expense reflects the costs to the OPEB plan incurred during the year, which is summarized as follows:

Calculation of the OPEB Expense:	
Service cost	\$ 136,160
Interest cost	630,246
Changes of benefit terms	-
Amortization of differences between expected and actual experience	719,469
Amortization of changes of assumptions or other inputs	72,590
Total OPEB expense	<u><u>\$ 1,558,465</u></u>

At May 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 719,468	\$ -
Changes of assumptions or other inputs	72,590	-
	<u><u>\$ 792,058</u></u>	<u><u>\$ -</u></u>

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2018

Note 6 - Other Postemployment Benefits (GASB 75) (cont.)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending May 31,	Amount
2019	\$ 792,058
2020	-
2021	-
2022	-
2023	-
Thereafter	-
	<u>\$ 792,058</u>

Note 7 – Restatement of Beginning Net Position (GASB 75 and GASB 73)

For the year ended May 31, 2018, the Village implemented GASB Statement no. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* and GASB Statement no.73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*. Beginning Net Position on the Government Wide Financial Statements is required to be restated when implementing both of these GASB Statements. The Village’s Net Position was restated from \$25,765,340 to \$9,679,952 due to the recognition of a larger liability related to OPEB for previous reporting periods (\$12,807,942 restatement amount) and the recognition of a liability related to LOSAP (\$3,277,446 restatement amount). These liabilities were based on actuarial valuations performed to comply with GASB requirements for the fiscal year end.

Note 8 - Subsequent Events

The Village has evaluated events and transactions for potential recognition or disclosure in the financial statements through December 31, 2018, the date the financial statements were available to be issued.

* * * * *

**Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards***

Honorable Village Board
Village of Hamburg
Hamburg, New York

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Village of Hamburg, as of and for the year ended May 31, 2018, and the related notes to the financial statements, which collectively comprise the Village of Hamburg's basic financial statements, and have issued our report thereon dated December 31, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village of Hamburg's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Hamburg's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Hamburg's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Internal Control Over Financial Reporting (cont.)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Amato, Fox & Company, P.C.

Amato, Fox & Company, P.C.
Tonawanda, New York
December 31, 2018

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF HAMBURG, NEW YORK

**Schedule of the Village's Proportionate Share of
the Net Pension Liability**

**NYSLRS Pension Plan
May 31, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Village's proportion of the net pension liability (asset)	0.0462%	0.0422%	0.0435%
Village's proportionate share of the net pension liability (asset)	646,328	1,455,840	2,365,329
Village's covered-employee payroll	3,890,318	3,742,103	3,742,103
Village's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	16.61%	38.90%	63.21%

See Independent Auditor's Report.

VILLAGE OF HAMBURG, NEW YORK

Schedule of Village's Contributions

**NYSLRS Pension Plan
May 31, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	634,490	616,706	678,178
Contributions in relation to the contractually required contribution	634,490	616,706	678,178
Contribution deficiency (excess)	-	-	-
Village's covered-employee payroll	3,890,318	3,742,103	3,742,103
Contributions as a percentage of covered-employee payroll	16.31%	16.48%	18.12%

See Independent Auditor's Report.

VILLAGE OF HAMBURG, NEW YORK

Schedule of Changes in the Village's Total Pension Liability -
Length of Service Awards Program (LOSAP)
May 31, 2018

Measurement date as of December 31,	<u>2017</u>
Total Pension Liability	
Service cost	\$ 50,765
Interest	120,776
Changes of assumptions or other inputs	244,187
Differences between expected and actual experience	7,200
Benefit payments	<u>(145,560)</u>
Net change in total pension liability	277,368
Total pension liability - beginning	<u>3,277,446</u>
Total pension liability - ending	<u><u>\$ 3,554,814</u></u>
Covered-employee payroll	3,890,318
Total pension liability as a percentage of covered employee payroll	91.38%

See Independent Auditor's Report.

VILLAGE OF HAMBURG, NEW YORK

Schedule of Changes in the Village's Total OPEB Liability
May 31, 2018

	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 136,160
Interest	630,246
Changes of benefit terms	-
Differences between expected and actual experience	1,438,937
Changes in assumptions or other inputs	145,180
Expected benefit payments	<u>(602,041)</u>
Net change in total OPEB liability	1,748,482
Total OPEB liability - beginning	<u>17,139,063</u>
Total OPEB liability - ending	<u>\$ 18,887,545</u>
Covered employee payroll	3,890,318
Total OPEB liability as a percentage of covered-employee payroll	485.50%

See Independent Auditor's Report.