

Amato, Fox & Company, PC

Village of Hamburg, New York

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

**FOR THE YEAR ENDED
MAY 31, 2016**

**Amato
Fox**

Certified Public Accountants

VILLAGE OF HAMBURG, NEW YORK

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

YEAR ENDED MAY 31, 2016

VILLAGE OF HAMBURG, NEW YORK

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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, 2016, 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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, 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, 2016, 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 September 8, 2016 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 PC

Tonawanda, New York

September 8, 2016

VILLAGE OF HAMBURG, NEW YORK

Management's Discussion and Analysis For the Year Ended May 31, 2016

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, 2016. 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 2016 fiscal year by \$25,476,460 (net position). Of this amount, \$1,995,466 is restricted for specific purpose (restricted net position), (\$1,038,897) is unrestricted, and \$24,519,891 is invested in capital assets, net of related debt.
- The government's total net position decreased by \$176,825.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$3,888,376 or 59.6% of total general fund balance. The amount of \$195,695 is designated for subsequent year's expenditures within the 2017 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, 2016

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, 2016

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 65 of this report.

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the Village, assets exceeded liabilities by \$25,476,460 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, 2016**

Summary of Village of Hamburg's Net Position

	Governmental		Business Type		Total	
	Activities		Activities			
	<u>May 31, 2016</u>	<u>May 31, 2015</u>	<u>May 31, 2016</u>	<u>May 31, 2015</u>	<u>May 31, 2016</u>	<u>May 31, 2015</u>
Current and other assets	\$ 8,179,402	\$ 7,783,252	\$ 71,889	\$ 66,188	\$ 8,251,291	\$ 7,849,440
Capital assets	<u>31,309,891</u>	<u>31,420,154</u>	<u>-</u>	<u>-</u>	<u>31,309,891</u>	<u>31,420,154</u>
Total assets	<u>39,489,293</u>	<u>39,203,406</u>	<u>71,889</u>	<u>66,188</u>	<u>39,561,182</u>	<u>39,269,594</u>
Deferred outflows of resources	<u>1,996,717</u>	<u>141,156</u>	<u>-</u>	<u>-</u>	<u>1,996,717</u>	<u>141,156</u>
Long-term liabilities	14,756,428	12,124,526	-	-	14,756,428	12,124,526
Other liabilities	<u>775,741</u>	<u>711,561</u>	<u>234,717</u>	<u>233,116</u>	<u>1,010,458</u>	<u>944,677</u>
Total Liabilities	<u>15,532,169</u>	<u>12,836,087</u>	<u>234,717</u>	<u>233,116</u>	<u>15,766,886</u>	<u>13,069,203</u>
Deferred inflows of resources	<u>314,553</u>	<u>688,262</u>	<u>-</u>	<u>-</u>	<u>314,553</u>	<u>688,262</u>
Net Position:						
Net investments in capital assets	24,519,891	18,358,530	-	-	24,519,891	18,358,530
Restricted	2,378,135	2,245,854	-	-	2,378,135	2,245,854
Unrestricted	<u>(1,258,738)</u>	<u>5,215,829</u>	<u>(162,828)</u>	<u>(166,928)</u>	<u>(1,421,566)</u>	<u>5,048,901</u>
Total Net Position	<u>\$ 25,639,288</u>	<u>\$ 25,820,213</u>	<u>\$ (162,828)</u>	<u>\$ (166,928)</u>	<u>\$ 25,476,460</u>	<u>\$ 25,653,285</u>

VILLAGE OF HAMBURG, NEW YORK

Management's Discussion and Analysis For the Year Ended May 31, 2016

The largest portion of the Village's net position of \$24,519,891 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 \$1,995,466 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 of (\$1,038,897).

Government-wide activities decreased the Village's net position by \$176,825. Governmental activities decreased net position by \$180,925 and business-type activities increased net position by \$4,100.

VILLAGE OF HAMBURG, NEW YORK

**Management's Discussion and Analysis
For the Year Ended May 31, 2016**

The following table indicates the changes in net position:

Summary of Village of Hamburg's Changes in Net Position

Revenues:	Governmental		Business Type		Total	
	Activities		Activities			
	<u>May 31, 2016</u>	<u>May 31, 2015</u>	<u>May 31, 2016</u>	<u>May 31, 2015</u>	<u>May 31, 2016</u>	<u>May 31, 2015</u>
Program revenues:						
Charges for services	\$ 547,156	\$ 765,451	\$ 166,138	\$ 352,046	\$ 713,294	\$ 1,117,497
Operating grants and contributions	279,707	963,876	-	-	279,707	963,876
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	6,605,780	6,473,855	-	-	6,605,780	6,473,855
Real property tax items	153,408	147,761	-	-	153,408	147,761
Non-property tax items	1,465,254	1,430,517	-	-	1,465,254	1,430,517
Use of money and property	214,399	212,227	15	10	214,414	212,237
Sale of property and compensation for loss	102,831	93,800	-	-	102,831	93,800
State Aid	304,023	190,396	-	-	304,023	190,396
Miscellaneous	76,349	248,895	-	-	76,349	248,895
Total revenues	<u>9,748,907</u>	<u>10,526,778</u>	<u>166,153</u>	<u>352,056</u>	<u>9,915,060</u>	<u>10,878,834</u>

VILLAGE OF HAMBURG, NEW YORK

**Management's Discussion and Analysis
For the Year Ended May 31, 2016**

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

	Governmental Activities		Business Type Activities		Total	
	<u>May 31, 2016</u>	<u>May 31, 2015</u>	<u>May 31, 2016</u>	<u>May 31, 2015</u>	<u>May 31, 2016</u>	<u>May 31, 2015</u>
Expenses:						
General government support	\$ 2,085,354	\$ 1,864,288	\$ -	\$ -	\$ 2,085,354	\$ 1,864,288
Public safety	3,314,547	2,870,338	-	-	3,314,547	2,870,338
Health	12,944	11,699	-	-	12,944	11,699
Transportation	1,962,670	2,050,350	-	-	1,962,670	2,050,350
Culture and Recreation	1,042,412	984,106	-	-	1,042,412	984,106
Home and community services	1,320,915	744,364	162,053	528,374	1,482,968	1,272,738
Unallocated Interest	190,991	222,061	-	-	190,991	222,061
Total expenses	<u>9,929,833</u>	<u>8,747,206</u>	<u>162,053</u>	<u>528,374</u>	<u>10,091,886</u>	<u>9,275,580</u>
 Change in net position	 (180,925)	 1,779,572	 4,100	 (43,574)	 (176,825)	 1,735,998
 Net position -Beginning (Restated)	 <u>25,820,213</u>	 <u>24,548,167</u>	 <u>(166,928)</u>	 <u>(105,291)</u>	 <u>25,653,285</u>	 <u>24,442,876</u>
 Net position - ending	 <u>\$ 25,639,288</u>	 <u>\$ 26,327,739</u>	 <u>\$ (162,828)</u>	 <u>\$ (148,865)</u>	 <u>\$ 25,476,460</u>	 <u>\$ 26,178,874</u>

VILLAGE OF HAMBURG, NEW YORK

Management's Discussion and Analysis For the Year Ended May 31, 2016

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, 2016, the Village's governmental funds reported combined fund balances of \$6,825,114. Of the combined fund balances, \$382,669 constitutes *non-spendable fund balance*, \$1,995,467 is restricted, \$3,976,021 is unassigned, and \$470,957 is assigned.

The General Fund is the chief operating fund of the Village. At May 31, 2016, unassigned fund balance of the General Fund was \$3,888,376, while total fund balance reached \$6,522,779. 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 44.6% of total fund expenditures, while total fund balance also represents 74.8% of that same amount.

Revenues for governmental functions totaled \$9,748,907 in fiscal year ended May 31, 2016, which represents a decrease of 7.4% from fiscal year ended May 31, 2015.

VILLAGE OF HAMBURG, NEW YORK

**Management's Discussion and Analysis
For the Year Ended May 31, 2016**

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

	2016	Percent of	2015	Amount of	Percent of
	Amount	Total	Amount	Increase	Increase
				(Decrease)	(Decrease)
Revenues:					
Real property taxes and tax items	\$ 6,759,188	69.33%	\$ 6,621,616	\$ 137,572	2.08%
Non-property tax items	1,465,254	15.03%	1,430,517	34,737	2.43%
Departmental Income	277,781	2.85%	496,648	(218,867)	-44.07%
Intergovernmental charges	161,277	1.65%	159,111	2,166	1.36%
Use of money and property	214,399	2.20%	212,227	2,172	1.02%
Licenses and permits	5,718	0.06%	3,771	1,947	51.63%
Fines and forfeitures	102,380	1.05%	105,921	(3,541)	-3.34%
Sale of property and compensation for loss	102,831	1.05%	93,800	9,031	9.63%
Miscellaneous	76,349	0.78%	248,895	(172,546)	-69.32%
State Aid	548,748	5.63%	653,533	(104,785)	-16.03%
Federal Aid	34,982	0.36%	500,739	(465,757)	0.00%
Total Revenues	\$ 9,748,907	100.00%	\$ 10,526,778	\$ (777,871)	

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

Real Property Taxes and Tax Items - The \$137,572 increase was primarily due to an increase in the 2015-2016 tax levy.

Miscellaneous - The \$172,546 decrease was due to Capital Project revenues in 2014-2015 that were not applicable in 2016.

Federal and State Aid - The decrease was due to winter storm relief needed in 2014-2015 that was not applicable in 2016.

Departmental Income – The decrease was due to Sewer Fund income recorded as an interfund transfer.

VILLAGE OF HAMBURG, NEW YORK

Management's Discussion and Analysis
For the Year Ended May 31, 2016

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

Expenditures by Function
Governmental Funds

	2016	Percent of	2015	Amount of	Percent of
	Amount	Total	Amount	Increase	Increase
	(Decrease)	(Decrease)			
Expenditures:					
General governmental support	\$ 1,566,989	16.60%	\$ 1,415,217	\$ 151,772	10.72%
Public safety	1,966,669	20.84%	1,817,809	148,860	8.19%
Health	12,944	0.14%	11,699	1,245	10.64%
Transportation	1,398,720	14.82%	1,821,404	(422,684)	-23.21%
Culture and recreation	635,451	6.73%	631,137	4,314	0.68%
Home and community services	806,755	8.55%	767,496	39,259	5.12%
Employee benefits	2,367,518	25.09%	2,530,829	(163,311)	-6.45%
Debt service	681,944	7.23%	884,462	(202,518)	-22.90%
Total Expenditures	\$ 9,436,990	100.00%	\$ 9,880,053	\$ (443,063)	

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

Transportation - The \$422,684 decrease was primarily due to a decrease in expenditures from the prior year's road paving projects.

Public Safety - The \$148,860 increase was due to an increase in disaster preparedness expenditures.

General Governmental Support – The \$151,772 increase was due to engineering and consulting fees related to capital projects.

Employee Benefits – The \$163,311 decrease was due to decreases in retirement system and medical insurance expenditures.

VILLAGE OF HAMBURG, NEW YORK

Management's Discussion and Analysis
For the Year Ended May 31, 2016

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	\$ 9,721,387	\$ 27,447	\$ 73	\$ 9,748,907
Expenditures	<u>8,714,747</u>	<u>119,044</u>	<u>603,199</u>	<u>9,436,990</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,006,640</u>	<u>(91,597)</u>	<u>(603,126)</u>	<u>311,917</u>
Other Financing Sources, Net	<u>(695,467)</u>	<u>305,211</u>	<u>390,256</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures	311,173	213,614	(212,870)	311,917
Fund Balance (Deficit) at June 1, 2015	<u>6,211,606</u>	<u>1,076</u>	<u>300,515</u>	<u>6,513,197</u>
Fund Balance (Deficit) at May 31, 2016	<u><u>\$ 6,522,779</u></u>	<u><u>\$ 214,690</u></u>	<u><u>\$ 87,645</u></u>	<u><u>\$ 6,825,114</u></u>

VILLAGE OF HAMBURG, NEW YORK

Management's Discussion and Analysis For the Year Ended May 31, 2016

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Village's investment in capital assets for its governmental activities as of May 31, 2016, amounted to \$31,309,891 (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	672,485
Buildings and Improvements	2,900,057
Machinery and Equipment	1,223,393
Infrastructure	<u>24,739,151</u>
Total	<u>\$ 31,309,891</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, 2016

Long-term Debt

At May 31, 2016, the Village had total long-term debt outstanding of \$11,656,497 as compared to \$11,823,854 in the prior year. The amount is comprised of serial bonds, retirement loans and compensated absences. During the year retirement of debt amounted to \$534,334 and additions to debt during the fiscal year amounted to \$366,977. 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 \$22,809,309, of which 7.40% is exhausted.

Additional information on the Village's long-term debt can be found on pages 46 through 48 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, 2016

<u>ASSETS AND DEFERRED OUTFLOWS</u>	<u>Governmental Activities</u>	<u>Business-type Activity</u> <u>Gas Utility</u>	<u>Total</u>
Assets:			
Current Assets:			
Cash and Cash Equivalents	\$ 7,005,340	\$ 49,760	\$ 7,055,100
Receivables (Net of Allowances for Estimated Uncollectables)	19,919	10,750	30,669
Receivable from Gas Utility	224,035	-	224,035
Due from Other Governments	547,440	-	547,440
Prepaid Expenses	382,669	-	382,669
Inventory	-	11,379	11,379
Capital Assets:			
Land	1,774,805	-	1,774,805
Construction in Progress	672,485	-	672,485
Other Capital Assets, Net of Depreciation	<u>28,862,601</u>	<u>-</u>	<u>28,862,601</u>
Total Assets	<u>\$ 39,489,294</u>	<u>\$ 71,889</u>	<u>\$ 39,561,183</u>
Deferred Outflows of Resources:			
Pensions	<u>1,996,717</u>	<u>-</u>	<u>1,996,717</u>
Total Assets and Deferred Outflows	<u>\$ 41,486,011</u>	<u>\$ 71,889</u>	<u>\$ 41,557,900</u>

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

VILLAGE OF HAMBURG, NEW YORK

Statement of Net Position

May 31, 2016

<u>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</u>	<u>Governmental Activities</u>	<u>Business-type Activity Gas Utility</u>	<u>Total</u>
Liabilities:			
Current Liabilities:			
Accounts Payable	\$ 212,962	\$ 10,682	\$ 223,644
Accrued Interest	58,640	-	58,640
Payable to Governmental Activities	-	224,035	224,035
Accrued Post-Employment Benefit Obligation	463,000	-	463,000
Long-term Liabilities:			
Due within One Year	495,000	-	495,000
Due in more than One Year	11,161,497	-	11,161,497
Net Pension Liability - Proportionate Share	2,365,329	-	2,365,329
Total Liabilities	<u>14,756,428</u>	<u>234,717</u>	<u>14,991,145</u>
Deferred Inflows of Resources:			
Deferred Revenues:	775,741	-	775,741
Pensions	314,553	-	314,553
	<u>1,090,294</u>	<u>-</u>	<u>1,090,294</u>
Net Position:			
Net Invested in Capital Assets	24,519,891	-	24,519,891
Restricted for:			
Insurance	234,317	-	234,317
Debt	749,285	-	749,285
Capital Improvements	1,011,864	-	1,011,864
Unrestricted	(876,069)	(162,828)	(1,038,897)
Total Net Position	<u>25,639,288</u>	<u>(162,828)</u>	<u>25,476,460</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 41,486,010</u>	<u>\$ 71,889</u>	<u>\$ 41,557,899</u>

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

VILLAGE OF HAMBURG, NEW YORK

Statement of Activities
For the Year Ended May 31, 2016

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activity	
Functions/Programs:							
Governmental Activities:							
General Government	\$ 2,085,354	\$ 118,068	\$ -	\$ -	\$ (1,967,286)	\$ -	\$ (1,967,286)
Public Safety	3,314,547	161,277	8,736	-	(3,144,534)	-	(3,144,534)
Health	12,944	-	-	-	(12,944)	-	(12,944)
Transportation	1,962,670	-	236,041	-	(1,726,629)	-	(1,726,629)
Culture and Recreation	1,042,412	240,531	2,529	-	(799,352)	-	(799,352)
Home and Community Services	1,320,915	27,280	-	-	(1,293,635)	-	(1,293,635)
Economic Assistance	-	-	32,401	-	32,401	-	32,401
Unallocated Interest	190,991	-	-	-	(190,991)	-	(190,991)
Total Governmental Activities	9,929,832	547,156	279,707	-	(9,102,969)	-	(9,102,969)
Business-type activity:							
Gas Utility	162,053	166,138	-	-	-	4,085	4,085
Total Primary Government	<u>\$ 10,091,885</u>	<u>\$ 713,294</u>	<u>\$ 279,707</u>	<u>\$ -</u>	<u>(9,102,969)</u>	<u>4,085</u>	<u>(9,098,884)</u>
General Revenues:							
Real Property Tax					6,605,780	-	6,605,780
Sales Tax					1,206,359	-	1,206,359
Gross Utility Tax					73,288	-	73,288
Franchise Tax					185,607	-	185,607
Real Property Tax Items					153,408	-	153,408
Use of Money and Property					214,399	15	214,414
Sale of Property and Compensation for Loss					102,831	-	102,831
State Aid					304,023	-	304,023
Miscellaneous					76,349	-	76,349
Total General Revenues					8,922,044	15	8,922,059
Change in Net Position					(180,925)	4,100	(176,825)
Total Net Position at Beginning of Year					25,820,213	(166,928)	25,653,285
Total Net Position at End of Year					<u>\$ 25,639,288</u>	<u>\$ (162,828)</u>	<u>\$ 25,476,460</u>

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

VILLAGE OF HAMBURG, NEW YORK

GOVERNMENTAL FUNDS

Balance Sheet
May 31, 2016

	<u>General</u>	<u>Sewer</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash	\$ 6,687,865	\$ 229,825	\$ 87,650	\$ 7,005,340
Accounts Receivable	19,919	-	-	19,919
Due from Other Funds	224,040	-	-	224,040
Due from Other Governments	547,440	-	-	547,440
Prepaid Expenditures	<u>382,669</u>	<u>-</u>	<u>-</u>	<u>382,669</u>
Total Assets	<u>\$ 7,861,933</u>	<u>\$ 229,825</u>	<u>\$ 87,650</u>	<u>\$ 8,179,408</u>

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

VILLAGE OF HAMBURG, NEW YORK

GOVERNMENTAL FUNDS

Balance Sheet
May 31, 2016

	<u>General</u>	<u>Sewer</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 212,962	\$ -	\$ -	\$ 212,962
Bond Anticipation Note Payable	-	-	-	-
Due to Other Funds	-	-	5	5
Compensated Absences	365,586	-	-	365,586
Total Liabilities	<u>578,548</u>	<u>-</u>	<u>5</u>	<u>578,553</u>
Deferred Inflows of Resources:				
Deferred Revenues	760,606	15,135	-	775,741
Total Deferred Inflows of Resources	<u>760,606</u>	<u>15,135</u>	<u>-</u>	<u>775,741</u>
Fund Balances:				
Non-spendable	382,669	-	-	382,669
Restricted	1,791,941	203,526	-	1,995,467
Committed	-	-	-	-
Assigned	459,793	11,164	-	470,957
Unassigned	3,888,376	-	87,645	3,976,021
Total Fund Balances	<u>6,522,779</u>	<u>214,690</u>	<u>87,645</u>	<u>6,825,114</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 7,861,933</u>	<u>\$ 229,825</u>	<u>\$ 87,650</u>	<u>\$ 8,179,408</u>

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

VILLAGE OF HAMBURG, NEW YORK

**Reconciliation of Statement of Net Position
To Governmental Fund Balance
May 31, 2016**

	Governmental <u>Activities</u>
Total Governmental Fund Balances	\$ 6,825,114
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets are not financial resources and therefore are not reported in the funds.	
Capital Assets	51,482,184
Accumulated Depreciation	(20,172,294)
Deferred Outflows of ERS Liability	1,042,702
Deferred Outflows of Police and Fire Liability	954,015
Certain liabilities are not financial uses or are not due or payable in the current period and therefore are not reported in the funds:	
Accrued Interest	(58,640)
Accrued Post-Employment Benefit Obligation	(3,907,045)
Bonds Payable	(6,790,000)
Compensated Absences	(1,056,866)
Long-Term Retirement Payable	-
Proportionate share of ERS Liability	(1,318,517)
Proportionate share of Police and Fire Liability	(1,046,812)
Deferred Inflows of ERS	(156,288)
Deferred Inflows of Police and Fire	(158,265)
	<u>25,639,288</u>
Net Position of Governmental Activities	<u>\$ 25,639,288</u>

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

VILLAGE OF HAMBURG, NEW YORK

GOVERNMENTAL FUNDS

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended May 31, 2016

	<u>General</u>	<u>Sewer</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues:				
Real Property Taxes	\$ 6,605,780	\$ -	\$ -	\$ 6,605,780
Other Property Tax Items	153,408	-	-	153,408
Non-property Tax Items	1,465,254	-	-	1,465,254
Departmental Income	250,501	27,280	-	277,781
Intergovernmental Charges	161,277	-	-	161,277
Use of Money and Property	214,159	167	73	214,399
Licenses and Permits	5,718	-	-	5,718
Fines and Forfeitures	102,380	-	-	102,380
Sale of Property and Compensation for Loss	102,831	-	-	102,831
Miscellaneous	76,349	-	-	76,349
State Aid	548,748	-	-	548,748
Federal Aid	34,982	-	-	34,982
Total Revenues	<u>9,721,387</u>	<u>27,447</u>	<u>73</u>	<u>9,748,907</u>

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

VILLAGE OF HAMBURG, NEW YORK

GOVERNMENTAL FUNDS

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended May 31, 2016

	<u>General</u>	<u>Sewer</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Expenditures:				
Current:				
General Government Support	\$ 1,560,005	\$ 6,984	\$ -	\$ 1,566,989
Public Safety	1,966,669	-	-	1,966,669
Health	12,944	-	-	12,944
Transportation	1,193,862	-	204,858	1,398,720
Culture and Recreation	612,218	-	23,233	635,451
Home and Community Services	431,647	-	375,108	806,755
Employee Benefits	2,367,518	-	-	2,367,518
Debt Service - Principal	415,000	71,468	-	486,468
Debt Service - Interest	154,884	40,592	-	195,476
Total Expenditures	<u>8,714,747</u>	<u>119,044</u>	<u>603,199</u>	<u>9,436,990</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,006,640</u>	<u>(91,597)</u>	<u>(603,126)</u>	<u>311,917</u>
Other Sources and (Uses):				
BANS Redeemed from Appropriations	-	-	-	-
Issued Serial Bonds	-	-	-	-
Transfers from Other Funds	3,808	305,211	395,764	704,783
Transfers to Other Funds	(699,275)	-	(5,508)	(704,783)
Total Other Sources and (Uses)	<u>(695,467)</u>	<u>305,211</u>	<u>390,256</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	311,173	213,614	(212,870)	311,917
Fund Balances (Deficit) at Beginning of Year	<u>6,211,606</u>	<u>1,076</u>	<u>300,515</u>	<u>6,513,197</u>
Fund Balances at End of Year	<u>\$ 6,522,779</u>	<u>\$ 214,690</u>	<u>\$ 87,645</u>	<u>\$ 6,825,114</u>

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

VILLAGE OF HAMBURG, NEW YORK

Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended May 31, 2016

	<u>Governmental Activities</u>
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Net change in fund balances total governmental funds.	\$ 311,917
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.	654,305
Depreciation recorded on the statements of activities but not in the statement for governmental funds.	(764,569)
Accrued interest is reported on the statement of activities but but not the governmental funds. This is the net change in accrued interest.	4,485
Accrued post-employment benefit obligation liability increases expenditures in the statement of activities, but not to governmental funds. This is the amount by which accrued post-employment benefit liability adjustment exceeds the contribution.	(424,076)
The issuance on bonds provides current financial resources to governmental funds, while the payment of the principal consumes the current financial resources of governmental funds:	
Issuance of Bonds	-
Payment of Bond Principal	486,468
Payment of BAN Principal	-
The net change in compensated absences are recorded in the statement of activities but not in the statement of governmental funds	(1,391)
The net change in long-term retirement payable are recorded in the statement of activities but not in the statement for governmental funds	8,942
Change in deferred outflows - ERS	979,122
Change in deferred outflows - PFRS	876,439
Change in Proportionate Share of ERS Liability	(1,043,839)
Change in Porportionate Share of PFRS Liability	(954,175)
Change in deferred inflows - ERS	(156,288)
Change in deferred inflows - PFRS	<u>(158,265)</u>
Change in Net Position of Governmental Activities	<u>\$ (180,925)</u>

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

VILLAGE OF HAMBURG, NEW YORK

GENERAL FUND

Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended May 31, 2016

	General Fund		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Real Property Taxes	\$ 6,605,991	\$ 6,605,780	\$ (211)
Other Tax Items	150,005	153,408	3,403
Non Property Tax Items	1,445,000	1,465,254	20,254
Departmental Income	298,488	250,501	(47,987)
Intergovernmental Charges	160,686	161,277	-
Use of Money and Property	213,295	214,159	864
Licenses and Permits	5,645	5,718	73
Fines and Forfeitures	96,000	102,380	6,380
Sale of Property and Compensation for Loss	12,580	102,831	90,251
Miscellaneous	24,000	76,349	52,349
State Aid	334,930	548,748	213,818
Federal Aid	-	34,982	34,982
Total Revenues	<u>9,346,620</u>	<u>9,721,387</u>	<u>374,176</u>

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

VILLAGE OF HAMBURG, NEW YORK

GENERAL FUND

**Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended May 31, 2016**

	General Fund		
	Budget	Actual	Variance
Expenditures:			
Current:			
General Government Support	\$ 1,793,258	\$ 1,560,005	\$ (233,253)
Public Safety	1,849,156	1,966,669	117,513
Health	16,800	12,944	(3,856)
Transportation	1,248,420	1,193,862	(54,558)
Culture and Recreation	646,303	612,218	(34,085)
Home and Community Services	466,009	431,647	(34,362)
Employee Benefits	2,723,407	2,367,518	(355,889)
Debt Service - Principal	569,885	415,000	(154,885)
Debt Service - Interest	232,766	154,884	(77,882)
Total Expenditures	<u>9,546,004</u>	<u>8,714,747</u>	<u>(831,257)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(199,384)</u>	<u>1,006,640</u>	<u>1,205,433</u>
Other Sources and (Uses):			
Transfers from Other Funds	-	3,808	3,808
Transfers to Other Funds	(232,766)	(699,275)	(466,509)
Total Other Sources and (Uses)	<u>(232,766)</u>	<u>(695,467)</u>	<u>(462,701)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	<u>(432,150)</u>	<u>311,173</u>	<u>743,323</u>
Fund Balance at Beginning of Year	<u>6,211,606</u>	<u>6,211,606</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 5,779,456</u>	<u>\$ 6,522,779</u>	<u>\$ 743,323</u>

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

VILLAGE OF HAMBURG, NEW YORK
PROPRIETARY FUND TYPES - ENTERPRISE FUND

Statement of Net Position
May 31, 2016

	<u>Gas Utility</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 49,760
Accounts receivable	10,750
Inventory	<u>11,379</u>
Total Assets	<u><u>\$ 71,889</u></u>
 Liabilities and Net Position:	
Current liabilities:	
Accounts payable	\$ 10,682
Due to other funds	<u>224,035</u>
Total Liabilities	<u>234,717</u>
 Net Position:	
Unrestricted	<u>(162,828)</u>
Total Net Position	<u><u>(162,828)</u></u>
 Total Liabilities and Net Position	<u><u>\$ 71,889</u></u>

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

VILLAGE OF HAMBURG, NEW YORK

PROPRIETARY FUND TYPES - ENTERPRISE FUND

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended May 31, 2016

	<u>Gas Utility</u>
Operating Revenues:	
Sale of Natural Gas	\$ 166,138
Interest and Earnings	15
	<hr/>
Total Operating Revenues	166,153
	<hr/>
Operating Expenses:	
Natural Gas Distribution	162,053
	<hr/>
Total Operating Income (Loss)	4,100
	<hr/>
Change in Net Position	4,100
	<hr/>
Total Net Position at June 1, 2015	(166,928)
	<hr/>
Total Net Position at May 31, 2016	\$ (162,828)
	<hr/> <hr/>

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

VILLAGE OF HAMBURG, NEW YORK

PROPRIETARY FUND TYPES - ENTERPRISE FUND

Statement of Cash Flows
For the Year Ended May 31, 2016

	<u>Business-type Activities</u>
	<u>Gas Utility</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 168,618
Interest earned	15
Payments to suppliers	<u>(165,552)</u>
Net cash from operating activities	<u>3,081</u>
Cash flows from financing activities:	
Distributions	<u>-</u>
Increase in cash	3,081
Cash and cash equivalents at June 1, 2015	<u>46,679</u>
Cash and cash equivalents at May 31, 2016	<u>\$ 49,760</u>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 4,100
Adjustments to reconcile income to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Decrease in accounts receivable	2,480
Decrease in inventory	(5,100)
Decrease in accounts payable	<u>1,601</u>
Total adjustments	<u>(1,019)</u>
Net cash used by operating activities	<u>\$ 3,081</u>

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

VILLAGE OF HAMBURG, NEW YORK

FIDUCIARY FUND

Statement of Fiduciary Net Position
May 31, 2016

	<u>Agency Fund</u>
Assets:	
Cash and Cash Equivalents	\$ <u>277,714</u>
Total Assets	\$ <u><u>277,714</u></u>
Liabilities and Net Position:	
Liabilities:	
Accounts Payable	\$ 990
Employee Withholding and Temporary Deposits	117,458
Due to Other Funds	-
Other Agency Liabilities	<u>159,266</u>
Total Liabilities	<u>277,714</u>
Net Position:	
Net Position	<u>-</u>
Total Liabilities and Net Position	\$ <u><u>277,714</u></u>

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

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements May 31, 2016

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, 2016

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, 2016

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, 2016

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, 2016

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, 2016

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.

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements May 31, 2016

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

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.

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.

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2016

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

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, 2016

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 Common Council.

Assigned - Included amounts that are constrained by the Village's intent to be used for specific purposes, but are neither restricted or committed. All encumbrances of the General Fund are classified as Assigned Fund Balance in the General fund.

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, 2016

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.

VILLAGE OF HAMBURG, NEW YORK

**Notes to the Financial Statements
May 31, 2016**

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

Cash and Investments (Cont.)

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	Carrying Amount
Cash on Hand	\$ -	\$ 1,150
Insured (FDIC)	500,000	500,000
Collateralized:		
Collateral Held by Bank's Agent in Village's Name	7,108,755	6,831,663
Total Deposits	\$ 7,608,755	\$ 7,332,813

Accounts Receivable - Major revenues accrued by the Village at May 31, 2016 include the following:

General Fund

National Fuel Gas	\$ 6,442
NYSEG	6,500
Worker's Compensation	6,500
Other Receivables	477
Total	\$ 19,919

VILLAGE OF HAMBURG, NEW YORK

**Notes to the Financial Statements
May 31, 2016**

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

Due From Other Governments - Major other government revenues accrued by the Village at May 31, 2016 include the following:

General Fund

Erie County - Sales Tax	\$ 268,397
Creekbend	42,301
Healthy Neighborhood	12,175
Fines and Fees	6,787
Storm Relief	<u>217,780</u>
Total	<u><u>\$ 547,440</u></u>

Interfund Activity

	Interfund		Interfund	
	Receivables	Payables	Revenues	Expenditures
General Fund	\$ 224,040	\$ -	\$ 3,808	\$ 699,275
Sewer Fund	-	-	305,211	-
Enterprise Fund	-	224,035	-	-
Capital Projects	<u>-</u>	<u>5</u>	<u>395,764</u>	<u>5,508</u>
Total	<u><u>\$ 224,040</u></u>	<u><u>\$ 224,040</u></u>	<u><u>\$ 704,783</u></u>	<u><u>\$ 704,783</u></u>

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2016

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>
2016	\$ 388,648	\$ 289,530
2015	408,853	353,630
2014	374,409	346,622

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements May 31, 2016

- Chapter 260 of the Laws of 2004 of the State of New York allows local employers to bond or amortize a portion of their retirement bill for up to 10 years in accordance with the following schedule:
- For State fiscal year (SFY) 2004-05, the amount in excess of 7 percent of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the bonding/amortization was instituted
- For SFY 2005-06, the amount in excess of 9.5 percent of employees' covered pensionable salaries
- For SFY 2007-08, the amount in excess of 10.5 percent of employees' covered pensionable salaries

This law requires participating employers to make payments on a current basis, while bonding or amortizing existing unpaid amounts relating to the System's fiscal year ending March 31, 2005 through 2008.

- Chapter 57 of the laws of 2010 of the State of New York allows local employers to amortize a portion of their retirement bill for 10 years according with the following stipulations:
- For State fiscal year 2010-11, the amount in excess of the graded rate of 9.5 percent of employees' covered pensionable salaries, with the first of those pension costs not due until the fiscal year succeeding that year in which the amortization was instituted.
- For subsequent State fiscal years, graded rate will increase or decrease in the System's average rate and the previous graded rate.
- For subsequent State Fiscal years in which the system's average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions made will first be used to pay off existing amortizations, and then any excess will be deposited into a reserve account and will be used to offset further increases in contributions rates

This law requires participating employers to make payments on a current basis, while amortizing existing unpaid amount relating to the system's fiscal year when the local employer opts to participate in the program. (The total unpaid liability at the end of the fiscal year was zero.)

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

At May 31, 2016, the Village of Hamburg reported a liability of \$2,365,329 for its proportionate share of the pension liability. The net pension liability was measured as of March 31, 2016, 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.

VILLAGE OF HAMBURG, NEW YORK

**Notes to the Financial Statements
May 31, 2016**

At May 31, 2016, the Village of Hamburg's proportion was .044 percent, which was an increase of .003 from its proportion measured May 31, 2015

For the year ended May 31, 2016, the Village of Hamburg recognized pension expense of \$678,178. At May 31, 2016, the village reported deferred outflows of resources and deferred inflows of resources related to pension from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16,052	\$ 314,553
Changes assumptions	802,886	-
Net difference between projected and actual earnings on pension plan investments	1,368,869	-
Changes in proportion and differences between Village and contributions and proportionate share of contributions	63,096	-
Village contributions subsequent to the measurement date	<u>(254,186.00)</u>	<u>-</u>
Total	<u>\$ 1,996,717</u>	<u>\$ 314,553</u>

Zero reported as deferred outflows of resources related to pensions resulting from Village contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended May 31, 2017. Other amounts reported as deferred outflows of resources are deferred inflows of resources relates to pensions will be recognized in pension expense as follows:

Year Ended	
May 31,	
2017	475,275
2018	475,275
2019	475,275
2020	451,065
2021	59,459
Thereafter	-

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements May 31, 2016

Actuarial Assumptions

The total pension liability at March 31, 2016 was determined by using an actuarial valuation as of April 1, 2015, with update procedures used to roll forward the total pension liability to March 31, 2016. The actuarial valuation used the following actuarial assumptions:

Significant actuarial assumptions used in the April 1, 2015 valuation were as follows:

Interest Rate	7.5%
ERS	4.9%
PFRS	6.0%
Decrement Tables	April 1, 2005 - March 31, 2010 system's experience
Inflation Rate	2.5%

Annuitant mortality rates are based on April 1, 2005- March 31, 2011 System's experience with adjustments for mortality improvement based on MP-2014

The actuarial assumptions used in the April 1, 2011 valuation are based on the results of an actuarial experience study for the period April 1, 2005-March 31, 2010

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements May 31, 2016

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, 2016 are summarized below:

<u>Asset Type</u>	<u>Long term Expected Real Rate</u>
Domestic Equity	7.3%
International Equity	8.5%
Real Estate	5.0%
Bonds, Cash & Mortgages	3.4%

Discount Rate

The discount used to calculate the total liability was 7.5%. The project 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, 2016**

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 7.5 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 (6.5 percent) or 1-percentagepoint higher (8.5 percent) than the current rate:

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Village's proportionate share of the net pension liability	<u>\$5,311,324</u>	<u>\$2,365,329</u>	<u>\$ (115,207)</u>

Pension Plan Fiduciary Net Position

The components of the current-year net position liability of the employers as of March 31, 2016, were as follows:

	(Dollars in thousands)		
	Employees' retirement system	Police and Fire Retirement system	Total
Employers' total pension liability	\$ 1,318,517	\$ 1,046,812	\$2,365,329
Plan net position	-	-	-
Employers net pension liability	<u>\$ 1,318,517</u>	<u>\$ 1,046,812</u>	<u>\$2,365,329</u>
Ration of plan net position to the employers' total pension liability	100%	100%	100%

VILLAGE OF HAMBURG, NEW YORK

**Notes to the Financial Statements
May 31, 2016**

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

Long-term Debt - At May 31, 2016, the total outstanding indebtedness of the Village aggregated \$11,656,497. Of this amount, \$1,685,000 was subject to the constitutional debt limit and represented approximately 7.4% 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 Debt - The following is a summary of changes in long-term liabilities for the year ended May 31, 2016:

	Balance June 1, 2015	Additions	Deletions	Balance May 31, 2016
General Obligation Bonds	\$ 7,276,468	\$ -	\$ 486,468	\$ 6,790,000
Retirement Loan	8,942	-	8,942	-
Compensated Absences	1,055,475	366,977	-	1,422,452
OPEB	3,482,969	-	38,924	3,444,045
	\$ 11,823,854	\$ 366,977	\$ 534,334	\$ 11,656,497

VILLAGE OF HAMBURG, NEW YORK

**Notes to the Financial Statements
May 31, 2016**

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	\$ 440,000
Public Improvements 2010	2/1/10	3,255,000	2.5-4.00	2/1/28	2,185,000
Roads 2013	7/18/13	2,015,000	2.25-3.50	7/15/27	1,740,000
Sewer 2014	7/2/14	2,576,468	1.82-4.30	5/1/44	2,425,000
Total					<u>\$ 6,790,000</u>

The following table summarizes the Village's future debt service requirements as of May 31, 2016:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 495,000	\$ 224,506
2018	495,000	211,904
2019	500,000	198,560
2020	510,000	184,379
2021	410,000	169,333
2022-2026	2,135,000	649,153
2027-2031	950,000	335,731
2032-2036	465,000	232,354
2037-2041	500,000	135,975
2042-2044	330,000	28,759
	<u>\$ 6,790,000</u>	<u>\$ 2,370,654</u>

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2016

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, 2016, the balance is \$1,056,866 (\$1,055,475 for 2015).

Retirement Loan - represents amount of borrowed from the retirement system for portion of retirement expenses to be amortized over ten years.

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. There is no outstanding balance for bond anticipation notes at May 31, 2016.

Fund Equity

Restricted Fund Balances are as follows:

<u>Fund</u>	<u>Balances</u>
General Fund - Insurance Reserve	\$ 234,317
General Fund - Debt Reserve	545,760
General Fund - Capital Reserve	1,011,864
Sewer Fund - Debt Service	<u>203,526</u>
Total General Fund	<u>\$ 1,995,467</u>

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2016

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

Non-Spendable Fund Balances are as follows:

General Fund- Prepaid Expenditures	\$ <u><u>382,669</u></u>
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Fund Equity - Reserve

Assigned Fund Balances are as follows:

General Fund - Encumbrances	\$ 264,098
General Fund - Designated	195,695
Sewer Fund	<u>11,164</u>
Total	<u><u>470,957</u></u>

Unassigned Fund Balances are as follows:

General Fund	\$ 3,888,376
Capital Projects	<u>87,645</u>
Total	<u><u>\$ 3,976,021</u></u>

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2016

Note 3 - Capital Assets

Capital asset activity for the year ended May 31, 2016 is as follows:

	Balance June 1, 2015	Increases	Decreases	Balance May 31, 2016
Capital Assets, Not Being Depreciated:				
Land	\$ 1,774,805	\$ -	\$ -	\$ 1,774,805
Construction in Progress	2,723,621	608,708	(2,659,844)	672,485
Total Capital Assets, not being Depreciated	<u>\$ 4,498,426</u>	<u>\$ 608,708</u>	<u>\$ (2,659,844)</u>	<u>\$ 2,447,290</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	\$ 4,185,654	\$ -	\$ -	\$ 4,185,654
Machinery and Equipment	4,652,976	392,883	-	5,045,859
Infrastructure	37,490,823	2,312,558	-	39,803,381
Total Capital Assets, being Depreciated	46,329,453	2,705,441	-	49,034,894
Less: Accumulated Depreciation for:				
Buildings and Improvements	1,243,516	42,081	-	1,285,597
Machinery and Equipment	3,646,470	175,996	-	3,822,466
Infrastructure	14,517,739	546,491	-	15,064,230
Total Accumulated Depreciation	19,407,725	764,568	-	20,172,293
Total Capital Assets, being Depreciated, Net	<u>\$ 26,921,728</u>	<u>\$ 1,940,873</u>	<u>\$ -</u>	<u>\$ 28,862,601</u>

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements May 31, 2016

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 - Fiduciary Fund – Defined Benefit Volunteer Firefighter Service Award Program

Length of Service Awards Program – LOSAP - 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.

Program Description

Participation, Vesting and Service Credit - In a defined LOSAP, participating volunteers begin to be paid a Service Award upon attainment of the Program’s Entitlement Age. An eligible Program Participant is defined by the Program sponsor to be an active volunteer firefighter who is at least 18 years of age and has earned on (1) year of Service Award Program service credit in a complete calendar year. The amount of the Service Award paid to a volunteer is based upon the number of years of service credit the volunteer earned under the Program for performing active volunteer firefighter activities.

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2016

Note 5 - Fiduciary Fund – Defined Benefit Volunteer Firefighter Service Award Program (Cont.)

Program Description (Cont.)

Participation, Vesting and Service Credit (Cont.)

Participants acquire a non-forfeitable right to be paid a Service Award after earning credit for five (5) years of service or upon attaining the Program's entitlement Age while an active volunteer. The Program's Entitlement Age is age 62. An active volunteer firefighter earns a year of Service Award Program service credit for each calendar year after the establishment of the Program in which he or she accumulates fifty (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 value. A Participant may also receive Service Award Program service credit for five (5) years of active volunteer firefighting service rendered prior to the established of the Program as an active volunteer firefighter member of the Village of Hamburg Volunteer Fire Department, Inc.

Benefits - 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 multiplied by the total number of years of Service Award Program service credit earned by the Participant under the point system. 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. 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 continue to be active after attaining the Entitlement age and beginning to be paid a Service Award continue to have the opportunity to earn Program credit and to 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.

For a complete explanation of the Program, see the Program Document (a copy of which is available from the Village Clerk).

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements May 31, 2016

Note 5 - Fiduciary Fund – Defined Benefit Volunteer Firefighter Service Award Program (Cont.)

Fiduciary Investment and Control - After the end of each calendar year, the Fire Department prepares and certifies a list of name of all persons who were active volunteer members of the Fire Department during the year indicating which volunteers earned fifty points. The certified list is delivered to the Board of Trustees for the Board's review and approval. The Fire Department must maintain the point system records to verify each volunteer's points on forms provided and/or approved by the Board of Trustees.

The Board of Trustees has retained Penflex, Inc. to assist in the administration of the Program. The services provided by Penflex, Inc. are described in the attached agreement between Penflex, Inc. and the Village of Hamburg.

Based on the certified calendar year volunteer firefighter listings Penflex determines and certifies in writing to the Board of Trustees the amount of the service award to be paid to a Participant or to a Participant's designated beneficiary. The person(s) authorized by the Board of Trustees then authorizes, in writing, the custodian of the Village of Hamburg LOSAP Trust funds to pay the Service Award. No Service Award benefit payment is made without the written certification from Penflex the written directive from an authorized representative of the Board of Trustees.

Penflex bills the Village of Hamburg for the services it provides. Penflex's invoices are authorized for payment by the Village Administrator. The Village pays from the LOSAP trust fund (the Village reimburses the trust fund for amounts paid to Penflex).

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

Authority to invest the Program assets is vested in the Program trustee. Program assets are invested in accordance with a statutory prudent person rule.

The Board of Trustees has retained Janney Montgomery Scott, LLC to provide investment management and custodial services.

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2016

Note 5 - Fiduciary Fund – Defined Benefit Volunteer Firefighter Service Award Program (Cont.)

Fiduciary Investment and Control (Cont.)

The Board of Trustee is required to retain an actuary to determine the amount of the Village's contributions to the plan. The actuary retained by the Village for this purpose is Edward J. Holohan of Penflex, Inc. Mr. Holohan is an Associate of the American Society of Actuaries. Portions of the following information are derived from a report prepared by the actuary dated May 31, 2016.

Program Financial Condition

Actuarial Present Value of Accrued Service Awards as of 1/1/16		<u>\$ 2,209,684</u>
Less: Assets Available for Benefits		
Cash and Money Market	\$ 124,171	
Corporate Bonds	225,518	
Certificates of Deposit	90,000	
Equities	1,900,146	
Mutual Funds	<u>204,125</u>	
Total Net Position Available for Benefits	<u>\$ 2,543,960</u>	
Total Unfunded Benefits		-
Less: Unfunded Liability for Separately Amortized Costs		<u>17,199</u>
Unfunded Normal Benefits		<u>\$ -</u>

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2016

Note 5 - Fiduciary Fund - Defined Benefit Volunteer Firefighter Service Award Program (Cont.)

Program Financial Condition (Cont.)

Separately Amortized Costs - Prior service costs have been amortized and paid.

Receipts and Disbursements		
Plan Net Position, beginning of year		\$ <u>2,617,707</u>
Changes during the year:		
Plan contributions	\$ 60,000	
Investment income earned	129,955	
Changes in fair market value of investments	(113,216)	
Administrative Fees	(6,238)	
Investment Management Fees	(22,386)	
Benefits Paid	<u>(121,860)</u>	
Total changes	<u>(73,745)</u>	
Plan Net Position, end of year		\$ <u><u>2,543,962</u></u>
Contribution		
Amount of Village's contribution recommended by actuary:		\$ <u><u>33,598</u></u>
Amount of Village's actual contribution:		\$ <u><u>60,000</u></u>
Administrative Fees		
Fees paid to administrative/actuarial services provider	\$ 6,238	
Fees paid for investment management	<u>22,386</u>	
		\$ <u><u>28,624</u></u>

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2016

Note 5 - Fiduciary Fund – Defined Benefit Volunteer Firefighter Service Award Program (Cont.)

Funding Methodology and Actuarial Assumptions

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

Assumed rate of return of Program investment 6.0%

Table used for:

Post Entitlement Age mortality:	1994 Uninsured Pensioner Male Mortality Table Projected with scale AA to 2007
* Pre-Entitlement Age mortality:	None
* Pre-Entitlement Age disability	None
* Pre-Entitlement Age withdrawal:	None
* Pre-Entitlement Age service credit accruals	100%

* For Program cost calculation purposes, all Pre-Entitlement Age active volunteer firefighter Participants are assumed to: survive to the Entitlement Age; remain active and earn 50 points each year; and begin to be paid Service Awards upon attainment of Entitlement Age.

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements May 31, 2016

Note 6 - Other Postemployment Benefits/implementation of GASB Statement 45

Village - In addition to providing pension benefits, the Village also provides health care benefits for retired employees, their dependents and certain survivors. Substantially all of the Village's employees may become eligible for those benefits if they reach normal retirement age while working for the Village. Prior to 2009, the Village recognized the cost of providing postretirement health insurance benefits by expensing those costs when paid.

During 2009, the Village implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, prospectively. This statement establishes standards for the recognition, measurement, and display of other postemployment benefits (retiree health insurance) expenses and related liabilities and note disclosure.

Plan Description - The Village administers its Retiree Medical Plan (the Plan) as a single-employer defined benefit other postemployment benefit (OPEB) plan. The Plan provides for the continuation of medical benefits to certain qualifying retirees of the Village, and their spouses and can be amended by action of the Village. The Plan does not carry a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Funding Policy - The obligations of the Plan members, employers and other entities are established by employment agreements. The required contribution rates of the employer and the members varies depending on the applicable agreement covering the retiree, the retiree's hiring date and number of years of service to the Village. The Village currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. For 2016, the Village contributed approximately \$305,172 for current premiums. The costs of administering this plan are paid by the Village.

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2016

Note 6 - Other Postemployment Benefits/implementation of GASB Statement 45, (Cont.)

Funded Status and Funding Progress The schedule of funding progress presents multi year (when available) trend information that is useful in determining whether the actuary's value of Plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liability. The following table sets forth the actuarial accrued liability and funded status of the Plan as of May 31, 2015 the latest valuation date.

Actuarial Accrued Liability (AAL)

Actuarial accrued liability	\$ 11,084,557
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>11,084,557</u>
Funded ratio	<u>0%</u>
Annual covered payroll	<u>-</u>
Ratio of unfunded actuarial accrued liability to covered payroll	<u>0.00%</u>
2016 normal cost	<u>289,033</u>

VILLAGE OF HAMBURG, NEW YORK

**Notes to the Financial Statements
May 31, 2016**

Note 6 - Other Postemployment Benefits/implementation of GASB Statement 45, (Cont.)

Funded Status and Funding Progress, (cont.)

The following table summarizes the amortization calculation of the UAAL as of the latest valuation date:

UAAL	\$	11,084,557
Amortization period (years)		30
Amortization discount rate		4.00%
Present value factor		17.9837
2016 UAAL amortization amount		616,367

Annual OPEB Cost and Net OPEB Obligation - The Village's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfounded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the Village's annual OPEB cost for 2016:

Normal cost	\$	289,033
Amortization of UAAL		616,367
Interest		36,216
ARC		941,616
Interest on OPEB obligation		122,356
Adjustment to ARC		(176,896)
		887,076
OPEB expense	\$	887,076

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2016

Note 6 - Other Postemployment Benefits/implementation of GASB Statement 45, (Cont.)

Funded Status and Funding Progress, (cont.)

The following table reconciles the Village's OPEB obligation at May 31, 2016:

Net OPEB obligation at beginning of year	\$ 3,482,969
2016 OPEB expense	887,076
2016 OPEB contributions	<u>(463,000)</u>
Net OPEB obligation at end of year	3,907,045
Less: estimated current portion of OPEB obligation	<u>463,000</u>
Estimated long-term portion of OPEB obligation	<u>\$ 3,444,045</u>
Percentage of expense contributed	<u>52.2%</u>

Actuarial Methods and Assumptions - Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs (if any) between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2016

Note 6 - Other Postemployment Benefits/implementation of GASB Statement 45, (Cont.)

Actuarial Methods and Assumptions, (cont.)

The actuarial cost method used to calculate the costs of the Plan for age, disability, vested and surviving spouse's benefits is the Projected Unit Credit Actuarial Cost Method. Under this method, each participant's projected benefit is calculated at all possible ages based on the Plan provisions as well as the initial data and actuarial assumptions. For active participants, that AAL is determined by pro-rating the projected benefit based upon service accrued to the valuation date divided by service projected to be accrued at the first age of benefit eligibility. The normal cost is determined by dividing the projected benefit by service projected to be accrued at the first age of benefit eligibility.

The measurement date for the calculation was May 31st and the discount rate utilized was 4%. No salary increases were assumed since benefits are not based on compensation. Health care costs for both governmental and business-type activities were assumed to increase as follows:

<u>Year</u>	<u>Medical Trend Rate</u>
2016 and thereafter	5.0%

Note 7 - Subsequent Events

The Village has evaluated events and transactions for potential recognition or disclosure in the financial statements through September 8, 2016, 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, 2016, 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 September 8, 2016.

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.

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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 and 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 of 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 PC

Tonawanda, New York

September 8, 2016

Required Supplemental Information

VILLAGE OF HAMBURG, NEW YORK

**Schedule of the Local Government's Proportionate Share
Of the Net Pension Liability**

**NYSLRS Pension Plan
May 31, 2016**

	<u>2015</u>	<u>2016</u>
Village's proportion of the net pension liability (asset)	0.0418%	0.0435%
Village's proportionate share of the net pension liability (asset)	367,315	2,365,329
Village's covered- employee payroll	3,742,103	3,742,103
Village's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	9.82%	63.21%

See Independent Auditor's Report.

VILLAGE OF HAMBURG, NEW YORK

Schedule of Local Government Contributions

**NYSLRS Pension Plan
May 31, 2016**

	<u>2015</u>	<u>2016</u>
Contractually required contribution	762,483	678,178
Contributions in relation to the contractually required contribution	762,483	678,178
Contribution deficiency (excess)	-	-
Village's covered-employee payroll	3,742,103	3,742,103
Contributions as a percentage of covered-employee payroll	20.38%	18.12%

See Independent Auditor's Report.