

FINAL OFFICIAL STATEMENT DATED JULY 13, 2011

NEW ISSUE/RENEWALS

BOND ANTICIPATION NOTES

In the opinion of Hodgson Russ LLP, of Buffalo, New York, Bond Counsel, subject to continuing compliance by the Village of Hamburg, Erie County, New York (the "Village") with its covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Notes is (A) excluded from gross income of the owners thereof for federal income tax purposes under existing law, and (B) exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Moreover, interest on the Notes is not an "item of tax preference" for purposes of the individual and corporate alternative minimum taxes. (See the caption "TAX EXEMPTION" herein for a discussion of certain federal taxes applicable to corporate owners of the Notes.)

The Notes will be designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

VILLAGE OF HAMBURG ERIE COUNTY, NEW YORK (the "Village")

\$3,790,000

BOND ANTICIPATION NOTES, 2011 (the "Notes") (Designated/Bank Qualified)

Interest Rate: 1.00% CUSIP: 406756GH3 Reoffered @ 0.76%

JANNEY MONTGOMERY SCOTT LLC

Notes Dated: July 21, 2011

Maturity Date: July 19, 2012

Security and Sources of Payment: The Notes will constitute general obligations of the Village and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Notes. Unless paid from other sources, all the taxable real property within the Village will be subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for such purpose (subject to certain recently-enacted statutory limitations imposed by Chapter 97 of the 2011 Laws of New York [the "Tax Levy Limit Law"]; see "REAL PROPERTY TAX INFORMATION—Tax Levy Limit Law," herein).

Prior Redemption: The Notes will NOT be subject to redemption, in whole or in part, prior to maturity.

Form and Denomination: The Notes will be issued through the DTC, and will be registered in the name of Cede & Co., as nominee of DTC in New York, New York, which will act as Securities Depository for the Notes. Individual purchases will be made in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof, as may be determined by the successful bidder. Initial purchasers of the Notes will not receive certificates representing their ownership interest in the Notes. Payments of principal of and interest on the Notes will be made by the Village to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Notes. See "Book-Entry-Only System" herein.

Interest will be calculated on a 30 day month and a 360 day year basis, payable at maturity.

The Notes are offered when, as and if issued and received by the initial purchaser(s) and subject to the receipt of the legal opinion as to the validity of the Notes of Hodgson Russ LLP, Bond Counsel, of Buffalo, New York, and certain other conditions. It is anticipated that the Notes will be available for delivery in New York, New York on or about July 21, 2011.

THE REVISED COVER SUPPLEMENTS THE OFFICIAL STATEMENT OF THE VILLAGE DATED JULY 6, 2011 RELATING TO THE OBLIGATIONS THEREOF DESCRIBED THEREIN AND HEREIN BY INCLUDING CERTAIN INFORMATION OMITTED FROM SUCH OFFICIAL STATEMENT IN ACCORDANCE WITH SECURITIES AND EXCHANGE COMMISSION RULE 15C2-12 (THE "RULE"). OTHER THAN AS SET FORTH ON THIS REVISED COVER PAGE, THERE HAVE BEEN NO REVISIONS TO SUCH OFFICIAL STATEMENT. FOR A DESCRIPTION OF THE VILLAGE'S AGREEMENT TO PROVIDE NOTICE OF MATERIAL EVENTS AS DESCRIBED IN THE RULE, SEE "DISCLOSURE UNDERTAKING" HEREIN.

OFFICIAL STATEMENT DATED JULY 6, 2011

NEW ISSUE/RENEWALS

BOND ANTICIPATION NOTES

In the opinion of Hodgson Russ LLP, of Buffalo, New York, Bond Counsel, subject to continuing compliance by the Village of Hamburg, Erie County, New York (the "Village") with its covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Notes is (A) excluded from gross income of the owners thereof for federal income tax purposes under existing law, and (B) exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Moreover, interest on the Notes is not an "item of tax preference" for purposes of the individual and corporate alternative minimum taxes. (See the caption "TAX EXEMPTION" herein for a discussion of certain federal taxes applicable to corporate owners of the Notes.)

The Notes will be designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

VILLAGE OF HAMBURG ERIE COUNTY, NEW YORK (the "Village")

\$3,790,000

BOND ANTICIPATION NOTES, 2011 (the "Notes") (Designated/Bank Qualified)

Notes Dated: July 21, 2011

Maturity Date: July 19, 2012

Security and Sources of Payment: The Notes will constitute general obligations of the Village and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Notes. Unless paid from other sources, all the taxable real property within the Village will be subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for such purpose (subject to certain recently-enacted statutory limitations imposed by Chapter 97 of the 2011 Laws of New York [the "Tax Levy Limit Law"]; see "REAL PROPERTY TAX INFORMATION—Tax Levy Limit Law," herein).

Prior Redemption: The Notes will NOT be subject to redemption, in whole or in part, prior to maturity.

Form and Denomination: The Notes will be issued as registered notes, and at the option of the initial purchaser(s), may be registered to the Depository Trust Company ("DTC" or the "Securities Depository"), or may be registered in the name of the initial purchaser(s).

If the Notes will be issued through the DTC, the Notes will be registered in the name of Cede & Co., as nominee of DTC in New York, New York, which will act as Securities Depository for the Notes. Individual purchases will be made in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof, as may be determined by such successful bidder(s). Initial purchasers of the Notes will not receive certificates representing their ownership interest in the Notes. Payments of principal of and interest on the Notes will be made by the Village to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Notes. See "Book-Entry-Only System" herein.

If the Notes are registered in the name of the initial purchaser(s), principal of and interest on the Notes will be payable in Federal funds at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder. In such case, the Notes will be issued in registered form in denominations of \$5,000, or integral multiples thereof, as may be determined by such successful bidder(s).

Interest will be calculated on a 30-day month and a 360-day year basis, payable at maturity.

The Notes are offered when, as and if issued and received by the initial purchaser(s) and subject to the receipt of the legal opinion as to the validity of the Notes of Hodgson Russ LLP, Bond Counsel, of Buffalo, New York, and certain other conditions. It is anticipated that the Notes will be available for delivery in New York, New York or at such other place as may be agreed with the initial purchaser(s) on or about July 21, 2011.

THE VILLAGE DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15C2-12 (THE "RULE"), EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH THE RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE NOTES. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER(S) AS MORE FULLY DESCRIBED IN THE NOTICE OF SALE WITH RESPECT TO THE NOTES. IN ADDITION, THE VILLAGE WILL ENTER INTO AN UNDERTAKING TO PROVIDE NOTICE OF CERTAIN MATERIAL EVENTS (AS DEFINED IN THE RULE) AS REQUIRED BY THE RULE (SEE "DISCLOSURE UNDERTAKING," HEREIN).

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ERIE COUNTY, NEW YORK**

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TRUSTEES

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Paul G. Gaughan
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* * *

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Mary Beth Dueringer, Deputy Treasurer
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* * *

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* * *

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No dealer, broker, salesman or other person has been authorized by the Village to give any information or to make any representations not contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Village. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the Village from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information, estimates and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Village since the date hereof.

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OFFICIAL STATEMENT

**VILLAGE OF HAMBURG
ERIE COUNTY, NEW YORK
(the "Village")**

\$3,790,000

**BOND ANTICIPATION NOTES, 2011
(the "Notes")
(Designated/Bank Qualified)**

This Official Statement, which includes the cover page and appendices hereto, presents certain information relating to the Village of Hamburg, in the County of Erie, in the State of New York (the "Village," "County" and "State," respectively) in connection with the sale of the Village's \$3,790,000 Bond Anticipation Notes, 2011.

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the Village contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all references to the Notes and the proceedings of the Village relating thereto are qualified in their entirety by reference to the definitive form of the Notes and such proceedings.

THE NOTES

Description of the Notes

The Notes will be dated July 21, 2011 and will mature on July 19, 2012, with interest payable at maturity at the annual rate specified by the purchaser(s). Interest on the Notes shall be calculated on a 30 day month and a 360 day year basis.

The Notes will be general obligations of the Village, and will contain a pledge of the Village's faith and credit for the payment of the principal thereof and interest thereon as required by the Constitution and laws of the State of New York (State Constitution, Article VIII, Section 2; Local Finance Law, Section 100.00). Unless paid from other sources, all the taxable real property within the Village is subject to the levy of *ad valorem* taxes to pay the Notes and interest thereon, without limitation as to rate or amount, sufficient to pay such principal and interest as the same become due (subject to certain recently-enacted statutory limitations imposed by the Tax Levy Limit Law; see "REAL PROPERTY TAX INFORMATION—Tax Levy Limit Law," herein).

The Notes will be issued in registered form. At the option of the purchaser(s), the Notes may be registered in the name of the purchaser(s), with principal of and interest on the Notes being payable in federal funds at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder(s). In such case, the Notes will be issued in registered form in denominations of \$5,000, or integral multiples thereof, as may be determined by such successful bidder(s). Alternatively, the Notes may be registered in the name of Cede & Co. as nominee for The Depository Trust Company ("DTC"), New York, New York, with DTC as securities depository for the Notes. See "Book-Entry-Only System" herein. Under the DTC scenario, one fully-registered Note certificate will be issued for all Notes bearing the same rate of interest and CUSIP number, each in the aggregate principal amount of such issue, and purchasers will not receive certificates representing their interest in the Notes. Principal and interest will be paid in lawful money of the United States of America (federal funds) by the Village directly to DTC for its nominee, Cede & Co.

The financial condition of the Village as well as the market for the Notes could be affected by a variety of factors, some of which are beyond the control of the Village. See "Noteholder Risks," herein.

Optional Redemption

The Notes will NOT be subject to redemption, in whole or in part, prior to maturity.

Book-Entry-Only System

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulate subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption proceeds, distributions, and dividend payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Village, on payable date in

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

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

The Village may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Village believes to be reliable, but the Village takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company

THE VILLAGE CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE NOTES (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE NOTES (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE NOTES OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE NOTES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THE OFFICIAL STATEMENT.

THE VILLAGE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE NOTES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE NOTES.

THE INFORMATION CONTAINED HEREIN CONCERNING DTC AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC AND THE VILLAGE MAKES NO REPRESENTATION AS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

Certificated Notes

At the option of the purchaser(s) the Notes may be registered in the name of the purchaser(s). In such event, principal of and interest on the Notes will be payable in Federal funds at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder(s). In such case, the Notes will be issued in registered form in denominations of \$5,000, or multiples thereof, as may be determined by such bidder(s).

Authorizations and Purposes of Issue

The Notes are being issued pursuant to the Constitution and Laws of the State of New York, including among others, the Local Finance Law, the Village Law and two bond resolutions duly adopted by the Village Board of Trustees on February 14, 2005 and April 4, 2011, respectively, authorizing the issuance of \$3,270,000 of serial bonds for the reconstruction of and construction of improvements to the sewer system in the Village and \$2,250,000 of serial bonds to finance the reconstruction and construction of improvements to various roads in the Village. The proceeds on the Notes, along with \$60,000 of available funds of the Village, will be used to redeem and renew (in part), outstanding bond anticipation notes of the Village in the amount of \$1,600,000 and to provide original financing in the amount of \$2,250,000.

For further information regarding bond authorizations of the Village for capital purposes and other matters relating thereto see “Indebtedness of the Village.”

Security and Source of Payment

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

The Notes are general obligations of the Village and will contain a pledge of the faith and credit of the Village for the payment of the principal thereof and the interest thereon. For the payment of such principal and interest, the Village has the power and statutory authorization to levy *ad valorem* taxes on all taxable real property in the Village, without limitation as to rate or amount (subject to certain recently-enacted statutory limitations imposed by the Tax Levy Limit Law; see “REAL PROPERTY TAX INFORMATION—Tax Levy Limit Law,” herein).

Under the Constitution of the State, the Village is required to pledge its faith and credit for the payment of the principal of and interest on the Notes and the State is specifically precluded from restricting the power of the Village to levy taxes on real estate therefore. On June 24, 2011, the Tax Levy Limit Law was adopted in the State. The Tax Levy Limit Law establishes certain limitations on the power of local governments and school districts to increase the property tax levy beyond certain prescribed limits (without following certain prescribed procedures). This is new legislation, and it is not yet certain whether the Tax Levy Limit Law will withstand Constitutional scrutiny if, as expected, it is challenged in court. The Tax Levy Limit Law will have its first application with respect to the Village’s budget for 2012-2013, which begins on June 1, 2012. Since the Notes mature in the Village’s 2012-2013 fiscal year, the new legislation could have an effect on the holders of the Notes. See “REAL PRPERTY TAX INFORMATION -- Tax Levy Limit Law” herein.

Remedies of Noteholders on Default

Upon default in payment in full of the principal of or interest on the Notes, a holder of such defaulted Note has a contractual right to sue the Village for the amount then due thereon. Such holder may obtain a judgment against the Village with interest as provided by law from the date of default in such payment or the date of demand therefore, if later. Execution or attachment of Village property cannot be obtained to satisfy the judgment. The General Municipal Law of the State provides that if the Village fails to pay a final judgment for such principal and/or interest, it shall be the duty of the Village Board of the Village to assess, levy and cause to be collected at the same time and in like manner as other moneys for expenses are then next thereafter to be assessed, levied and collected, a sum of money sufficient to pay such judgment with interest thereon. Any moneys so collected shall, from time to time, be paid to the judgment creditors.

In addition, the State Constitution provides that if the Village fails to provide in its annual budget an amount sufficient to meet payment of principal of or interest on the Notes, the Village shall set aside from the first revenues thereafter received an amount necessary to pay such amounts which were required to be included in the Village’s annual budget. In addition, the Village Treasurer may be required to set apart and apply such revenues to the payment of principal and interest on the Notes at the suit of any holder of the Notes. However, such right is subject to the discretionary power of the enforcing court and may be abridged by federal laws affecting creditors’ rights or laws involving financial emergencies. (See “Special Provisions Affecting Remedies Upon Default.”)

Special Provisions Affecting Remedies Upon Default

Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the Village upon any judgment or accrued claim against it shall not exceed nine per centum per annum. This provision might be construed to have application to the holders of the Notes in the event of a default in the payment of the principal of or interest on the Notes.

In accordance with the general rule with respect to municipalities, judgments against the Village may not be enforced by levy and execution against property owned by the Village.

The Federal Bankruptcy Code (the “Bankruptcy Code”) allows public bodies such as the Village recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance

Law contains specific authorization for any municipality in the State to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness.

Under the Bankruptcy Code, a petition may be filed in Federal bankruptcy court by a municipality which is insolvent or unable to meet its debts as they mature. Generally, the filing of such a petition operates as a stay of any proceeding to enforce a claim against the municipality. The Bankruptcy Code also requires the municipality to file a plan for the adjustment of its debts, which may modify or alter the rights of creditors and would authorize the Federal bankruptcy court to permit the municipality to issue certificates of indebtedness, which could have priority over existing creditors and which could be secured. Any plan of adjustment confirmed by the court must be approved by the requisite majority of creditors. If confirmed by the bankruptcy court, the plan would be binding upon all creditors affected by it. The Village has the legal capacity to file a petition under the Bankruptcy Code.

It might be asserted that under the Bankruptcy Code interest and principal payments made by the Village in respect of its indebtedness within ninety days of the filing of a bankruptcy petition with respect to the Village were voidable preferences. If these assertions were made and sustained by the bankruptcy court, the recipients of those preferential payments could be required to refund them, and their claims would then be treated as if the preferential payments had not been made.

At the Extraordinary Session of the State Legislature held in November, 1975, legislation was enacted which purported to suspend the right to commence or continue an action in any court to collect or enforce certain short-term obligations of the City of New York. The effect of such act was to create a three-year moratorium on actions to enforce the payment of such obligations. On November 19, 1976, the Court of Appeals, the State's highest court, declared such act to be invalid on the ground that it violates the provisions of the State Constitution requiring a pledge by such Village of its faith and credit for the payment of such obligations.

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of the Local Finance Law enacted at the 1975 Extraordinary Session of the State Legislature, authorizing any county, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has ever been declared with respect to the Village.

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

THE VILLAGE

General Information

The Village, with a land area of approximately 2.1 square miles and a population of 9,409 (2010 census), is located in western New York in southern Erie County, approximately seven miles south of Buffalo. The Village is mainly a bedroom community with a retail downtown area that caters to the surrounding rural communities. There is also an industrial park located within the Village boundaries.

The Village is a full service government providing public works, police, recreation and fire protection. It is the 31st largest village in New York State. Additionally, the Village has created a municipal gas utility. The Village acts as an aggregator for approximately 1,000 natural gas customers.

Water services are provided by Erie County Water Authority and sewer services are provided by the Erie County Sewer Department. Electricity is supplied to some Village residents by New York State Electric and Gas and National Fuel provides natural gas service.

Source: Village Officials

Governmental Organization

The Village was incorporated in 1874. One independently governed school district is located partially within the Village which relies on its own taxing powers granted by the State to raise revenues. The school district uses the Town of Hamburg assessment roll as its basis for taxation of property located within the Village.

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

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

The Village Administrator/Clerk-Treasurer, the Village's chief fiscal officer, is appointed to a four year term; the Village Attorney is appointed to a one-year term.

Source: Village Officials

Employees

The Village provides services through approximately 49 full-time and 47 part-time employees, some of whom are represented by the following units of organized labor:

<u>Unions</u>	<u>No. of Members</u>	<u>Contract Expiration Date</u>
CSEA Public Works Unit	20	May 31, 2013
Hamburg Police Benevolent Association	11	May 31, 2015
CSEA Crossing Guard Unit	6	May 31, 2012

Source: Village Officials

DEMOGRAPHIC AND STATISTICAL INFORMATION

The following tables present certain comparative demographic and statistical information regarding the Village, the County of Erie, the State of New York and the United States.

Population

<u>Year</u>	<u>Village</u>	<u>Erie County</u>	<u>New York State</u>	<u>United States</u>
1990	10,442	968,532	17,990,455	249,632,692
2000	10,116	950,265	18,976,457	281,421,906
2010	9,409	919,040	19,378,102	308,745,538

Source: US Census Bureau

Median Household Income

<u>Year</u>	<u>Village</u>	<u>Erie County</u>	<u>New York State</u>	<u>United States</u>
1990	\$37,448	\$28,005	\$32,965	\$30,056
2000	51,239	38,567	43,393	41,994

Source: US Census Bureau

Per Capita Income

<u>Year</u>	<u>Village</u>	<u>Erie County</u>	<u>New York State</u>	<u>United States</u>
1990	\$16,179	\$13,560	\$16,501	\$14,420
2000	23,371	20,357	23,389	21,587

Source: US Census Bureau

Unemployment Rate Statistics

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

<u>Annual Averages:</u>	<u>Erie County</u>	<u>New York State</u>	<u>United States</u>
2006	5.0%	4.6%	4.6%
2007	4.8	4.5	4.6
2008	5.7	5.3	5.8
2009	8.3	8.4	9.3
2010	8.2	8.6	9.6

2011 Monthly Rates:

January	8.9%	8.9%	9.8%
February	8.5	8.7	9.5
March	7.9	8.0	9.2
April	7.4	7.6	8.7
May	7.4	7.8	8.7

Source: Department of Labor, State of New York, Bureau of Labor Statistics. Information not seasonally adjusted.

Selected Listing of Larger Employers

<u>Name</u>	<u>Type</u>	<u>Estimated No. of Employees</u>
Hamburg Central School District	Public School	841
Tops Markets	Retail	213
Village of Hamburg	Government	96
Elderwood (Assisted Living)	Senior Housing	65
Evans National Bank	Banking	60

Source: Village Officials

INDEBTEDNESS OF THE VILLAGE

Constitutional Requirements

The New York State Constitution and Local Finance Law limit the power of the Village (and other municipalities and certain school districts of the State) to issue obligations and to otherwise contract indebtedness. Such constitutional limitations, in summary form and as generally applicable to the Village and the Notes, include the following:

Purpose and Pledge: Subject to certain enumerated exceptions, the Village shall not give or loan any money or property to or in aid of any individual, or private corporation or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

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

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

There is no constitutional limitation on the amount that may be raised by the Village by tax on real estate in any fiscal year to pay interest and principal on all indebtedness, subject to the statutory limitations imposed by Chapter 97 of the Laws of 2011.

The Village is further subject to constitutional limitation by the general constitutionally imposed duty of the State Legislature to restrict the power of taxation, assessment, borrowing money, contracting indebtedness and loaning the credit of the Village so as to prevent abuses in taxation and assessments and in contracting indebtedness; however, as has been noted under “Security and Source of Payment” the State Legislature is prohibited by a specific constitutional provision from restructuring the power of the Village to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. See, however, the discussion of the Tax Levy Limit Law under the heading “REAL PROPERTY TAX INFORMATION—Tax Levy Limit Law,” herein.

Statutory Procedure

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

Pursuant to the Local Finance Law, the Village authorizes the incurrence of indebtedness, including bonds and bond anticipation notes issued in anticipation of such bonds, by the adoption of a resolution, approved by at least two-thirds of the members of the Village Board of Trustees, the finance board of the Village. Certain of such resolutions may be subject to permissive referendum, or may be submitted to the Village voters at the discretion of the Village Board of Trustees.

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

The Local Finance Law also provides that where a bond resolution is published with a statutory form of notice, the validity of the bonds authorized thereby, including bond anticipation notes issued in anticipation of the sale thereof, may be contested only if:

1. (a) Such obligations are authorized for an object or purpose for which the Village is not authorized to expend money, or
- (b) If the provisions of the law which should be complied with as of the date of publication of the notice were not substantially complied with,

and an action, suit or proceeding contesting such validity is commenced within 20 days after the date of such publication of the notice; or

2. Such obligations were authorized in violation of the provisions of the Constitution of New York.

Except on rare occasions, the Village complies with this estoppel procedure, and it has done so with respect to the bond resolutions under which the Notes are being issued. It is a procedure that is recommended by Bond Counsel, but is not an absolute legal requirement.

Each bond resolution also authorizes the issuance of bond anticipation notes prior to the issuance of serial bonds. Statutory law in New York permits notes to be renewed each year, provided annual principal installments are made in reduction of the total amount of such notes outstanding, commencing no later than two years from the date of the first issuance of such notes, and provided that such renewals generally do not extend five years beyond the original date of borrowing. However, notes issued in anticipation of the sale of serial bonds for assessable improvements are not subject to such five year limit and may be renewed subject to annual principal reductions for the entire period of probable usefulness of the purpose for which such notes were originally issued. (See “Payment and Maturity” under “Constitutional Requirements,” and “Details of Short-Term Indebtedness Outstanding” herein).

In general, the Local Finance Law contains similar provisions providing the Village with power to issue certain other short-term general obligation indebtedness, including revenue and tax anticipation notes and budget and capital notes.

Debt Limit

The Village has the power to contract indebtedness for any Village purpose so long as the aggregate principal amount thereof shall not exceed seven per centum of the average full valuation of taxable real estate of the Village and subject to certain enumerated deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional and statutory method for determining full valuation is by taking the assessed valuation of taxable real estate for the last completed assessment roll of the Village and dividing the same by the equalization rate, or the ratio which such assessed valuation bears to the full valuation, as determined by the New York State Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined. Average full valuation is determined by taking the sum of the full valuations of such last completed assessment roll and the four proceeding assessment rolls and dividing such sum by five.

The following pages present certain details with respect to the indebtedness of the Village as of the date of the Official Statement.

Details of Short-Term Indebtedness Outstanding

As of the date of this Official Statement, the Village has the following outstanding short-term indebtedness:

<u>Bond Anticipation Notes</u>	<u>Dated</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
Sewer System	07-21-10	07-21-11	1.25%	\$1,600,000 ¹
			Total	\$1,600,000

Note: * To be paid in full with proceeds of the Notes and \$60,000 of available funds of the Village.

Revenue and Tax Anticipation Notes

The Village has not found it necessary to borrow in anticipation of taxes and revenues in recent years, nor does it anticipate such borrowing in the near future.

Status of Outstanding Bond Issues

Year of Issue:	2000	2003
Amount Issued	\$1,287,500	\$1,905,000
Last Maturity:	6/15/2014	1/15/2020
Interest Rate/Instrument:	Various - SB	Various - SB
Purpose:	Streets	Firehall/Equip.
Balance Principal 05/31/11:	\$175,000	\$940,000

Fiscal Year				
<u>Ending May 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$65,000 *	\$7,805	\$100,000	\$33,440
2013	65,000	4,263	100,000	29,940
2014	45,000	1,238	100,000	26,440
2015			100,000	22,940
2016			100,000	19,440
2017			110,000	15,840
2018			110,000	11,880
2019			110,000	7,920
2020			110,000	3,960
Totals:	<u>\$175,000</u>	<u>\$13,305</u>	<u>\$940,000</u>	<u>\$171,800</u>

Note: * Principal payment made prior to official statement dated July 6, 2011.

Status of Outstanding Bond Issues

Year of Issue:	2004	2004
Amount Issued	\$310,000	\$632,000
Last Maturity:	4/15/2014	9/15/2014
Interest Rate/Instrument:	Various - SB	Various - SB
Purpose:	Various	Various
Balance Principal 05/31/11:	\$85,000	\$285,000

Fiscal Year				
<u>Ending May 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$35,000	\$3,995	\$65,000	\$9,343
2013	25,000	2,350	70,000	6,845
2014	25,000	1,175	75,000	4,163
2015			75,000	1,388
Totals:	<u>\$85,000</u>	<u>\$7,520</u>	<u>\$285,000</u>	<u>\$21,738</u>

Status of Outstanding Bond Issues

Year of Issue:	2010
Amount Issued	\$3,255,000
Last Maturity:	2/1/2028
Interest Rate/Instrument:	Various - SB
Purpose:	Streets
Balance Principal 05/31/11:	\$3,055,000

Fiscal Year

<u>Ending May 31:</u>	<u>Principal</u>	<u>Interest</u>
2012	\$190,000	\$103,381
2013	170,000	98,631
2014	170,000	94,381
2015	170,000	89,919
2016	170,000	85,456
2017	170,000	80,994
2018	165,000	76,106
2019	170,000	70,950
2020	175,000	65,425
2021	180,000	59,300
2022	185,000	53,000
2023	190,000	45,600
2024	190,000	38,000
2025	190,000	30,400
2026	190,000	22,800
2027	190,000	15,200
2028	190,000	7,600
Totals:	<u>\$3,055,000</u>	<u>\$1,037,143</u>

Source: Village Bond Records

Total Annual Bond Principal and Interest Due

Fiscal Year	Total			
<u>Ending May 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>	<u>% Paid</u>
2012	\$455,000	\$157,964	\$612,964	10.02%
2013	430,000	142,029	572,029	19.49%
2014	415,000	127,396	542,396	28.63%
2015	345,000	114,247	459,247	36.23%
2016	270,000	104,896	374,896	42.18%
2017	280,000	96,834	376,834	48.35%
2018	275,000	87,986	362,986	54.41%
2019	280,000	78,870	358,870	60.57%
2020	285,000	69,385	354,385	66.85%
2021	180,000	59,300	239,300	70.81%
2022	185,000	53,000	238,000	74.89%
2023	190,000	45,600	235,600	79.07%
2024	190,000	38,000	228,000	83.26%
2025	190,000	30,400	220,400	87.44%
2026	190,000	22,800	212,800	91.63%
2027	190,000	15,200	205,200	95.81%
2028	190,000	7,600	197,600	100.00%
Totals:	<u>\$4,540,000</u>	<u>\$1,251,506</u>	<u>\$5,791,506</u>	

Source: Village Bond Records

Other Obligations

As of the date of this Official Statement, the Village has no other outstanding installment purchase debt or energy performance contracts.

Trend of Outstanding Debt

	Fiscal Year Ending May 31:				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Bonds	\$2,750,000	\$2,335,000	\$2,040,000	\$5,000,000	\$4,540,000
Bond Anticipation Notes	3,500,000	3,602,500	3,455,000	1,600,000	1,600,000
Total Debt Outstanding	<u>\$6,250,000</u>	<u>\$5,937,500</u>	<u>\$5,495,000</u>	<u>\$6,600,000</u>	<u>\$6,140,000</u>

Source: Financial Reports of the Village

Computation of Debt Limit and Calculation of Net Indebtedness

(As of July 6, 2011)

<u>Fiscal Year Ending May 31:</u>	<u>Assessed Valuation</u>	State Equalization <u>Rate</u>	<u>Full Valuation</u>
2008	\$311,353,039	67.00%	\$464,706,028
2009	312,166,947	65.00%	480,256,841
2010	314,598,626	62.50%	503,357,802
2011	315,528,491	61.00%	517,259,821
2012	322,068,278	61.00%	527,980,784
Total Full Valuation (2011-12) ¹	<u>\$1,575,715,381</u>		<u>\$2,493,561,276</u>
Average Five Year Full Valuation			\$498,712,255
Debt Limit - 7% of Average Full Valuation			\$34,909,858
Inclusions:			
Bonds			\$4,475,000
Bond Anticipation Notes			<u>1,600,000</u>
Total Inclusions			<u>\$6,075,000</u>
Exclusions:			
Water Indebtedness ²			\$2,750,000
Budgeted Appropriations ²			220,000
Sewer Indebtedness ³			<u>1,885,000</u>
Total Exclusions			\$4,855,000
Total Net Indebtedness Before Giving Effect to This Issue			1,220,000
New Monies This Issue			<u>2,250,000</u>
Total Net Indebtedness After Giving Effect to This Issue ⁴			<u>\$3,470,000</u>
Net Debt Contracting Margin			\$31,439,858

Notes: ¹ The latest completed assessment roll for which a State Equalization Rate has been established.

² Water indebtedness and budgeted appropriations are automatically excluded pursuant to provisions of Article VIII, Section 5B of the New York State Constitution and Section 136.00 of the Local Finance Law.

³ Excluded pursuant to a certificate issued by the Comptroller of the State of New York on May 19, 2009 in accordance with Section 124.1 of the Local Finance Law.

⁴ Represents 9.94% of the Debt Limit of the Village.

Authorized and Un-Issued Indebtedness

As of the date of this Official Statement the Village has authorized \$3,270,000 for sewer system improvements, of which \$1,600,000 is to be funded through the issuance of the Notes and \$1,670,000 remains unissued.

Capital Project Plans and Anticipated Future Borrowings

The Village is generally responsible for providing services as required by the citizens on a Village-wide basis. The Village maintains a road system necessitating road resurfacing and improvements and the acquisition of machinery and, from time to time, equipment. Additionally, although not a capital expense, such road system requires annual

expenditures for snow removal as well as regular general operating maintenance expenses. In addition, the Village owns, operates, maintains and improves recreation facilities. As has been noted, the Village generally has provided the financing for water and sanitary sewer facilities and the Erie County Water Authority and the Erie County Sewer Department maintains primary responsibility for these functions.

The Village issued \$1,600,000 in bond anticipation notes to finance sewer system improvements (which issue is being redeemed and renewed (in part), by the issuance of the Notes and the payment of \$60,000 of available funds of the Village). Additional sewer distribution projects will be undertaken on the Village's behalf by the Erie County Sewer District throughout 2011 and 2012.

Direct and Overlapping Indebtedness

In addition to the Village, the following political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the Village.

The real property taxpayers of the Village are responsible for a proportionate share of outstanding debt obligations of the County, the local school district, and the Town. Such taxpayers' share of this overlapping debt is based upon the amount of the Village's equalized property values taken as a percentage of each separate unit's total values. The table below sets forth both the total outstanding principal amount of debt issued by the Village and the approximate magnitude of the burden on taxable property of the Village of the debt issued and outstanding by such overlapping entities, as of the dates shown.

Calculation of Estimated Overlapping and Underlying Indebtedness

Overlapping Units	Date of Report	Applicable Total Indebtedness	Exclusions ¹	Net Indebtedness	Full Value of Village in Municipality	Total Full Valuation of Municipality	% Within Village	Applicable Overlapping Indebtedness
County:								
Erie	2010	\$573,732,688	\$236,778,658	\$336,954,030	\$527,980,784	\$46,120,909,981	1.14%	\$3,857,366
Town:								
Hamburg	2010	15,375,000	4,497,694	10,877,306	527,980,784	3,446,631,750	15.32%	1,666,267
School District:								
Hamburg	2010	28,440,000	24,117,120	4,322,880	527,980,784	1,602,289,474	32.95%	1,424,460
Total Net Overlapping Debt								\$6,948,094
Total Net Direct Debt								3,470,000
Net Direct and Overlapping Debt								<u>\$10,418,094</u>

Source: Annual Reports of the respective units for the most recently completed fiscal year on file with the State of New York, Office of the State Comptroller.

Note: ¹ Exclusions consist of indebtedness deductible from gross indebtedness for debt limit purposes pursuant to constitutional and statutory provisions (including water and sewer debt and revenue anticipation notes).

Debt Ratios

The following table presents certain debt ratios relating to the Village's direct and overlapping indebtedness as of July 6, 2011:

	Amount	Debt per Capita ¹	Debt Full Value ²
Net Direct Debt	\$3,470,000	\$368.80	0.66%
Total Direct & Applicable Total Overlapping Debt	10,418,094	1,107.25	1.97%

Notes: ¹ The population of the Village is 9,409 according to the 2010 US Census Bureau.

² The full valuation of real property located in the Village for the 2011 fiscal year is \$527,980,784.

FINANCES OF THE VILLAGE

Independent Audit

The Village maintains its financial records in accordance with the Uniform System of Accounts for Villages prescribed by the State Comptroller. The financial records of the Village are audited by independent accountants. The last such audit made available for public inspection covers the fiscal year ended May 31, 2010. A copy of such report is attached hereto as Appendix B. In addition, the financial affairs of the Village are subject to periodic compliance review by the Office of the State Comptroller to ascertain whether the Village has complied with the requirements of various state and federal statutes.

In June, 1999, the Governmental Accounting Standards Board (“GASB”) issued Statement 34, “Basic Financial Statements and Management’s Discussions and Analysis for State and Local Governments”. This Statement established new financial reporting requirements for state and local governments throughout the United States. Statement 34 required new information and restructured much of the information that governments had presented in the past. Comparability with reports issued in all prior years have been affected. GASB required the Village to implement this standard for the fiscal year ending December 31, 2003. The Village is in compliance with the requirements of GASB Statement 34.

The Statements of Revenues, Expenditures and Balance Sheet presented in Appendix A of this Official Statement are based on the Audited Financial Reports of the Village for the 2006 – 2010 fiscal years.

Fund Structure and Accounts

The Village utilizes fund accounting to record and report its various service activities. A fund represents both a legal and an accounting entity which segregates the transactions of specific programs in accordance with special regulations, restrictions or limitations.

There are three basic fund types: (1) governmental funds that are used to account for basic services and capital projects; (2) proprietary funds that account for operations of a commercial nature; and, (3) fiduciary funds that account for assets held in a trustee capacity. Account groups, which do not represent funds, are used to record fixed assets and long-term obligations that are not accounted for in a specific fund.

The Village presently maintains the following four major governmental funds: General Fund, Sewer Fund, Enterprise Utility Fund and the Capital Projects Fund. Fiduciary funds consist of a Trust and Agency Fund. Account groups are maintained for fixed assets and long-term debt.

Basis of Accounting

The Village’s governmental funds are accounted for on a modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become susceptible to accrual – that is, when they become “measurable” and “available” to finance expenditures to the current period. Revenues are susceptible to accrual include real property taxes, intergovernmental revenues (State and Federal aid) and operating transfers.

Expenditures are generally recognized under the modified accrual basis of accounting, that is when the related fund liability is incurred. An exception to this general rule is un-matured interest on general long-term debt which is recognized when due.

Investment Policy

The primary objectives of the Village’s investment policy are, in priority order, as follows:

- To conform to all applicable federal, state and other legal requirements.
- To adequately safeguard principal.
- To provide sufficient liquidity to meet all operating requirements.
- To obtain a reasonable rate of return on invested funds.

Pursuant to State law, including Sections 10 and 11 of the General Municipal Law (the “GML”), the Village is generally permitted to deposit moneys in banks or trust companies located and authorized to do business in the State. All such deposits, including special time deposit accounts and certificates of deposit, in excess of the amount insured under the Federal Deposit Insurance Act, are required to be secured in accordance with the provisions of and subject to the limitations of Section 10 of the GML.

The Village may also temporarily invest moneys in: (1) obligations of the United States of America; (2) obligations of the State of New York; (3) in repurchase agreements involving the purchase and sale of direct obligations of the United States; (4) certificates of deposit issued by a bank or trust company authorized to do business in New York State; (5) time deposit accounts in a bank or trust company authorized to do business in New York State; (6) in the case of moneys held in certain reserve funds established by the Village pursuant to law, in obligations of the Village.

All funds may be invested in: (1) obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America; (2) with the approval of the New York State Comptroller, in tax anticipation notes or revenue anticipation notes issued by any municipality, school district, or district corporation, other than those notes issued by the Village, itself.

Only reserve funds may be invested in: (1) Obligations of the Village.

All other Village officials receiving money in their official capacity must turn over such funds to the Chief Fiscal Officer of the Village.

All of the foregoing investments are required to be payable or redeemable at the option of the owner within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable in any event, at the option of the owner, within two years of the date of purchase. Unless registered or inscribed in the name of the Village, such instruments and investments must be purchased through, delivered to and held in custody of a bank or trust company in the State pursuant to a written custodial agreement as provided by Section 10 of the GML.

The Village Board has adopted an investment policy and such policy conforms with applicable laws of the State governing the deposit and investment of public moneys. All deposits and investments of the Village are made in accordance with such policy.

Budgetary Procedures

The Village operates on a fiscal year beginning June 1st and ending May 31st. The Village Board of Trustees, with the assistance of the Village Treasurer, prepares a tentative budget no later than March 20th of each fiscal year for the fiscal year commencing the following June 1st and holds a public hearing thereon by April 15th. Subsequent to the budget hearing, revisions, if any, are made and the budget is then adopted by the Village Board of Trustees as its final budget for the coming fiscal year by May 1st. The budget of the Village is not subject to voter approval.

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

The Tax Levy Limit Law will have a significant impact on the Village’s budgeting procedures and (possibly) outcomes, beginning with the Village’s budget for its 2012-2013 fiscal year. See “REAL PROPERTY TAX INFORMATION—Tax Levy Limit Law,” herein.

Financial Operations

The Village Treasurer functions as the chief fiscal officer of the Village as provided by Section 2 of the Local Finance Law: in this role, the Treasurer is responsible for the Village’s accounting and financial reporting activities. In addition, the Village Treasurer is the Village’s budget officer and must therefore prepare the annual tentative budget for submission to the Village Board of Trustees. Budgetary control during the year is the responsibility of the Treasurer. Pursuant to Section 30 of the Local Finance Law, before the issuance of bonds or notes, the Treasurer must execute and file an authorizing certificate with the Village Finance Board which then becomes a matter of public record.

The Village Board of Trustees, as a whole, serves as the finance board of the Village and is responsible for authorizing, by resolution, all material financial transactions such as operating and capital budgets and bonded debt.

Village finances are operated primarily through the General Fund. All real property taxes and most of the other Village revenues are credited to this fund. Current operating expenditures are paid from this fund subject to available appropriations. All revenues (rents and fees) and expenses of the Natural Gas and Sewer operations are specifically accounted for in these respective funds.

Revenues

The Village receives most of its revenues from real property taxes and assessments. For the year ending May 31, 2010, real property taxes and assessments accounted for 69.10% of all general fund revenue.

A summary of such revenues and other financing sources for the last five completed fiscal years ending May 31, 2010 and the budgets for the fiscal years ending 2011 and 2012 may be found in Appendix A – Financial Information.

Real Property Taxes

See “Real Property Tax Information”, herein.

State Aid

The Village received approximately 4.76% of its total General Fund operating revenue from State aid in the fiscal year 2009-10. The Village estimates State aid for 2010-11 and 2011-12 will be \$279,904 and \$290,142, respectively. The Village is dependent to a modest degree on financial assistance from New York State. However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the Village, in any year, the Village may be affected by a delay, until sufficient State taxes have been received by the State to make State aid payments to the Village.

The State is not constitutionally obligated to maintain or continue State aid to the Village. No assurance can be given that present State aid levels will be maintained in the future. State budgetary restrictions which eliminate or substantially reduce State aid could have a material adverse affect upon the Village requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures. (See also “Noteholder Risks,” herein).

The State faces the prospect of multi-billion dollar deficits for the next several years, and cuts in State aid to municipalities have been included in the New York State budget for the fiscal year ending March 31, 2012, which was adopted on March 31, 2011 (and can be expected in future years).

Expenditures

The major categories of expenditure for the Village are General Government Support, Public Safety, Transportation, Home and Community Services, Employee Benefits and Debt Service. A summary of the expenditures for the five most recently completed fiscal years and the estimated expenditures for the 2010-11 and 2011-12 fiscal years may be found in Appendix A – Financial Information.

Employee Pension System

Substantially all employees of the Village are members of the New York State and Local Employees' Retirement System ("ERS") or the New York State Local Police and Fire Retirement System ("PFRS"). (Both Systems are referred to together hereinafter as the "Retirement Systems" where appropriate.) The ERS and PFRS together are generally also known as the "Common Retirement Fund." The Retirement Systems are cost-sharing multiple public employer retirement systems. The obligation of employers and employees to contribute and the benefit to employees are governed by the New York State Retirement System and Social Security Law (the "Retirement System Law"). The Retirement Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service. The Retirement System Law generally provides that all participating employers in

each retirement system are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers.

Generally, all employees, except certain part-time employees, participate in the Retirement Systems. The Retirement Systems are non-contributory with respect to members hired prior to July 27, 1976. All members of the ERS hired on or after July 27, 1976 must contribute 3% of gross annual salary, for the first ten years of service, toward the cost of retirement programs.

The following schedule reflects the Village’s contribution to the ERS and PFRS for the last five fiscal years and the amount budgeted for fiscal years 2011 and 2012:

<u>Fiscal Year Ending May 31:</u>	<u>ERS</u>	<u>PFRS</u>
Budgeted 2012	\$279,661	\$264,956
2011	199,330	175,477
2010	136,376	169,096
2009	148,036	168,609
2008	153,996	162,052
2007	192,834	177,320

Chapter 49 of the Laws of 2003 changed the cycle of billing to better match budget cycles of the Village and other governmental employers. Under the previous method, the Village was unsure of how much it would be required to pay to the system until after its budget was implemented. The contribution for a given fiscal year is now based on the value of the pension fund on the prior April 1 instead of the following April 1, so the Village is now able to more accurately build the cost of the contribution in its budget. The Village is required to a minimum contribution of 4.50% of payroll every year, including years in which the investment performance of the fund would make a lower contribution possible.

Due to significant capital market declines in the recent past, the State's Retirement System portfolio has experienced negative investment performance and severe downward trends in market earnings. As a result of the foregoing, New York State Comptroller Thomas DiNapoli has announced that the employer contribution rate for the State’s Retirement System in 2011 year and subsequent years will be higher than the minimum contribution rate established by Chapter 49. For the year 2011 ERS contributions will be 16.3% and PFRS will be 21.6% of payroll. The Fund has since recovered in substantial part, posting a 25.9% return for the fiscal year ended March 31, 2010.

Chapter 57 of the Laws of 2010, enacted August 11, 2010, established the Employer Contribution Stabilization Program (“the Program”). This legislation authorizes participating local government employers, if they so elect, to amortize the eligible portion of their annual required contributions to the New York State and Local Retirement System (NYSLRS).

The option to amortize the eligible portion begins with the annual contribution due February 1, 2011. The Program allows local government employers to amortize a portion of the annual required contribution based on a “graded” rate. Amortized contributions will be paid in equal annual installments over a ten-year period, but may be prepaid at any time. Interest will be charged on the unpaid amortized portion at a rate which approximates a market rate of return on taxable fixed rate securities of a comparable duration. The interest rate is established annually for each of the amortized yearly amount and applies to the entire ten years of the repayment cycle.

On December 10, 2009, former Governor Paterson signed into law pension reform legislation that will provide (according to a Division of the Budget analysis) more than \$35 billion in long-term savings to State taxpayers over the next thirty years. The legislation creates a new Tier V pension level, the most significant reform of the State’s pension system in more than a quarter-century. Key components of Tier V include:

- Raising the minimum age at which most civilians can retire without penalty from 55 to 62 and imposing a penalty of up to 38 percent for any civilian who retires prior to age 62.
- Requiring employees to continue contributing three percent of their salaries toward pension costs so long as they accumulate additional pension credits.

- Increasing the minimum years of service required to draw a pension from five years to 10 years.
- Capping the amount of overtime that can be considered in the calculation of pension benefits for civilians at \$15,000 per year, and for police and firefighters at 15 percent of non-overtime wages.

In accordance with constitutional requirements, these new pension reforms apply only to public employees hired on or after January 1, 2010.

The investment of monies and assumptions underlying same, of the Retirement Systems covering the Village's employees is not subject to the direction of the Village. Thus, it is not possible to predict, control or prepare for future unfunded accrued actuarial liabilities of the Retirement Systems ("UAALs"). The UAAL is the difference between total actuarially accrued liabilities and actuarially calculated assets available for the payment of such benefits. The UAAL is based on assumptions as to retirement age, mortality, projected salary increases attributed to inflation, across-the-board raises and merit raises, increases in retirement benefits, cost-of-living adjustments, valuation of current assets, investment return and other matters. Such UAALs could be substantial in the future, requiring significantly increased contributions from the Village which could affect other budgetary matters. Concerned investors should contact the Retirement Systems administrative staff for further information on the latest actuarial valuations of the Retirement Systems.

Other Post-Employment Benefits

It should be noted that the Village provides post-employment healthcare benefits to various categories of former employees. These costs are expected to rise substantially in the future.

GASB 45 and OPEB. OPEB refers to "other post-employment benefits," and refers to benefits other than pension benefits. OPEB consists primarily of health care benefits, and may include other benefits such as disability benefits and life insurance. Before GASB 45, OPEB costs were generally accounted for and managed on a pay-as-you-go basis and had not been reported as a liability on the government's financial statements.

Recently enacted accounting rule, GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB"), requires state and local governments to account for and report their costs associated with post-retirement benefits and other non-pension benefits ("OPEB"), as it accounts for vested pension benefits. OPEB consists primarily of health care benefits, and may include other benefits such as disability benefits and life insurance.

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

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

GASB 45 does not require that the unfunded liability actually be amortized nor that it be advance funded, only that the municipality or school district account for its unfunded accrued liability and its compliance in meeting its ARC. The Village is in compliance with the requirements of GASB 45, and the numbers are recorded in the Village's financial statements for the fiscal year ending 2010.

For the year ended May 31, 2010, the Village's annual required contribution amounted to \$305,988 and the percentage of annual OPEB cost contributed to the Plan was 100%. The actuarial accrued liability for benefits was \$11,786,391, all of which is unfunded.

Actuarial valuation will be required every two years for OPEB plans with more than 200 members, every three years if there are less than 200 members.

Additional information about GASB 45 and other accounting rules applicable to municipalities and school districts may be obtained from GASB.

REAL PROPERTY TAX INFORMATION

Real Property Taxes

The Village derives a significant portion of its annual revenue through a direct real property tax. The following table presents the total tax levy tax rates and collection performance for each of the last four fiscal years and the 2011 fiscal year.

	Fiscal Year Ending May 31:				
	2007	2008	2009	2010	2011
Taxes on Roll	\$4,616,109	\$5,031,800	\$5,362,331	\$5,500,089	\$5,619,519
Sewer Rents	0	0	0	0	0
Other Tax Items	24,747	20,846	871	16,747	11,687
Total Taxes	\$4,640,856	\$5,052,646	\$5,363,202	\$5,516,836	\$5,631,206
Adjustments	0	(1,720)	0	0	0
Net Tax Levy	\$4,640,856	\$5,050,926	\$5,363,202	\$5,516,836	\$5,631,206
Collected During Year	4,545,691	4,967,121	5,230,616	5,395,704	5,525,645
Total Uncollected Taxes	95,165	83,805	132,586	121,132	105,561
Per Cent Collected Prior to					
Return to County	97.95%	98.34%	97.53%	97.80%	98.13%
Tax Rate Per \$1,000 AV	\$14.84	\$16.16	\$17.05	\$17.48	\$17.80

Source: Village Officials

Tax Levy Limit Law

On June 24, 2011, the State Senate and the State Assembly both enacted, and Governor Andrew Cuomo signed (as Chapter 97 of the 2011 Laws of the State), significant and complex legislation relating to real property tax levies, rent regulation, exemption from local taxation and mandate relief (the “Legislation”). Part A of the Legislation amends the General Municipal Law and the Education Law in order to impose a limit upon real property tax levies by local governments (excluding the City of New York and the counties contained therein) and almost all school districts in the State (the “Tax Levy Limit Law”).

The Village is subject to the new Legislation, with the Tax Levy Limit Law first applying to the Village’s budget for its 2012-2013 fiscal year. The Tax Levy Limit Law will restrict, among other things, the amount of real property taxes that may be levied by or on behalf of the Village in a particular year. Under the Legislation, the tax levy of the Village may not increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in a designated measure of the consumer price index (“CPI”) over the amount of the Village’s prior year’s tax levy. The exceptions for a tax levy above two percent or the CPI increase are (i) funds needed to pay judgments arising out of tort actions that exceed 5% of the total tax levied by the Village in the prior fiscal year and (ii) required pension payments (but only that portion of such payments attributable to the average actuarial contribution rate exceeding two percentage points).

The Tax Levy Limit Law also allows for growth in the Village’s tax levy due to physical and quantitative changes in the Village. If the Village does not levy an amount up to the cap in any one year, it would be allowed to carry over unused tax levy capacity into future years. However, this carryover levy capacity may not be used to increase its tax levy by more than an additional 1.5 percent above the cap in any single year. If the Village’s actual tax levy exceeds its

authorized levy due to clerical or technical errors, the erroneous excess levy must be placed in reserve to offset the levy for the next budget year.

The Village may adopt a budget that requires a tax levy that exceeds the tax levy limit for a given fiscal year, but only if the Village’s Board of Trustees first adopts, by a vote of 60% of the total voting power of such body, a local law to override such limit for that particular fiscal year only.

It is reasonably certain that the Legislation will come under legal challenge alleging that the Legislation violates several provisions of Article VIII of the New York State Constitution. Although the Constitution recognizes the power of the State Legislature to restrict local government taxation of property, it also expressly states that “the legislature shall not, however, restrict the power to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted.” Although New York courts (including the State’s highest court—the Court of Appeals) have traditionally been very protective of the rights of the holders of municipal debt obligations, the outcome of any such legal challenge cannot be predicted.

Prospective investors in the Notes are encouraged to consult with their own legal and tax advisors and review the provisions of the Tax Levy Limit Law in its entirety.

Tax Collection Procedure

Taxes are due June 1, payable to July 1 without penalty. Penalties thereafter are 7.5% if paid July 2 – 31, 9.0% if paid August 1 – 31, 10.50% if paid September 1 – 30 and 12.00% if paid October 1 - 31. On November 1, uncollected taxes are turned over to the County Treasurer’s Office and uncollected taxes and penalties are relieved as part of the County tax levy. The County guarantees to pay the Village the full amount of such uncollected taxes prior to the end of the Village fiscal year in which the tax was levied.

Constitutional Tax Limit

The Constitution limits the amount that may be raised by the Village *ad valorem* tax levy on real estate in any fiscal year to two per centum (2%) of the five-year average full valuation of taxable real estate of the Village plus (1) the amounts required for principal and interest on all capital indebtedness, and (2) current appropriations for certain capital purposes. The tax limit for the Village for the 2011-12 fiscal year is as follows:

Five Year Average Full Valuation	\$498,712,255
Constitutional Tax Limit: (2%)	9,974,245
Tax Levy	5,964,379
Less: Total Exclusions	813,473
Tax Levy Subject to Tax Limit	5,150,906
Percentage of Tax Limit Exhausted	51.64%
<u>Constitutional Tax Margin</u>	<u>\$4,823,339</u>

Source: Constitutional Tax Limit Worksheet as submitted to the NYS Comptroller by the Village.

Ten Largest Taxpayers
2011-12 Assessment Roll

<u>Name</u>	<u>Type</u>	<u>Estimated Assessed Valuation</u>
Benderson Development	Retail	\$5,422,000
Sunset Court LLC	Apartments	4,810,000
Rosewood Property Co.	Assisted Living	4,150,000
Verizon	Utility	3,516,227
National Fuel Gas Supply/Distribution	Utility	2,928,767
Hamburg Station	Retail	1,815,000
Hamburg Lodging	Motel	1,800,000
New York State Electric & Gas	Utility	2,006,241
National Envelope	Manufacturing	1,500,000
PDQ LLC	Retail/Office	1,200,000
Total		<u>\$29,148,235</u> ¹

Note: ¹ Represents 9.05% of the Village's 2011 assessed valuation of \$322,068,278.

LITIGATION

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

There is no action, suit, proceeding or investigation, at law or in equity, before or by any court, public board or body pending or, to the best knowledge of the Village, threatened against or affecting the Village to restrain or enjoin the issuance, sale or delivery of the Notes or the levy and collection of taxes or assessments to pay same, or in any way contesting or affecting the validity of the Notes or any proceedings or authority of the Village taken with respect to the authorization, issuance or sale of the Notes or contesting the corporate existence or boundaries of the Village.

NOTEHOLDER RISKS

There are various forms of risk associated with investing in the Notes. One such risk is that the Village will be unable to promptly pay interest and principal on the Notes as they become due (see "Remedies Upon Default", herein). If a Noteholder elects to sell his or her investment prior to its scheduled maturity date, market access or price risk may be incurred. The following is a discussion of certain events that could affect the risk of investing in the Notes. In addition, there may be other risk factors which a potential investor must consider. In order to make an informed investment decision, an investor should be thoroughly familiar with the entire Official Statement, including its appendices, as well as all areas of potential risk.

There are a number of factors which could have a detrimental effect on the ability of the Village to continue to generate revenues, particularly its property taxes. For instance, the termination of a major commercial enterprise or an unexpected increase in tax certiorari proceedings could result in a reduction in the assessed valuation of taxable real property in the Village. In addition, to the extent that the Village is dependent on State aid, there can be no assurance that such aid will be continued in the future (see "Finances of the Village", herein). Unforeseen developments could also result in substantial increases in Village expenditures, thus placing considerable strain on the Village's financial condition.

The subprime mortgage crisis and various economic events growing out of it created a significant disruption in the U.S. and global credit and securities markets, and the health of those markets was impaired to the point where significant governmental intervention was deemed necessary. These developments have had significant adverse effects on the finances of New York State, on which the Village depends for a modest amount of State aid. The exact impact on the Village cannot be predicted, but, to date, it has been negative and could persist for a significant period of time. The State faces the prospect of multi-billion dollar deficits for the next several years, and cuts in State aid to municipalities and school districts have been included in the New York State budget for the fiscal year ending March 31, 2012, which was adopted on March 31, 2011 (and are likely in future years).

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

Amendments to U.S. Internal Revenue Code of 1986, as amended (the "Code") could reduce or eliminate the favorable tax treatment granted to municipal debt, including the Notes and other debt issued by the Village. Any such future legislation could have an adverse effect on the market value of the Notes (See "Tax Exemption" herein).

If and when a holder of any of the Notes should elect to sell a Note prior to its maturity, there can be no assurance that a market shall have been established, maintained and be in existence for the purchase and sale of any of the Notes. In addition, the price and principal value of the Notes is dependent on the prevailing level of interest rates; if interest rates rise, the price of a note will decline, causing the noteholder to incur a capital loss upon the sale of such note (unless such note is held to maturity).

TAX EXEMPTION

In the opinion of Hodgson Russ LLP, of Buffalo, New York, Bond Counsel, under existing law, the interest on the Notes is excluded from gross income of the owners thereof for federal income tax purposes, and is not an "item of tax preference" for purposes of the individual and corporate alternative minimum taxes imposed by the Code. However, it should be noted that (1) the Village, by failing to comply with certain restrictions contained in the Code, may cause interest on the Notes to become subject to federal income taxation from the date of issuance of the Notes; (2) Section 56 of the Code provides that for purposes of computing the alternative minimum tax on corporations (as defined for federal income tax purposes) interest on the Notes is taken into account in determining adjusted current earnings; and (3) interest on the Notes earned by foreign corporations doing business in the United States could be subject to the branch profits tax imposed by Section 884 of the Code. Interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

In rendering the foregoing opinions, Hodgson Russ LLP noted that the exclusion of the interest on the Notes from gross income for federal income tax purposes is subject to, among other things, continuing compliance by the Village with the applicable requirements of Sections 141, 148 and 149 of the Code and the regulations promulgated thereunder (collectively, the "Tax Requirements"). In the opinion of Hodgson Russ LLP, the tax certificate and the non-arbitrage certificate (or similar documentation) that will be executed and delivered by the Village in connection with the issuance of the Notes (collectively the "Tax Certificates") establish requirements and procedures, compliance with which will satisfy the Tax Requirements applicable to the Notes.

The Tax Requirements referred to above, which must be complied with in order that interest on the Notes remains excluded from gross income for federal income tax purposes, include, but are not limited to:

- (1) The requirement that the proceeds of the Notes be used in a manner so that the Notes are not obligations which meet the definition of a "private activity bond" within the meaning of Section 141 of the Code.
- (2) The requirements contained in Section 148 of the Code relating to arbitrage bonds.

- (3) The requirements that payment of principal or interest on the Notes not be directly or indirectly guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof) as provided in Section 149(b) of the Code.

In the Tax Certificate that will be delivered in connection with the issuance of the Notes, the Village has covenanted to comply with the Tax Requirements, and to refrain from taking any action which would cause the interest on the Notes to be includable in gross income for federal income tax purposes. Any violation of the Tax Requirements may cause the interest on the Notes to be included in gross income for federal income tax purposes from the date of issuance of the Notes. Hodgson Russ LLP, Bond Counsel, expresses no opinion regarding other federal tax consequences arising with respect to the Notes.

The interest on the Notes is subject to, among others, the following provisions contained in the Code:

- (1) Interest on the Notes is not an "item of tax preference" for purposes of the individual and corporate alternative minimum taxes imposed by the Code. However, interest on the Notes is includable in the "adjusted current earnings" of any corporate owner of the Notes and 75% of the interest on the Notes is thus includable in the tax base for computing a corporation's liability with respect to the 20% alternative minimum tax imposed on corporations by the Code.
- (2) If the Notes are held by certain foreign corporations doing business in the United States, the interest on the Notes will be included in "effectively connected earnings and profits" for purposes of computing a branch profits tax of up to 30%.
- (3) A property casualty insurance company's deduction for the losses incurred will be reduced by 15% of the income received from tax-exempt obligations.
- (4) The United States Treasury Department has promulgated regulations which might have the effect of imposing a tax at ordinary income rates with respect to interest on the Notes owned by "S Corporations" in certain cases.
- (5) In addition, the Notes will constitute "qualified tax-exempt obligations" within the meaning of the Code, and if the Notes are held by a financial institution, a portion of the interest expense allocable to the Notes will be deductible for federal income tax purposes.

Under the Code, the benefits of the exclusion of the interest on the Notes from gross income for federal income tax purposes may be diminished by operation of certain provisions of the Code which affect recipients of Social Security and railroad retirement benefits.

Amendments to Code could reduce or eliminate the favorable tax treatment granted to municipal debt, including the Notes and other debt issued by the Village. Any such future legislation could have an adverse effect on the market value of the Notes.

Each purchaser of the Notes should consult his or her tax advisor regarding the impact of the foregoing and other provisions of the Code on his or her individual tax position.

DOCUMENTS ACCOMPANYING DELIVERY OF THE NOTES

Absence of Litigation

Upon delivery of the Notes, the Village will furnish a certificate, dated the date of delivery of the Notes, to the effect that there is no controversy or litigation of any nature pending or threatened to restrain or enjoin the issuance, sale, execution, or delivery of the Notes, or in any way contesting or affecting the validity of the Notes or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Notes. An additional certificate will state that there is no controversy or litigation of any nature now pending or threatened by or against the Village wherein an adverse judgment or ruling could have a material adverse impact on the financial

condition of the Village or adversely affect the power of the Village to levy, collect, and enforce the collection of taxes or other revenues for the payment of the Notes, which has not been disclosed in this Official Statement.

Legal Matters

The legality of the authorization and issuance of the Notes will be covered by the legal opinion of Hodgson Russ LLP, Bond Counsel, of Buffalo, New York. Such legal opinion will state that in the opinion of Bond Counsel (i) the Notes have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the Village, are payable as to principal and interest from *ad valorem* taxes levied upon all the taxable real property within the Village, without limitation as to rate or amount (subject to certain recently-enacted statutory limitations imposed by the Tax Levy Limit Law); provided, however, that the enforceability (but not the validity) of the Notes may be limited or otherwise affected by (a) any applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or similar statute, rule, regulation or other law affecting the enforcement of creditors' rights and remedies heretofore or hereafter enacted or (b) by the unavailability of equitable remedies or the application thereto of equitable principles, (ii) assuming that the Village complies with certain requirements of the Code, interest on the Notes (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and (iii) assuming that the Village complies with certain requirements of the Code, interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof, including the City of New York. Bond Counsel will express no opinion regarding other federal income tax consequences arising with respect to the Notes.

Such legal opinion also will state that (i) in rendering the opinions expressed therein, Bond Counsel has assumed, without inquiry or other investigation, (a) the legal capacity of each natural person, (b) the full power and authority of each person other than the Village to execute and deliver certain documents and to perform certain acts, (c) no modification of any provision of any document, no waiver of any right or remedy and no exercise of any right or remedy other than in a commercially reasonable and conscionable manner and in good faith, (d) the genuineness of each signature, the completeness of each document submitted to Bond Counsel, the authenticity of each document submitted to Bond Counsel as an original, the conformity to the original of each document submitted to Bond Counsel as a copy and the authenticity of the original of each document submitted to Bond Counsel as a copy, (e) the accuracy on the date of this letter of certain reviewed documents, (f) the truthfulness of each statement as to any factual matter contained in such reviewed documents, and (g) the due and timely filing of certain filed documents; (ii) the scope of Bond Counsel's engagement in relation to the issuance of the Notes has extended solely to rendering the opinions expressed therein, (iii) the opinions expressed therein are not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the Village, together with other legally available sources of revenue, if any, will be sufficient to enable the Village to pay the principal of and interest on the Notes as the same respectively become due and payable, and (iv) no opinion is expressed by Bond Counsel as to whether the Village, in connection with the sale of the Notes, has made any untrue statement of a material fact, or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

DISCLOSURE UNDERTAKING

In accordance with the provisions of Rule 15c2-12, as the same may be amended or officially interpreted from time to time (the "Rule"), promulgated by the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934, the Village has agreed to provide or cause to be provided, in a timely manner not in excess of ten (10) business days after the occurrence of the event, during the period in which the Notes are outstanding, to the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, notice of the occurrence of any of the following events with respect to the Notes:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;

- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) in the case of credit enhancement, if any, provided in connection with the issuance of the Notes, unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes;
- (g) modifications to rights of Noteholders, if material;
- (h) note calls, if material and tender offers;
- (i) defeasances;
- (j) release, substitution, or sale of property securing repayment of the Notes;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the Village;
- (m) the consummation of a merger, consolidation, or acquisition involving the Village or the sale of all or substantially all of the assets of the Village, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Event (c) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers dated September 19, 1995. However, event (c) is not applicable, since no "debt service reserves" will be established for the Note.

With respect to event (d), the Village does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Notes.

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

The Village reserves the right to terminate its obligation to provide the aforescribed notices of material events, as set forth above, if and when the Village no longer remains an obligated person with respect to the Notes within the meaning of the Rule.

The Village acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the holders of the Notes (including holders of beneficial interests in the Notes). The right of holders of the Notes to enforce the provisions of the undertaking will be limited to a right to obtain specific enforcement of the Village's obligations under its material event notices undertaking and any failure by the Village to comply with the provisions of the undertaking will neither be a default with respect to the Notes nor entitle any holder of the Notes to recover monetary damages.

The Village reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the Village; provided that the Village agrees that any such modification will be done in a manner consistent with the Rule.

Annual information and notices of material events can be obtained from the Village of Hamburg, 100 Main Street, Hamburg, NY 14075, telephone: 716-649-0200.

An "Undertaking to Provide Notice of Material Events" to this effect shall be provided to the purchaser(s) at closing.

The Village is in compliance with all prior undertakings pursuant to the Rule.

RATING

The Village has not applied for a rating on the Notes. Standard & Poor's Rating Services currently rates the outstanding long-term debt of the Village "AA-"/Stable and Moody's Investors Service, Inc. has assigned their municipal bond rating "Aa3" to the Village's outstanding bonds. The ratings reflect only the view of such rating agencies and an explanation of the significance of such rating should be obtained from the respective rating agencies. There can be no assurance that such ratings will not be revised or withdrawn, if in the rating agencies' judgment circumstances so warrant. Any change or withdrawal of such ratings may have an adverse effect on the market price of the Notes or the availability of a secondary market for the Notes.

FINANCIAL ADVISOR

Municipal Solutions, Inc. has assisted the Village as financial advisor in certain matters with respect to the sale and issuance of the Notes.

ADDITIONAL INFORMATION

Additional information may be obtained upon request from the office of the Village Treasurer, 100 Main Street, Hamburg, NY 14075, telephone: 716-649-0200 or from the office of Municipal Solutions, Inc., 2528 State Route 21, Canandaigua, New York 14424, telephone number 585-394-4090, fax number 585-394-4092, and website at: www.municipalsolution.com.

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

This Official Statement is submitted only in connection with the sale of the Notes by the Village and may not be reproduced or used in whole or in part for any other purpose.

So far as any statements made in this Official Statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, which are based on the Village's management's beliefs as well as assumptions made by, and information available to, the Village management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the Village files with the repositories. When used in Village documents or oral presentations, the words "anticipate," "estimate," "expect," "objective," "projection," "forecast," "goal" or similar words are intended to identify forward-looking statements.

Municipal Solutions, Inc. will place a copy of this Official Statement on its website: <http://www.municipalsolution.com>. Unless the Official Statement specifically indicated otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Municipal Solutions, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the Village nor Municipal Solutions, Inc. assumes any liability or responsibility for errors or omissions on such website.

Further, Municipal Solutions, Inc., and the Village disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website.

Further, Municipal Solutions, Inc., and the Village disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Municipal Solutions, Inc. and the Village also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

VILLAGE OF HAMBURG

July 6, 2011
Hamburg, New York

By: s/s Donald Witkowski
Village Treasurer and Chief Fiscal Officer

Additional copies of the Notice of Sale and Official Statement may be obtained upon request
from the Office of Municipal Solutions, Inc., 2528 State Route 21,
Canandaigua, New York 14424, telephone (585) 394-4090.
Website: www.municipalsolution.com

APPENDIX A

FINANCIAL INFORMATION

**Statement of Revenues, Expenditures and Fund Balance
General Fund - Village of Hamburg**

Fiscal Year Ending May 31

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues:					
Real Property Taxes	\$4,270,938	\$4,616,109	\$5,031,776	\$5,322,290	\$5,498,367
Other Tax Items	112,616	123,828	119,865	161,785	174,922
Non-property Taxes	1,151,446	1,186,309	1,232,078	1,226,649	1,198,789
Departmental Income	161,835	160,279	163,244	183,119	184,611
Intergovernmental Charges	142,229	146,717	150,903	148,166	149,673
Use of Money and Property	270,341	368,519	369,772	267,200	184,358
Licenses and Permits	16,173	12,872	10,252	37,620	15,468
Fines and Forfeitures	112,496	120,123	106,670	79,582	106,731
Sale of Property & Comp. for Loss	207,780	66,834	41,131	143,629	19,795
Miscellaneous	180,309	29,929	53,422	47,107	45,200
State Aid	263,082	404,117	267,438	313,881	378,439
Federal Aid	0	175,078	3,481	0	104
Total Revenues	<u>\$6,889,245</u>	<u>\$7,410,714</u>	<u>\$7,550,032</u>	<u>\$7,931,028</u>	<u>\$7,956,457</u>
Expenditures:					
General Government Support	\$1,278,836	\$1,329,652	\$1,302,457	\$1,291,202	\$1,274,803
Public Safety	1,557,161	1,782,965	1,656,353	1,745,938	1,751,966
Health	141,934	9,718	7,585	9,003	5,812
Transportation	1,003,229	1,036,063	1,004,529	1,093,829	1,108,048
Culture and Recreation	448,857	461,470	477,077	530,737	546,251
Home and Community Services	311,865	323,249	354,389	368,752	387,021
Employee Benefits	1,316,485	1,535,706	1,558,889	1,663,716	1,670,932
Debt Service	568,889	539,085	659,870	655,007	649,702
Subtotal Expenditures	<u>\$6,627,256</u>	<u>\$7,017,908</u>	<u>\$7,021,149</u>	<u>\$7,358,184</u>	<u>\$7,394,535</u>
Other Sources and Uses:					
Operating Transfers In	\$98,610	\$131,979	\$53,038	\$13,752	\$16,818
Operating Transfers Out	(80,437)	(219,322)	(293,226)	(331,998)	(297,244)
Total Other Sources and Uses	<u>\$18,173</u>	<u>(\$87,343)</u>	<u>(\$240,188)</u>	<u>(\$318,246)</u>	<u>(\$280,426)</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	\$261,989	\$392,806	\$528,883	\$572,844	\$561,922
Excess (Deficiency) of Revenues & Other Sources Over Exp and Other Uses					
Net Adjustments to Fund Balance	0	0	0	0	0
Fund Balance Beginning of Year	<u>2,057,815</u>	<u>2,337,979</u>	<u>2,643,442</u>	<u>2,932,137</u>	<u>3,186,735</u>
Fund Balance End of Year	<u>\$2,337,977</u>	<u>\$2,643,442</u>	<u>\$2,932,137</u>	<u>\$3,186,735</u>	<u>\$3,468,231</u>

Source: Audited Financial Reports of the Village

Note: This table NOT audited

Balance Sheet
General Fund - Village of Hamburg
Fiscal Year Ending May 31, 2010

Assets:	
Cash	\$4,105,281
Accounts Receivable	57,957
Due From Other Funds	41,324
Due From Other Governments	234,396
Prepaid Expenses	93,583
Due from State and Federal Aid	38,431
Total Assets:	<u>\$4,570,972</u>
Liabilities:	
Accounts Payable	\$46,468
Accrued Liabilities	134,073
Due to Other Governments	0
Deferred Revenues	620,429
Compensated Absences	301,771
Total Liabilities	<u>\$1,102,741</u>
Fund Balances:	
Reserved:	
Encumbrances	\$245,275
Prepaid Expenses	93,583
Insurance	158,736
Debt	145,920
Capital Projects	298,893
Unreserved:	
Designated for Subsequent Years'	365,000
Undesignated	2,160,824
Total Fund Balance	\$3,468,231
Total Liabilities and Fund Balances	<u>\$4,570,972</u>

Source: Audited Financial Reports of the Village

Note: This table NOT audited

Budget Summaries
General Fund - Village of Hamburg

	Fiscal Year Ending May 31:	
	<u>2011</u>	<u>2012</u>
Revenues:		
Real Property Taxes	\$5,619,519	\$5,964,379
Real Property Tax Items	158,441	85,313
Non-Property Tax	1,086,816	1,166,816
Departmental Income	2,000	2,000
Public Safety	12,800	13,440
Culture & Recreation	164,050	0
Home & Community Service	0	203,250
Intergovernmental Charges	150,404	151,857
Use of Money & Property	181,300	189,987
Licenses & Permits	3,575	0
Fines & Forfeitures	85,000	3,950
Sale of Prop & Comp for Loss	5,100	105,000
Miscellaneous	15,500	5,600
Debt Service Reserve	20,000	14,000
State and Federal Aid	279,904	290,142
Interfund Transfers	0	45,000
Appropriated Fund Balance	345,000	396,986
	<u>\$8,129,409</u>	<u>\$8,637,720</u>
Total Revenues:		
Expenditures:		
General Government Support	\$1,487,602	\$1,553,894
Public Safety	1,691,373	1,699,606
Health	9,850	9,850
Transportation	1,155,149	1,117,282
Culture & Recreation	539,191	565,265
Home & Community Service	410,603	456,419
Employee Benefits	2,062,420	2,218,124
Debt Service	633,900	813,473
Interfund Transfers	139,321	203,807
	<u>\$8,129,409</u>	<u>\$8,637,720</u>
Total Expenditures:		

Source: Adopted Budgets of the Village

Note: This table NOT audited

APPENDIX B

**AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MAY 31, 2010**

**VILLAGE OF HAMBURG
ERIE COUNTY, NEW YORK**

NOTE: SUCH FINANCIAL REPORT AND OPINIONS WERE PREPARED AS OF THE DATE THEREOF AND HAVE NOT BEEN REVIEWED AND/OR UPDATED BY THE VILLAGE'S AUDITORS IN CONNECTION WITH THE PREPARATION AND DISSEMINATION OF THIS OFFICIAL STATEMENT. CONSENT OF THE AUDITORS FOR INCLUSION OF THE AUDITED FINANCIAL REPORTS IN THIS OFFICIAL STATEMENT HAS NEITHER BEEN REQUESTED NOR OBTAINED.

Amato, Fox & Company, PC

RECEIVED

SEP 15 2010

Village of Hamburg, Clerk

Village of Hamburg, New York

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

FOR THE YEAR ENDED
MAY 31, 2010

*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, 2010

VILLAGE OF HAMBURG, NEW YORK

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VILLAGE OF HAMBURG, NEW YORK

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INDEPENDENT AUDITOR'S REPORT

Honorable Village Board
Village of Hamburg
Hamburg, New York

We have audited the accompanying financial statements of the governmental activities, the business-type 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, 2010, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Hamburg, New York's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Hamburg, New York, as of May 31, 2010, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (CONT.)

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2010, on our consideration of the Village of Hamburg, New York'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 15 and 25 through 26, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Amato, Fox & Company PC

August 27, 2010

VILLAGE OF HAMBURG, NEW YORK

Management's Discussion and Analysis For the Year Ended May 31, 2010

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, 2010. 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 2010 fiscal year by \$24,031,553 (net assets). Of this amount, \$1,448,108 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors, and \$697,133 is restricted for specific purpose (restricted net assets), and \$21,886,312 is invested in capital assets, net of related debt.
- The government's total net assets increased by \$21,545.
- At the end of the fiscal year, unreserved fund balance for the general fund was \$2,525,824 or 72.8% of total general fund balance. The amount of \$365,000 is designated for subsequent year's expenditures within the 2011 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 Assets* presents information on all Village assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net asset 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 assets changed during the most recent fiscal year. All changes in net assets 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, 2010

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 16 through 18 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 two 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 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 19 through 26 of this report.

VILLAGE OF HAMBURG, NEW YORK

Management's Discussion and Analysis For the Year Ended May 31, 2010

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 27 through 29 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 30 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 31 through 64 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 \$24,031,553 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, 2010

Summary of Village of Hamburg's Net Assets

	Governmental Activities		Business Type Activities		Total	
	<u>May 31, 2010</u>	<u>May 31, 2009</u>	<u>May 31, 2010</u>	<u>May 31, 2009</u>	<u>May 31, 2010</u>	<u>May 31, 2009</u>
Current and other assets	\$ 5,730,768	\$ 4,384,831	\$ 59,180	\$ 126,066	\$ 5,789,948	\$ 4,510,897
Capital assets	<u>28,539,957</u>	<u>27,616,068</u>	<u>-</u>	<u>-</u>	<u>28,539,957</u>	<u>27,616,068</u>
Total assets	<u>34,270,725</u>	<u>32,000,899</u>	<u>59,180</u>	<u>126,066</u>	<u>34,329,905</u>	<u>32,126,965</u>
Long-term liabilities	8,021,661	6,974,203	-	-	8,021,661	6,974,203
Other liabilities	<u>2,202,805</u>	<u>1,141,560</u>	<u>73,886</u>	<u>1,194</u>	<u>2,276,691</u>	<u>1,142,754</u>
Total Liabilities	<u>10,224,466</u>	<u>8,115,763</u>	<u>73,886</u>	<u>1,194</u>	<u>10,298,352</u>	<u>8,116,957</u>
Net assets:						
Investment in capital assets, net of related debt	21,886,312	22,058,481	-	-	21,886,312	22,058,481
Restricted	697,133	679,487	-	-	697,133	679,487
Unrestricted	<u>1,462,814</u>	<u>1,147,168</u>	<u>(14,706)</u>	<u>124,872</u>	<u>1,448,108</u>	<u>1,272,040</u>
Total net assets	<u>\$ 24,046,259</u>	<u>\$ 23,885,136</u>	<u>\$ (14,706)</u>	<u>\$ 124,872</u>	<u>\$ 24,031,553</u>	<u>\$ 24,010,008</u>

VILLAGE OF HAMBURG, NEW YORK

Management's Discussion and Analysis For the Year Ended May 31, 2010

The largest portion of the Village's net assets of \$21,886,312 (91.1%) 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 assets of \$697,133 (2.9%) represents resources that are subject to external restrictions on how they may be used.

The remaining balance of the Village's net assets (6.0%) represents unrestricted net assets of \$1,448,108, which may be used to meet the Village's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Village is able to report positive balances in all of its net asset categories.

Government-wide activities increased the Village's net assets by \$21,545. Governmental activities increased net assets by \$161,123 and business-type activities decreased net assets by \$139,578.

VILLAGE OF HAMBURG, NEW YORK

Management's Discussion and Analysis
For the Year Ended May 31, 2010

The following table indicates the changes in net assets:

Summary of Village of Hamburg's Changes in Net Assets

	Governmental Activities		Business Type Activities		Total	
	<u>May 31, 2010</u>	<u>May 31, 2009</u>	<u>May 31, 2010</u>	<u>May 31, 2009</u>	<u>May 31, 2010</u>	<u>May 31, 2009</u>
Revenues:						
Program revenues:						
Charges for services	\$ 456,483	\$ 448,487	\$ 663,146	\$ 905,192	\$ 1,119,629	\$ 1,353,679
Operating grants and contributions	157,641	104,826	-	-	157,641	104,826
Capital grants and contributions	385,700	11,000	-	-	385,700	11,000
General revenues:						
Property taxes	5,498,367	5,322,290	-	-	5,498,367	5,322,290
Real property tax items	174,922	161,785	-	-	174,922	161,785
Non-property tax items	1,198,789	1,226,649	-	-	1,198,789	1,226,649
Use of money and property	189,431	273,910	106	669	189,537	274,579
Sale of property and compensation for loss	19,795	143,629	-	-	19,795	143,629
State Aid	220,902	209,055	-	-	220,902	209,055
Miscellaneous	56,944	47,607	-	-	56,944	47,607
Total revenues	<u>8,358,974</u>	<u>7,949,238</u>	<u>663,252</u>	<u>905,861</u>	<u>9,022,226</u>	<u>8,855,099</u>

VILLAGE OF HAMBURG, NEW YORK

Management's Discussion and Analysis
For the Year Ended May 31, 2010

Summary of Village of Hamburg's Changes in Net Assets (Concl.)

	Governmental Activities		Business Type Activities		Total	
	<u>May 31, 2010</u>	<u>May 31, 2009</u>	<u>May 31, 2010</u>	<u>May 31, 2009</u>	<u>May 31, 2010</u>	<u>May 31, 2009</u>
	Expenses:					
General government support	\$ 1,657,227	\$ 1,756,816	\$ -	\$ -	\$ 1,657,227	\$ 1,756,816
Public safety	2,703,348	2,813,576	-	-	2,703,348	2,813,576
Health	5,812	9,003	-	-	5,812	9,003
Transportation	2,226,008	2,267,794	-	-	2,226,008	2,267,794
Culture and Recreation	858,657	874,722	-	-	858,657	874,722
Home and community services	596,438	475,247	802,830	920,755	1,399,268	1,396,002
Unallocated Interest and fiscal charges	150,361	159,206	-	-	150,361	159,206
Total expenses	<u>8,197,851</u>	<u>8,356,364</u>	<u>802,830</u>	<u>920,755</u>	<u>9,000,681</u>	<u>9,277,119</u>
Change in net assets	161,123	(407,126)	(139,578)	(14,894)	21,545	(422,020)
Net assets - beginning	<u>23,885,136</u>	<u>24,292,262</u>	<u>124,872</u>	<u>139,766</u>	<u>24,010,008</u>	<u>24,432,028</u>
Net assets - ending	<u>\$ 24,046,259</u>	<u>\$ 23,885,136</u>	<u>\$ (14,706)</u>	<u>\$ 124,872</u>	<u>\$ 24,031,553</u>	<u>\$ 24,010,008</u>

VILLAGE OF HAMBURG, NEW YORK

Management's Discussion and Analysis For the Year Ended May 31, 2010

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, 2010, the Village's governmental funds reported combined fund balances of \$2,988,027. The combined fund balances, \$1,979,502, constitutes *unreserved fund balance*. The remainder of fund balance is *reserved* to indicate that it is *not* available for new spending because it has already been committed: (1) \$311,393 reserved for encumbrances; (2) \$298,893 reserved for equipment and capital improvements; (3) \$145,920 reserved for debt; (4) \$158,736 reserved for insurance; (5) \$93,583 reserved for prepaid expenditures.

The General Fund is the chief operating fund of the Village. At May 31, 2010, unreserved fund balance of the General Fund was \$2,525,824, while total fund balance reached \$3,468,231. As a measure of General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 34.2% of total fund expenditures, while total fund balance also represents 46.9% of that same amount.

Revenues for governmental functions totaled \$8,358,974 in fiscal year ended May 31, 2010, which represents an increase of 5.2% from fiscal year ended May 31, 2009.

VILLAGE OF HAMBURG, NEW YORK

Management's Discussion and Analysis
For the Year Ended May 31, 2010

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

	<u>Revenues Classified by Source</u>			<u>Amount of Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
	<u>Governmental Funds</u>				
	<u>2010 Amount</u>	<u>Percent of Total</u>	<u>2009 Amount</u>		
Revenues:					
Real property taxes and tax items	\$ 5,673,289	67.87%	\$ 5,484,075	\$ 189,214	3.45%
Non-property tax items	1,198,789	14.34%	1,226,649	(27,860)	-2.27%
Departmental Income	184,611	2.21%	183,119	1,492	0.81%
Intergovernmental charges	149,673	1.79%	148,166	1,507	1.02%
Use of money and property	189,431	2.27%	273,910	(84,479)	-30.84%
Licenses and permits	15,468	0.19%	37,620	(22,152)	-58.88%
Fines and forfeitures	106,731	1.28%	79,582	27,149	34.11%
Sale of property and compensation for loss	19,795	0.24%	143,629	(123,834)	-86.22%
Premium on obligations	11,744	0.14%	-	11,744	100.00%
Miscellaneous	45,200	0.54%	47,607	(2,407)	-5.06%
State Aid	378,439	4.53%	324,881	53,558	16.49%
Federal Aid	<u>385,804</u>	<u>4.62%</u>	<u>-</u>	<u>385,804</u>	<u>100.00%</u>
Total Revenues	<u>\$ 8,358,974</u>	<u>100.00%</u>	<u>\$ 7,949,238</u>	<u>\$ 409,736</u>	

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

Real Property Taxes and Tax Items - The \$189,214 increase was primarily due to an increase in the 2009-2010 tax levy.

Sale of Property and Compensation for Loss - The \$123,834 decrease was primarily due to the sale of Route 62 project to Department of Transportation in 2009.

Federal Aid - The \$385,804 increase was primarily due to EPA reimbursement for the Sanitary Sewer Project in 2010.

VILLAGE OF HAMBURG, NEW YORK

Management's Discussion and Analysis
For the Year Ended May 31, 2010

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

Expenditures by Function
Governmental Funds

	<u>2010</u> <u>Amount</u>	<u>Percent of</u> <u>Total</u>	<u>2009</u> <u>Amount</u>	<u>Amount of</u> <u>Increase</u> <u>(Decrease)</u>	<u>Percent of</u> <u>Increase</u> <u>(Decrease)</u>
Expenditures:					
General governmental support	\$ 1,274,803	14.21%	\$ 1,291,202	\$ (16,399)	-1.27%
Public safety	1,751,966	19.53%	1,745,938	6,028	0.35%
Health	5,812	0.06%	9,003	(3,191)	-35.44%
Transportation	1,272,633	14.19%	1,194,293	78,340	6.56%
Culture and recreation	546,251	6.09%	556,737	(10,486)	-1.88%
Home and community services	1,796,741	20.03%	455,654	1,341,087	294.32%
Employee benefits	1,670,932	18.63%	1,663,716	7,216	0.43%
Debt service	649,702	7.24%	655,007	(5,305)	-0.81%
Total Expenditures	\$ 8,968,840	100.00%	\$ 7,571,550	\$ 1,397,290	

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

Transportation - The \$78,340 increase was primarily due to an increase in expenditures for the renovation of streets.

Home & Community Services - The \$1,341,087 increase was primarily due to an increase in expenditures for the Sanitary Sewer Project.

VILLAGE OF HAMBURG, NEW YORK

Management's Discussion and Analysis
For the Year Ended May 31, 2010

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

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

	<u>Major Funds</u>		
	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
Revenues	\$ 7,956,457	\$ 402,517	\$ 8,358,974
Expenditures	<u>7,394,535</u>	<u>1,574,305</u>	<u>8,968,840</u>
Excess (Deficiency) of Revenues over Expenditures	<u>561,922</u>	<u>(1,171,788)</u>	<u>(609,866)</u>
Other Financing Sources, Net	<u>(280,426)</u>	<u>3,735,426</u>	<u>3,455,000</u>
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures	281,496	2,563,638	2,845,134
Fund Balance (Deficit) at June 1, 2009	<u>3,186,735</u>	<u>(3,043,842)</u>	<u>142,893</u>
Fund Balance (Deficit) at May 31, 2010	<u>\$ 3,468,231</u>	<u>\$ (480,204)</u>	<u>\$ 2,988,027</u>

VILLAGE OF HAMBURG, NEW YORK

Management's Discussion and Analysis
For the Year Ended May 31, 2010

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

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in a \$287,352 increase in appropriations. Of this increase \$197,154 represents previous year encumbrances and the remainder represents an increase of appropriated fund balance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Village's investment in capital assets for its governmental activities as of May 31, 2010, amounted to \$28,539,957 (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	\$ 1,762,805
Construction in progress	1,976,010
Buildings and Improvements	3,144,202
Machinery and Equipment	1,015,367
Infrastructure	<u>20,641,573</u>
Total	<u>\$ 28,539,957</u>

VILLAGE OF HAMBURG, NEW YORK

Management's Discussion and Analysis For the Year Ended May 31, 2010

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

Long-term Debt

At May 31, 2010, the Village had total long-term debt outstanding of \$6,119,890 as compared to \$3,174,807 in the prior year. The amount is comprised of serial bonds, retirement loans and compensated absences. During the year retirement of debt amounted to \$309,917 and additions to debt during the fiscal year amounted to \$3,255,000. 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 \$21,850,233, of which 20.86% 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.

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BASIC FINANCIAL STATEMENTS

VILLAGE OF HAMBURG, NEW YORK

Statement of Net Assets

May 31, 2010

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-type Activity</u>	<u>Total</u>
		<u>Gas Utility</u>	
Cash and Cash Equivalents	\$ 5,225,401	\$ 19,152	\$ 5,244,553
Receivables (Net of Allowances for Estimated Uncollectables)	98,957	40,028	138,985
Prepaid Expenses	93,583	-	93,583
Due from Other Governments	274,396	-	274,396
State and Federal	38,431	-	38,431
Capital Assets:			
Land	1,762,805	-	1,762,805
Construction in Progress	1,976,010	-	1,976,010
Other Capital Assets, Net of Depreciation	24,801,142	-	24,801,142
Total Assets	\$ 34,270,725	\$ 59,180	\$ 34,329,905

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

VILLAGE OF HAMBURG, NEW YORK

Statement of Net Assets
May 31, 2010

<u>LIABILITIES AND NET ASSETS</u>	<u>Governmental Activities</u>	<u>Business-type Activity Gas Utility</u>	<u>Total</u>
Liabilities:			
Current Liabilities:			
Accounts Payable	\$ 46,468	\$ 32,886	\$ 79,354
Accrued Liabilities	161,592	-	161,592
Deferred Revenues	660,429	-	660,429
Other Liabilities	-	41,000	41,000
Bond Anticipation Note Payable	1,600,000	-	1,600,000
Accrued Post-employment Benefit Obligation	1,334,316	-	1,334,316
Long-term Liabilities:			
Due within One Year	761,771	-	761,771
Due in more than One Year	5,659,890	-	5,659,890
Total liabilities	<u>10,224,466</u>	<u>73,886</u>	<u>10,298,352</u>
Net assets:			
Invested in capital assets, net of related debt	21,886,312	-	21,886,312
Restricted for:			
Insurance	158,737	-	158,737
Debt	145,920	-	145,920
Prepaid Expenses	93,583	-	93,583
Capital Improvements	298,893	-	298,893
Unrestricted	1,462,814	(14,706)	1,448,108
Total net assets	<u>24,046,259</u>	<u>(14,706)</u>	<u>24,031,553</u>
Total Liabilities and Net Assets	<u>\$ 34,270,725</u>	<u>\$ 59,180</u>	<u>\$ 34,329,905</u>

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

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VILLAGE OF HAMBURG, NEW YORK

Statement of Activities
For the Year Ended May 31, 2010

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activity	
Functions/Programs:							
Governmental Activities:							
General Government	\$ 1,657,227	\$ 140,392	\$ -	\$ -	\$ (1,516,835)	\$ -	\$ (1,516,835)
Public Safety	2,703,348	149,673	7,170	-	(2,546,505)	-	(2,546,505)
Health	5,812	-	-	-	(5,812)	-	(5,812)
Transportation	2,226,008	-	147,356	-	(2,078,652)	-	(2,078,652)
Culture and Recreation	858,657	166,418	3,115	-	(689,124)	-	(689,124)
Home and Community Services	596,438	-	-	385,700	(210,738)	-	(210,738)
Unallocated Interest and Fiscal Charges	150,361	-	-	-	(150,361)	-	(150,361)
Total Governmental Activities	<u>8,197,851</u>	<u>456,483</u>	<u>157,641</u>	<u>385,700</u>	<u>(7,198,027)</u>	<u>-</u>	<u>(7,198,027)</u>
Business-type activity:							
Gas Utility	802,830	663,146	-	-	-	(139,684)	(139,684)
Total Primary Government	<u>\$ 9,000,681</u>	<u>\$ 1,119,629</u>	<u>\$ 157,641</u>	<u>\$ 385,700</u>	<u>(7,198,027)</u>	<u>(139,684)</u>	<u>(7,337,711)</u>
General Revenues:							
Real Property Tax					5,498,367	-	5,498,367
Sales Tax					992,718	-	992,718
Gross Utility Tax					79,101	-	79,101
Franchise Tax					126,970	-	126,970
Real Property Tax Items					174,922	-	174,922
Use of Money and Property					189,431	106	189,537
Sale of Property and Compensation for Loss					19,795	-	19,795
State Aid					220,902	-	220,902
Miscellaneous					56,944	-	56,944
Total General Revenues					<u>7,359,150</u>	<u>106</u>	<u>7,359,256</u>
Change in Net Assets					161,123	(139,578)	21,545
Total Net Assets at Beginning of Year					23,885,136	124,872	24,010,008
Total Net Assets at End of Year					<u>\$ 24,046,259</u>	<u>\$ (14,706)</u>	<u>\$ 24,031,553</u>

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

VILLAGE OF HAMBURG, NEW YORK

GOVERNMENTAL FUNDS

Balance Sheet
May 31, 2010

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash	\$ 4,105,281	\$ 1,120,120	\$ 5,225,401
Accounts Receivable	57,957	-	57,957
Due from Other Funds	41,324	-	41,324
Due from Other Governments	234,396	40,000	274,396
Prepaid Expenditures	93,583	-	93,583
Due from State and Federal	<u>38,431</u>	<u>-</u>	<u>38,431</u>
Total Assets	<u>\$ 4,570,972</u>	<u>\$ 1,160,120</u>	<u>\$ 5,731,092</u>

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

VILLAGE OF HAMBURG, NEW YORK

GOVERNMENTAL FUNDS

Balance Sheet
May 31, 2010

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable	\$ 46,468	\$ -	\$ 46,468
Accrued Liabilities	134,073	-	134,073
Bond Anticipation Note Payable	-	1,600,000	1,600,000
Due to Other Funds	-	324	324
Deferred Revenues	620,429	40,000	660,429
Compensated Absences	301,771	-	301,771
Total Liabilities	<u>1,102,741</u>	<u>1,640,324</u>	<u>2,743,065</u>
Fund Balances:			
Reserved:			
Reserved for Encumbrances	245,275	66,118	311,393
Reserved for Prepaid Expenditures	93,583	-	93,583
Reserved for Insurance	158,736	-	158,736
Reserved for Debt	145,920	-	145,920
Reserved for Capital Projects	298,893	-	298,893
Unreserved:			
Designated for Subsequent Years' Expenditures	365,000	-	365,000
Undesignated	<u>2,160,824</u>	<u>(546,322)</u>	<u>1,614,502</u>
Total Fund Balances (Deficit)	<u>3,468,231</u>	<u>(480,204)</u>	<u>2,988,027</u>
Total Liabilities and Fund Balances	<u>\$ 4,570,972</u>	<u>\$ 1,160,120</u>	<u>\$ 5,731,092</u>

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

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VILLAGE OF HAMBURG, NEW YORK

Reconciliation of Statement of Net Assets
To Governmental Fund Balance
May 31, 2010

	Governmental <u>Activities</u>
Total Governmental Fund Balances	\$ 2,988,027
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	28,539,957
Accrued interest not reported in the funds	(27,519)
Accrued post-employment benefit obligation	(1,334,316)
Long-term liabilities, including bonds payable, are not due and not payable in the current period and therefore are not reported in the funds.	<u>(6,119,890)</u>
Net Assets of Governmental Activities	<u>\$ 24,046,259</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, 2010

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues:			
Real Property Taxes	\$ 5,498,367	\$ -	\$ 5,498,367
Real Property Tax Items	174,922	-	174,922
Non-property Tax Items	1,198,789	-	1,198,789
Departmental Income	184,611	-	184,611
Intergovernmental Charges	149,673	-	149,673
Use of Money and Property	184,358	5,073	189,431
Licenses and Permits	15,468	-	15,468
Fines and Forfeitures	106,731	-	106,731
Sale of Property and Compensation for Loss	19,795	-	19,795
Premium on Obligations	-	11,744	11,744
Miscellaneous	45,200	-	45,200
State Aid	378,439	-	378,439
Federal Aid	104	385,700	385,804
Total Revenues	<u>7,956,457</u>	<u>402,517</u>	<u>8,358,974</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, 2010

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Expenditures:			
Current:			
General Government Support	\$ 1,274,803	\$ -	\$ 1,274,803
Public Safety	1,751,966	-	1,751,966
Health	5,812	-	5,812
Transportation	1,108,048	164,585	1,272,633
Culture and Recreation	546,251	-	546,251
Home and Community Services	387,021	1,409,720	1,796,741
Employee Benefits	1,670,932	-	1,670,932
Debt Service - Principal	495,000	-	495,000
Debt Service - Interest	154,702	-	154,702
Total Expenditures	<u>7,394,535</u>	<u>1,574,305</u>	<u>8,968,840</u>
Excess (Deficiency) of Revenues over Expenditures	<u>561,922</u>	<u>(1,171,788)</u>	<u>(609,866)</u>
Other Sources and (Uses):			
Proceeds from Serial Bonds	-	3,255,000	3,255,000
Bond Anticipation Notes Redeemed From Appropriations	-	200,000	200,000
Transfers from Other Funds	16,818	297,244	314,062
Transfers to Other Funds	(297,244)	(16,818)	(314,062)
Total Other Sources and (Uses)	<u>(280,426)</u>	<u>3,735,426</u>	<u>3,455,000</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	281,496	2,563,638	2,845,134
Fund Balances (Deficit) at Beginning of Year	<u>3,186,735</u>	<u>(3,043,842)</u>	<u>142,893</u>
Fund Balances (Deficit) at End of Year	<u>\$ 3,468,231</u>	<u>\$ (480,204)</u>	<u>\$ 2,988,027</u>

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

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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, 2010**

	Governmental Activities
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Net change in fund balances total governmental funds.	\$ 2,845,134
Governmental funds report all capital outlays as expenditures. However, in the statement of activities, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital assets increased in the current year.	1,597,141
Accrued interest is reported on the statement of activities but but not the governmental funds. This is the net change in accrued interest.	4,341
The issuance on long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This amount is the net effect in the treatment of long-term debt including compensated absences.	(2,945,083)
Depreciation recorded on the statements of activities but not in the statement for governmental funds.	(673,252)
Accrued post-employment benefit obligation liability increases long-term liabilities in the statement of net assets and related expenditures in the statement of activities, but not to governmental funds. Net post-employment benefit contribution is an expenditure in governmental funds, but the contribution reduces long-term liabilities in the statement of net assets. This is the amount by which accrued post-employment benefit liability adjustment exceeds the contribution.	(667,158)
Change in Net Assets of Governmental Activities	\$ 161,123

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 (Non-GAAP Budgetary Basis)
 For the Year Ended May 31, 2010

	General Fund		
	Budget	Actual	Variance
Revenues:			
Real Property Taxes	\$ 5,500,089	\$ 5,498,367	\$ (1,722)
Real Property Tax Items	152,106	174,922	22,816
Non Property Tax Items	1,152,816	1,198,789	45,973
Departmental Income	175,350	184,611	9,261
Intergovernmental Charges	149,673	149,673	-
Use of Money and Property	280,666	184,358	(96,308)
Licenses and Permits	14,621	15,468	847
Fines and Forfeitures	85,000	106,731	21,731
Sale of Property and Compensation for Loss	11,662	19,795	8,133
Miscellaneous	17,000	45,200	28,200
State Aid	322,198	378,439	56,241
Federal Aid	-	104	104
Total Revenues	<u>7,861,181</u>	<u>7,956,457</u>	<u>95,276</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 (Non-GAAP Budgetary Basis)
For the Year Ended May 31, 2010

	General Fund		
	Budget	Actual	Variance
Expenditures:			
Current:			
General Government Support	\$ 1,622,893	\$ 1,456,357	\$ 166,536
Public Safety	1,789,354	1,752,994	36,360
Health	8,645	5,812	2,833
Transportation	1,220,671	1,158,840	61,831
Culture and Recreation	577,171	554,672	22,499
Home and Community Services	401,275	390,501	10,774
Employee Benefits	1,698,438	1,670,932	27,506
Debt Service - Principal	495,000	495,000	-
Debt Service - Interest	154,702	154,702	-
Total Expenditures	<u>7,968,149</u>	<u>7,639,810</u>	<u>328,339</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(106,968)</u>	<u>316,647</u>	<u>423,615</u>
Other Sources and (Uses):			
Transfers from Other Funds	-	16,818	16,818
Transfers to Other Funds	<u>(297,544)</u>	<u>(297,244)</u>	<u>300</u>
Total Other Sources and (Uses)	<u>(297,544)</u>	<u>(280,426)</u>	<u>17,118</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	<u>(404,512)</u>	<u>36,221</u>	<u>440,733</u>
Fund Balance at Beginning of Year	<u>3,186,735</u>	<u>3,186,735</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 2,782,223</u>	<u>\$ 3,222,956</u>	<u>\$ 440,733</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 Assets
May 31, 2010

	<u>Gas Utility</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 19,152
Accounts receivable	<u>40,028</u>
Total Assets	<u><u>\$ 59,180</u></u>
Liabilities and Net Assets:	
Current liabilities:	
Accounts payable	\$ 32,886
Due to other funds	<u>41,000</u>
Total Liabilities	<u>73,886</u>
Net Assets:	
Unrestricted	<u>(14,706)</u>
Total Net Assets	<u>(14,706)</u>
Total Liabilities and Net Assets	<u><u>\$ 59,180</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 Fund Net Assets
For the Year Ended May 31, 2010

	<u>Gas Utility</u>
Operating Revenues:	
Sale of Natural Gas	\$ 663,146
Interest and Earnings	<u>106</u>
Total Operating Revenues	<u>663,252</u>
Operating Expenses:	
Natural Gas Distribution	<u>802,830</u>
Total Operating Income (Loss)	<u>(139,578)</u>
Change in Net Assets	(139,578)
Total Net Assets at June 1, 2009	<u>124,872</u>
Total Net Assets at May 31, 2010	<u>\$ (14,706)</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 Cash Flows
For the Year Ended May 31, 2010

	<u>Business-type Activities</u>
	<u>Gas Utility</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 670,876
Payments to suppliers	(730,138)
Net cash used by operating activities	<u>(59,262)</u>
Decrease in cash	(59,262)
Cash and cash equivalents at June 1, 2009	<u>78,414</u>
Cash and cash equivalents at May 31, 2010	<u>\$ 19,152</u>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income	\$ (139,579)
Adjustments to reconcile income to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Decrease in accounts receivable	7,625
Increase in accounts payable	31,692
Increase in due to other funds	41,000
Total adjustments	<u>80,317</u>
Net cash used by operating activities	<u>\$ (59,262)</u>

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

VILLAGE OF HAMBURG, NEW YORK

FIDUCIARY FUND

Statement of Fiduciary Net Assets
May 31, 2010

	<u>Agency Fund</u>
Assets:	
Cash and Cash Equivalents	\$ 157,488
Total Assets	<u>\$ 157,488</u>
Liabilities and Net Assets:	
Liabilities:	
Accounts Payable	\$ 212
Employee Withholding and Temporary Deposits	11,077
Other Agency Liabilities	<u>146,199</u>
Total Liabilities	<u>157,488</u>
Net Assets:	
Net Assets	<u>-</u>
Total Liabilities and Net Assets	<u>\$ 157,488</u>

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

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VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements May 31, 2010

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 assets 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, 2010

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.

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, 2010

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, 2010

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.

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, 2010

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 payable to that office. 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, 2010

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.

The following is a reconciliation of the budgetary and GAAP basis operating results for the General Fund:

Excess of Revenues and Other Sources Over Expenditures and Other Uses - GAAP Basis	\$ 281,496
Less: Current Year Encumbrances	<u>(245,275)</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses - Budgetary Basis	<u>\$ 36,221</u>

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, 2010

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.

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, 2010

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, 2010

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

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

Net assets are categorized as invested in:

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. 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 Assets – 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 Assets – This category represents net assets of the Village not restricted for any project or other purpose.

In the fund financial statements, reserves represent that portion of fund balance that has been legally segregated for a specific use or is not appropriate for expenditure by the Village at May 31, 2010, and include:

Reserved for Encumbrances – representing commitments related to unperformed (executory) contracts for goods and/or services.

Reserved for Insurance – represents resources that must be used for liability insurance payments that will be made in future periods.

Reserved for Debt – represents resources that have been restricted for principal payments that will be made in future periods.

Reserved for Capital Projects – represents resources that must be used for equipment and capital improvement payments will be made in future periods.

Reserved for Prepaid Expenditures – represents goods or services paid for during the current fiscal year, but the expenditures are associated with the next fiscal year.

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2010

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

In the fund financial statements, designations are not legally required segregations, but are segregated for a specific purpose by the Village. Designations at May 31, 2010 were as follows:

Designated for Subsequent Years' Expenditures – representing available fund balances being appropriated to meet future years' expenditure requirements.

Reclassifications - Certain prior year accounts may have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

VILLAGE OF HAMBURG, NEW YORK

**Notes to the Financial Statements
May 31, 2010**

Note 2 - Detail Notes on All Funds

Assets

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

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

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

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

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

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

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2010

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

Cash and Investments (Cont.)

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

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash on Hand	\$ -	\$ 1,150
Insured (FDIC)	341,035	341,035
Collateralized:		
Collarateral Held by Bank's Agent in Village's Name	<u>5,153,492</u>	<u>5,059,856</u>
Total Deposits	<u>\$ 5,494,527</u>	<u>\$ 5,402,041</u>

State and Federal Aid Receivable - Major revenues accrued by the Village at May 31, 2010 include the following:

General Fund

New York State - Mortgage Tax	\$ 35,316
New York State - Youth Aid	<u>3,115</u>
Total	<u>\$ 38,431</u>

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2010

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

Due From Other Governments - Major other government revenues accrued by the Village at May 31, 2010 include the following:

General Fund	
Erie County - Sales Tax	\$ 225,036
Erie County - DWI	575
Justice Courts	<u>8,785</u>
Total General Fund	<u>234,396</u>
Capital Projects Fund	
Erie County - Sewer	<u>40,000</u>
Total Capital Products Fund	<u>40,000</u>
Total	<u><u>\$ 274,396</u></u>

Interfund Activity

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	41,324	-	16,818	297,244
Capital Projects	-	324	297,244	16,818
Enterprise Fund	<u>-</u>	<u>41,000</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 41,324</u></u>	<u><u>\$ 41,324</u></u>	<u><u>\$ 314,062</u></u>	<u><u>\$ 314,062</u></u>

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements May 31, 2010

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

Liabilities

Pension Plans

General Information - The Village of Hamburg participates in the New York State and Local Employees' Retirement System (ERS) and the New York State Police and Fire Retirement Systems (PFRS). These are cost sharing multiple employers, public employee retirement systems. The Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

Plan Descriptions

Police and Fire Retirement System (PFRS)

The New York State and Local Police and Fire Retirement System provide retirement benefits as well as death and disability benefits. Obligations of employers to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of its funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, Governor Alfred E. Smith Office Building, Albany, New York 12244.

The System is non-contributory. For the New York State and Local Police and Fire Retirement System, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2010

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

Pension Plans (Cont.)

Funding Policy

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

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary. Effective October 1, 2000 employees with ten years of service credit or membership in the System are not required to make the 3% contribution.

Under the authority of the NYSSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements

May 31, 2010

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

Pension Plans (Cont.)

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

	<u>ERS</u>	<u>PRFS</u>
2010	\$ 136,376	\$ 169,096
2009	148,036	168,609
2008	153,996	162,052

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

Long-term Debt - At May 31, 2010, the total outstanding indebtedness of the Village aggregated \$6,119,890. Of this amount, \$4,558,645 was subject to the constitutional debt limit and represented approximately 20.86% 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.

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2010

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

Long-term Debt - The following is a summary of changes in long-term liabilities for the year ended May 31, 2010:

	<u>Balance</u> <u>June 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>May 31, 2010</u>
General Obligation Bonds	\$ 2,040,000	\$ 3,255,000	\$ 295,000	\$ 5,000,000
Retirement Loan	62,587	-	8,942	53,645
Compensated Absences	1,072,220	-	5,975	1,066,245
Long Term Debt	<u>\$ 3,174,807</u>	<u>\$ 3,255,000</u>	<u>\$ 309,917</u>	<u>\$ 6,119,890</u>

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

<u>Description by Fund</u>	<u>Date</u> <u>Issued</u>	<u>Original</u> <u>Amount</u>	<u>Rate</u>	<u>Final</u> <u>Maturity</u>	<u>Outstanding</u>
General Fund:					
Fire Hall	7/15/03	\$ 1,905,000	3.50-3.60	7/15/20	\$ 1,040,000
Public Improvement	4/15/04	310,000	4.70	4/15/14	120,000
Public Improvements 2000	5/15/00	1,287,500	5.30-5.50	6/15/13	240,000
Public Improvements	9/16/04	632,000	3.70	9/15/15	345,000
Public Improvements 2010	2/1/10	3,255,000	2.5-4.00	2/1/28	3,255,000
Total					<u>\$ 5,000,000</u>

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2010

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

The following table summarizes the Village's future debt service requirements as of May 31, 2010:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 460,000	\$ 173,899
2012	455,000	157,964
2013	430,000	142,029
2014	415,000	127,396
2015	345,000	114,247
2016-2020	1,390,000	437,971
2021-2025	935,000	226,300
2026-2028	570,000	45,600
	<u>\$ 5,000,000</u>	<u>\$ 1,425,406</u>

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, 2010, the balance is \$1,066,245 (\$1,072,220 for 2009).

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

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2010

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

Short-term Debt

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

<u>Description</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance At May 31, 2010</u>
Capital Project Fund:				
Water and Sewer Improvements	7/21/09	7/21/10	2.50%	\$ <u>1,600,000</u>
Total				\$ <u>1,600,000</u>

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2010

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

Fund Equity

Reserve - Reservations of fund balances of governmental funds are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures.

Specific reservations of the fund balance accounts are summarized below.

<u>Fund</u>	<u>Amount</u>
General Fund:	
Reserve for Encumbrances	\$ 245,275
Reserve for Insurance	158,736
Reserve for Debt	145,920
Reserve for Capital Projects	298,893
Reserve for Prepaid Expenditures	<u>93,583</u>
Total General Fund	<u>942,407</u>
Capital Projects Fund:	
Reserve for Encumbrances	<u>66,118</u>
Total	<u>\$ 1,008,525</u>

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2010

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

Fund Equity

Designations - Designations are not legally required segregations but are segregated for a specific purpose by the Village at May 31, 2010 and consist of the following:

Designated for subsequent years' expenditures represents available fund balances that have been appropriated as a financing source for fiscal year ended May 31, 2011 expenditures and consist of the following:

<u>Fund</u>	<u>Balance</u>
Governmental Fund Types:	
General Fund	<u>\$ 365,000</u>

Agency Fund - An Agency Fund exists to account for funds held by the Village as agent for employee's withholdings, guarantee and bid deposits, monies due other governments and other miscellaneous items.

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2010

Note 3 - Capital Assets

Capital asset activity for the year ended May 31, 2010 is as follows:

	<u>Balance June 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance May 31, 2010</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 1,762,805	\$ -	\$ -	\$ 1,762,805
Construction in Progress	401,705	1,574,305	-	1,976,010
Total Capital Assets, not being Depreciated	<u>\$ 2,164,510</u>	<u>\$ 1,574,305</u>	<u>\$ -</u>	<u>\$ 3,738,815</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	\$ 4,177,834	\$ -	\$ -	\$ 4,177,834
Machinery and Equipment	3,765,178	22,836	-	3,788,014
Infrastructure	32,957,976	-	-	32,957,976
Total Capital Assets, being Depreciated	<u>40,900,988</u>	<u>22,836</u>	<u>-</u>	<u>40,923,824</u>
Less: Accumulated Depreciation for:				
Buildings and Improvements	991,838	41,794	-	1,033,632
Machinery and Equipment	2,595,695	176,952	-	2,772,647
Infrastructure	11,861,897	454,506	-	12,316,403
Total Accumulated Depreciation	<u>15,449,430</u>	<u>673,252</u>	<u>-</u>	<u>16,122,682</u>
Total Capital Assets, being Depreciated, Net	<u>\$ 25,451,558</u>	<u>\$ (650,416)</u>	<u>\$ -</u>	<u>\$ 24,801,142</u>

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements May 31, 2010

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, 2010

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, 2010

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 Board of Trustees in the same manner as any other invoices presented to the Village for payment. 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, 2010

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 Association of the American Society of Actuaries. Portions of the following information are derived from a report prepared by the actuary dated May 21, 2010.

Program Financial Condition

Assets and Liabilities

Actuarial Present Value of Accrued Service Awards as of 12/31/09		\$ <u>1,678,402</u>
Less: Assets Available for Benefits		
Cash and Money Market	19,275	
Equities	1,016,562	
Other Investments	594,152	
Less: Liabilities	<u>-</u>	
Total Net Assets Available for Benefits	<u>1,629,989</u>	
Total Unfunded Benefits		48,413
Less: Unfunded Liability for Separately Amortized Costs		<u>2,711</u>
Unfunded Normal Benefits		<u>45,702</u>

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2010

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.

Plan net Assets, beginning of year		\$ 1,962,312
Changes during the year:		
Plan contributions	120,000	
Investment income earned	48,573	
Changes in fair market value of investments	280,321	
Administrative Fees [Penflex]	(4,705)	
Benefits Paid	<u>(98,260)</u>	
Plan Net Assets, end of year		<u>\$ 1,629,989</u>
Contribution		
Amount of Village's contribution recommended by actuary:		\$ 104,064
Amount of Village's actual contribution:		\$ 120,000
Administrative Fees		
Fees paid to administrative/actuarial services provider		\$ 4,630

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2010

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 6.5%

Table used for:

Post Entitlement Age mortality:	1994 Unisex 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, 2010

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 2010, the Village contributed approximately \$305,988 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, 2010

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, 2009 the latest valuation date.

<u>Actuarial Accrued Liability (AAL)</u>	
Actuarial accrued liability	\$ 11,786,391
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>11,786,391</u>
Funded ratio	<u>0%</u>
Annual covered payroll	<u>-</u>
Ratio of unfunded actuarial accrued liability to covered payroll	<u>0.00%</u>
2009 normal cost	<u>280,324</u>

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements
May 31, 2010

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	\$ 11,786,391
Amortization period (years)	30
Amortization discount rate	4.00%
Present value factor	17.9837
2009 UAAL amortization amount	655,393

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 2010:

Normal cost	\$ 280,324
Amortization of UAAL	655,393
Interest	37,429
ARC	973,146
Interest on OPEB obligation	-
Adjustment to ARC	-
OPEB expense	<u>\$ 973,146</u>

VILLAGE OF HAMBURG, NEW YORK

Notes to the Financial Statements

May 31, 2010

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, 2010:

Net OPEB obligation at beginning of year	\$ 667,158
2010 OPEB expense	973,146
2010 OPEB contributions	<u>(305,988)</u>
Net OPEB obligation at end of year	1,334,316
Less: estimated current portion of OPEB obligation	<u>305,988</u>
Estimated long-term portion of OPEB obligation	<u>\$ 1,028,328</u>
Percentage of expense contributed	<u>31.40%</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, 2010

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>
2010	10.0%
2011	8.0%
2012	7.0%
2013	6.0%
2014	5.0%

VILLAGE OF HAMBURG, NEW YORK

**Notes to the Financial Statements
May 31, 2010**

Note 7 – Subsequent Events

The Village has evaluated events and transactions for potential recognition or disclosure in the financial statements through August 27, 2010, the date the financial statements were available to be issued.

* * * * *

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING 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 the financial statements of the governmental activities, the business-type 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, 2010, which collectively comprise the Village of Hamburg, New York's basic financial statements and have issued our report thereon dated August 27, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis.

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A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of Hamburg, New York's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village of Hamburg, New York's financial statements that is more than inconsequential will not be prevented or detected by the Village of Hamburg, New York's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Hamburg, New York's internal control.

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

Compliance and Other Matters

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

We noted no matters which we reported to management of the Village of Hamburg, New York, in a separate letter dated August 27, 2010.

This report is intended solely for the information and use of management, the audit committee, and the Village Board and is not intended to be and should not be used by anyone other than these specified parties.

Amato, Fox & Company PC

August 27, 2010