

**TOWN OF HAMBURG
INDUSTRIAL DEVELOPMENT AGENCY
HAMBURG, NEW YORK**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Town of Hamburg Industrial Development Agency
Hamburg, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Town of Hamburg Industrial Development Agency as of and for the years ending December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Town of Hamburg Industrial Development Agency as of December 31, 2017 and 2016, and the changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United states of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2018 on our consideration of the Town of Hamburg Industrial Development Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Hamburg Industrial Development Agency's internal control over financial reporting and compliance.

Tonawanda, New York
March 20, 2018

MANAGEMENT DISCUSSION AND ANALYSIS

TOWN OF HAMBURG INDUSTRIAL DEVELOPMENT AGENCY

Management's Discussion and Analysis December 31, 2017 and 2016

This section of the Hamburg Industrial Development Agency's (the "Agency") annual financial report presents a discussion and analysis of the Agency's financial performance during the fiscal years ended December 31, 2017 and 2016. Please read it in conjunction with the Agency's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The assets of the Agency exceeded liabilities at the close of the 2017 and 2016 fiscal years by \$695,332 and \$701,785, respectively (net position). These entire amounts (unrestricted net position) may be used to meet ongoing obligations.
- The Agency's total net position decreased by \$6,453.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes the independent auditors' report, management discussion and analysis, and the basic financial statements of the Agency.

Required Financial Statements - The basic financial statements are prepared using the accrual basis of accounting. This provides an indication of the Agency's financial health. The basic financial statements include:

The Statement of Net Position shows all assets, liabilities and net position. The Statement of Net Position can be found on page 8 of this report.

The Statement of Activities shows the financial activity for 2017 and 2016 and displays how this financial activity changes the Agency's net position. The Statement of Activities and Changes in Net Position can be found on page 9 of this report.

The Statement of Cash Flows shows the cash provided and used during 2017 and 2016 and how it affects cash balances at December 31, 2017 and 2016. The Statement of Cash Flows can be found on page 10 of this report.

The notes to the basic financial statements provide information regarding the Agency and explain in more detail some of the information in the basic financial statements. The notes can be found on pages 11-13 of this report.

TOWN OF HAMBURG INDUSTRIAL DEVELOPMENT AGENCY

**Management's Discussion and Analysis
December 31, 2017 and 2016**

FINANCIAL ANALYSIS

As noted earlier, net position may serve, over time, as a useful indicator of the Agency's financial position. In the case of the Agency, assets exceeded liabilities by \$695,332 at the close of the most recent fiscal year.

Summary of Hamburg Industrial Development Agency's Net Position

	Total Activities December 31, 2017	Total Activities December 31, 2016
Current and other assets	\$ 695,332	\$ 701,785
Total assets	<u>695,332</u>	<u>701,785</u>
Current liabilities	<u>-</u>	<u>-</u>
Total liabilities	-	-
Net position:		
Unrestricted	<u>695,332</u>	<u>701,785</u>
Total net position	<u>\$ 695,332</u>	<u>\$ 701,785</u>

The entire portion of the Agency's current and other assets are comprised of cash and cash equivalents.

The entire portion of the Agency's net position of \$695,332 (100.0%) represents unrestricted net position, which may be used to meet the Agency's ongoing obligations.

TOWN OF HAMBURG INDUSTRIAL DEVELOPMENT AGENCY

Management's Discussion and Analysis December 31, 2017 and 2016

At the end of the year, the Agency is able to report a positive balance in its net position. The following table indicates the changes in net position for the Agency's activities:

Summary of Hamburg Industrial Development Agency's Changes in Net Position

	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues:		
Charges for services	\$ 151,259	\$ 73,847
General revenues:		
Miscellaneous income	4,500	4,500
Contributions	0	315
Interest earnings	872	448
Total revenues	<u>156,631</u>	<u>79,110</u>
Expenses:		
Salaries and benefits	134,397	171,361
General and administrative	28,687	20,646
Loss on sale of property	<u>-</u>	<u>204,080</u>
Total expenses	<u>163,084</u>	<u>396,087</u>
Increase (decrease) in net position	(6,453)	(316,977)
Net position - beginning	<u>701,785</u>	<u>1,018,762</u>
Net position - ending	<u>\$ 695,332</u>	<u>\$ 701,785</u>

TOWN OF HAMBURG INDUSTRIAL DEVELOPMENT AGENCY

**Management's Discussion and Analysis
December 31, 2017 and 2016**

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

	<u>2017</u> <u>Amount</u>	<u>Percent of</u> <u>Total</u>	<u>2016</u> <u>Amount</u>	<u>Amount of</u> <u>Increase</u> <u>(Decrease)</u>	<u>Percent of</u> <u>Increase</u> <u>(Decrease)</u>
Revenues:					
Administrative fees	\$ 148,259	94.65%	\$ 72,847	\$ 75,412	103.52%
Application fees	3,000	1.92%	1,000	2,000	200.00%
Contributions	-	0.00%	315	(315)	100.00%
Interest income	872	0.56%	448	424	94.64%
Miscellaneous income	4,500	2.87%	4,500	-	0.00%
Total revenues	<u>\$ 156,631</u>	<u>100.00%</u>	<u>\$ 79,110</u>	<u>\$ 77,521</u>	<u>97.99%</u>

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

Administrative fees - The increase was due to an increase in projects in 2017.

Expenditures by Function

	<u>2017</u> <u>Amount</u>	<u>Percent of</u> <u>Total</u>	<u>2016</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:					
Salaries and benefits	\$ 134,397	82.41%	\$ 171,361	\$ (36,964)	-21.57%
General operating	28,687	17.59%	20,646	8,041	38.95%
Loss on sale of property	-	0.00%	204,080	(204,080)	100.00%
Total expenditures	<u>\$ 163,084</u>	<u>100.00%</u>	<u>\$ 396,087</u>	<u>\$ (233,003)</u>	<u>-58.83%</u>

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

Loss on sale of property – The decrease was due to the fact that no property was sold during the year.

TOWN OF HAMBURG INDUSTRIAL DEVELOPMENT AGENCY

**Management's Discussion and Analysis
December 31, 2017 and 2016**

The current year and previous year change in net position is presented below:

Statement of Revenues, Expenses and Changes in Net Position

	<u>2017</u>	<u>2016</u>
Revenues	\$ 156,631	\$ 79,110
Expenditures	<u>163,084</u>	<u>396,087</u>
Excess of revenues over (under) expenditures	(6,453)	(316,977)
Net position at January 1	<u>701,785</u>	<u>1,018,762</u>
Net position at December 31	<u>\$ 695,332</u>	<u>\$ 701,785</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The Agency's investment in capital assets for its activities was \$0 for both 2017 and 2016.

Long-term Debt - At December 31, 2017 and 2016, the Agency had no long-term debt.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Agency's finances for all those with an interest in the Agency's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to: Hamburg Industrial Development Agency, 6122 South Park Avenue, Hamburg, NY 14075.

FINANCIAL STATEMENTS

TOWN OF HAMBURG INDUSTRIAL DEVELOPMENT AGENCY

**Statements of Net Position
December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ <u>695,332</u>	\$ <u>701,785</u>
Total assets	<u>\$ 695,332</u>	<u>\$ 701,785</u>
LIABILITIES AND NET POSITION		
Liabilities	\$ <u>-</u>	\$ <u>-</u>
Net position:		
Unrestricted	<u>695,332</u>	<u>701,785</u>
Total liabilities and net position	<u>\$ 695,332</u>	<u>\$ 701,785</u>

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

TOWN OF HAMBURG INDUSTRIAL DEVELOPMENT AGENCY

**Statements of Activities and Changes in Net Position
For the Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Operating revenues:		
Administrative and application fees	\$ 151,259	\$ 73,847
Contributions	-	315
Town of Hamburg contribution	<u>4,500</u>	<u>4,500</u>
Total operating revenues	<u>155,759</u>	<u>78,662</u>
Operating expenses:		
Salaries and benefits	134,397	171,361
Other operating expenses	<u>28,687</u>	<u>20,646</u>
Total operating expenses	<u>163,084</u>	<u>192,007</u>
Operating income	(7,325)	(113,345)
Nonoperating revenues:		
Interest earnings	872	448
Loss on sale of property	<u>-</u>	<u>(204,080)</u>
Total non-operating revenues	<u>872</u>	<u>(203,632)</u>
Change in net position	(6,453)	(316,977)
Net position at beginning of year	<u>701,785</u>	<u>1,018,762</u>
Net position at end of year	<u>\$ 695,332</u>	<u>\$ 701,785</u>

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

TOWN OF HAMBURG INDUSTRIAL DEVELOPMENT AGENCY

**Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Cash flows from (used by) operating activities:		
Cash received from services provided	\$ 155,759	\$ 78,662
Payments made for operating costs	<u>(163,084)</u>	<u>(192,007)</u>
Net cash flows from (used by) operating activities	<u>(7,325)</u>	<u>(113,345)</u>
Cash flows from financing activities		
Issuance of loan receivable	-	-
Repayment of loan receivable	<u>-</u>	<u>-</u>
Net cash flows from (used by) financing activities	<u>-</u>	<u>-</u>
Cash flows from (used by) investing activities:		
Purchase of land	-	(5,690)
Sale of land	-	11,363
Interest income	<u>872</u>	<u>448</u>
Net cash flows from (used by) investing activities	<u>872</u>	<u>6,121</u>
Net increase (decrease) in cash flows	<u>(6,453)</u>	<u>(107,224)</u>
Cash and cash equivalents at beginning of year	<u>701,785</u>	<u>809,009</u>
Cash and cash equivalents at end of year	<u>\$ 695,332</u>	<u>\$ 701,785</u>

Supplemental cash flow information:

Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>

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

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF HAMBURG INDUSTRIAL DEVELOPMENT AGENCY

Notes to the Financial Statements December 31, 2017 and 2016

Note 1 - Summary of Significant Accounting Policies

This summary of significant accounting policies of the Town of Hamburg Industrial Development Agency (the Agency) is presented to assist in understanding the Agency's financial statements. The financial statements and notes are representations of the Agency's management, which is responsible for their integrity and objectivity. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. 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.

Organization and Purpose - The Agency is a public benefit corporation and was created in 1987 in accordance with Article 18-A of New York State General Municipal Law for the purpose of encouraging financially sound companies to locate and expand in the Town of Hamburg, New York, Village of Hamburg, New York and the Village of Blasdell, New York. The Agency is a separate entity and operates independently of the Town of Hamburg, New York.

Basis of Accounting - The financial statements of the Agency have been prepared in conformity with accounting principles generally accepted in the United States of America. The accounts of the Agency are maintained on the accrual basis of accounting.

Income Taxes - The Agency is exempt from federal, state and local income taxes.

Uncertain Tax Positions - Management has determined that the organization does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. The Organization's Return of Organization Exempt from Income Tax Returns (Form 990) for tax years 2016, 2015, and 2014 are subject to examination by the Internal Revenue Service (IRS), generally for three years after they were filed.

Industrial Development Revenue Bond Transactions - Industrial development revenue bonds issued by the Agency are secured by the properties which are in turn leased to client companies. The bonds are retired by lease payments and are not obligations of the Agency. The Agency does not record the assets or liabilities resulting from completed bond issues in its accounts since its primary function is to arrange the financing between the borrowing companies and the bondholders. Funds arising there from are controlled by trustees or banks acting as fiscal agents. For providing this service, the Agency receives bond administrative fees from the borrowing companies. Such fees are recognized immediately upon issuance of the bonds.

TOWN OF HAMBURG INDUSTRIAL DEVELOPMENT AGENCY

**Notes to the Financial Statements
December 31, 2017 and 2016**

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

Lease Agreements - Lease agreements are used for projects when no financing is needed. Typically the project is financed internally by the company or developer. The Agency does not record the assets or liabilities resulting from these activities in its accounts since its primary function is to arrange the financing. Funds arising there from are controlled by trustees and banks acting as fiscal agents. For providing this service, the Agency receives administrative fees from the borrowing companies. Such fees are recognized when earned.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Agency considers all certificates of deposit and money market funds purchased with a maturity date of three months or less to be cash equivalents for statements of cash flows purposes.

Use of Estimates – 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.

Note 2 - Cash and Cash Equivalents

The Agency’s investment policies are governed by New York State statutes. Agency monies must be deposited in FDIC insured commercial banks or trust companies located within the state. The Treasurer is authorized to use only demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit at 102% 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.

Unrestricted cash and cash equivalents are comprised of the following:

	<u>2017</u>	<u>2016</u>
Cash on deposit - demand accounts	\$ 695,332	\$ 701,785
	<u>\$ 695,332</u>	<u>\$ 701,785</u>

TOWN OF HAMBURG INDUSTRIAL DEVELOPMENT AGENCY

**Notes to the Financial Statements
December 31, 2017 and 2016**

Note 2 - Cash and Cash Equivalents (continued)

Unrestricted cash and investments at December 31, 2017 and 2016 were entirely covered by federal depository insurance or by collateral held by the Agency's custodial bank in the Agency's name.

	<u>December 31, 2017</u>		<u>December 31, 2016</u>	
	<u>Bank Balance</u>	<u>Book Amount</u>	<u>Bank Balance</u>	<u>Book Amount</u>
Insured (FDIC)	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000
Uninsured:				
Collateralized	<u>447,295</u>	<u>445,332</u>	<u>251,785</u>	<u>451,785</u>
Total deposits	<u>\$ 697,295</u>	<u>\$ 695,332</u>	<u>\$ 501,785</u>	<u>\$ 701,785</u>

Note 3 - Subsequent Events

The Town of Hamburg Industrial Development Agency has evaluated events and transactions for potential recognition or disclosure in the financial statements through March 20, 2018 (the date the financial statements were available to be issued).

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SUPPLEMENTARY INFORMATION

TOWN OF HAMBURG INDUSTRIAL DEVELOPMENT AGENCY

**Schedule of Agency Investments
For the Year Ended December 31, 2017**

Annual Investment Report – Section 2925 (6) of Public Authorities Law of the State of New York requires that each public authority must annually prepare an investment report which shall include (a) investment guidelines, (b) amendments to such guidelines since the last investment report, (c) an explanation of the investment guidelines and amendments, (d) results of the annual independent audit, (e) the investment income record of the Agency, and (f) a list of the total fees, commissions or other charges paid to each investment banker, broker, dealer and advisor rendering investment associated services to the Agency since the last investment report.

- a. Investment guidelines – The Agency’s investment policy was adopted by the Board of Directors.
- b. Amendments to guidelines – None
- c. Explanation of guidelines and investments – The Agency has not made any amendments to its investment policy, which restricts investments to money market accounts and certificates of deposit.
- d. Results of the annual independent audit – The independent auditors have issued an unqualified opinion on the Agency’s financial statements for the year ended December 31, 2017.
- e. Investment income record – Investment income for the year ended December 31, 2017 consisted of:

	Interest
	<u>Earned</u>
M&T Bank – Money market savings account	\$ 872
- f. List of the total fees, commissions or other charges paid to each investment banker, broker, dealer and advisor rendering investment associated services to the Agency since the last investment report – No such fees or commissions were paid during the year ended December 31, 2017.
- g. **Real Property List** – Section 2896 (3) of Public Authorities Law of the State of New York requires that each public authority must, at least annually, a report listing all real property of the authority. The Agency did not acquire or sell real property during the year.
- h. **Real Property Acquisitions/Dispositions** – During the year ended December 31, 2017, the Agency did not acquire or dispose of any real property.

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

To the Board of Directors
Town of Hamburg Industrial Development Agency
Hamburg, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Town of Hamburg Industrial Development Agency, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town of Hamburg Industrial Development Agency's basic financial statements, and have issued our report thereon dated March 20, 2018.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, that adversely affects the Town of Hamburg Industrial Development Agency'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 Town of Hamburg Industrial Development Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency'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 Town of Hamburg Industrial Development Agency's internal control.

Internal Control Over Financial Reporting (continued)

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

This report is intended solely for the information and use of management, the audit committee, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Tonawanda, New York
March 20, 2018