

**TOWN OF LANCASTER,  
NEW YORK**

*Basic Financial Statements, Required Supplementary  
Information, Supplementary Information, Other Information  
and Federal Awards Information for the Year Ended  
December 31, 2015 and Independent Auditors' Reports*



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Certified Public Accountants

## **INDEPENDENT AUDITORS' REPORT**

Honorable Supervisor and Town Board  
Town of Lancaster, New York:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Lancaster, New York (the "Town"), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain 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 governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As discussed in Note 2 to the financial statements, during the year ended December 31, 2015 the Town implemented Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis and other Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, 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 Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Supplementary Information and Other Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information, as listed in the table of contents, and Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Other Information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2016 on our consideration of the Town'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* in considering the Town's internal control over financial reporting and compliance.

Handwritten signature in cursive script that reads "Drescher & Malacki LLP".

May 17, 2016



**TOWN OF LANCASTER, NEW YORK**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2015**

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As management of the Town of Lancaster, New York (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2015. This document should be read in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative. For comparative purposes, certain items from the prior year have been reclassified to conform with the current year presentation.

**Financial Highlights**

- The assets and deferred outflows of resources of the primary government exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$57,342,090 (*net position*). This consists of \$51,494,565 net investment in capital assets, \$1,628,003 restricted for debt service, and an unrestricted portion of \$4,219,522 for amounts available to meet the Town's ongoing obligations to citizens and creditors.
- The Town's primary government net position increased by \$1,435,401 during the year ended December 31, 2015.
- At the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$5,574,600, a decrease of \$2,361,745 in comparison with the prior year's fund balance of \$7,936,345.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$1,551,851, or approximately 17.0 percent of General Fund expenditures and transfers out. This total amount is *available for spending* at the Town's discretion and constitutes approximately 43.8 percent of the General Fund's total fund balance of \$3,543,858 at December 31, 2015.
- The Town's total bonded indebtedness decreased by \$1,360,000 as a result of scheduled principal payments.

**Overview of the Financial Statements**

The discussion and analysis provided here are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements**—The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *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 (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all, or a significant portion, of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government support, public safety, health, transportation, culture and recreation, home and community services, and interest and other fiscal charges. The Town does not engage in any business-type activities.

The government-wide financial statements include not only the Town itself (known as the *primary government*), but also the Town of Lancaster Industrial Development Agency for which the Town is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 13-14 of this report.

**Fund financial statements**—A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds**—*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 fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources*, available at the end of the fiscal year. Such information may be useful in evaluating a government'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 government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Police Fund, Highway Fund – Town Outside Village, Fire Protection District Fund, Refuse District Fund and Capital Projects Fund, which are considered to be major funds. Data from the other five funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the Supplementary Information section of this report.

The basic governmental fund financial statements can be found on pages 15-18.

**Proprietary funds**—The Town maintains an Internal Service Fund to account for the operation of its self-insured programs. Because these services benefit only governmental type activities, they have been included within *governmental activities* in the government-wide financial statements.

The proprietary fund financial statements can be found on pages 19-21 of this report.

**Fiduciary funds**—Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Town's own programs. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The Town maintains one fiduciary fund, the Agency Fund.

The fiduciary fund financial statement can be found on page 22 of this report.

**Notes to the financial statements**—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-49.

**Other information**—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Town's progress in funding its obligation to provide post-employment benefits to its employees, the Town's net pension liability, and the Town's budgetary comparison schedules for the General Fund, Police Fund, Highway Fund - Town Outside Village, Fire Protection District Fund, and Refuse District Fund. Required Supplementary Information and a related note to the required supplementary information can be found on pages 50-60 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the Required Supplementary Information in the Supplementary Information section of this report on pages 61-62.

Budgetary comparison schedules for each nonmajor fund with a legally adopted budget are presented immediately following their respective combining statements in the Other Information section of this report on pages 63-67.

Finally, the Federal Awards Information can be found on pages 68-77.

### **Government-wide Overall Financial Analysis**

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$57,342,090 at the close of the most recent fiscal year, as compared to \$55,906,689 (as restated) at the close of the fiscal year ended December 31, 2014.

Table 1, shown below, presents a condensed statement of net position compared to the prior year.

**Table 1—Condensed Statements of Net Position—Primary Government**

	<u>Governmental Activities</u>	
	<u>December 31,</u>	
	2014	
	<u>2015</u>	<u>(as restated)</u>
Current assets	\$ 16,643,286	\$ 16,849,562
Capital assets	<u>74,429,899</u>	<u>72,136,735</u>
Total assets	<u>91,073,185</u>	<u>88,986,297</u>
Deferred outflows of resources	<u>2,001,453</u>	<u>1,776,080</u>
Current liabilities	9,663,442	7,592,409
Noncurrent liabilities	<u>25,985,381</u>	<u>27,263,279</u>
Total liabilities	<u>35,648,823</u>	<u>34,855,688</u>
Deferred inflows of resources	<u>83,725</u>	<u>-</u>
Net position:		
Net investment in capital assets	51,494,565	50,121,944
Restricted	1,628,003	1,886,376
Unrestricted	<u>4,219,522</u>	<u>3,898,369</u>
Total net position	<u>\$ 57,342,090</u>	<u>\$ 55,906,689</u>

The largest portion of the Town's net position (89.8 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, and infrastructure), less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide a variety of services to citizens. Accordingly, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position, \$1,628,003, represents resources that are subject to external restrictions imposed by creditors, grantors, contributions, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The remaining balance of \$4,219,522 is unrestricted net position that may be used to meet the Town's ongoing operations.

Table 2, as presented on the following page, shows the changes in net position for the years ended December 31, 2015 and December 31, 2014.

**Table 2—Condensed Statements of Changes in Net Position—Primary Government**

	Governmental Activities	
	Year Ended December 31,	
	2015	2014 (as restated)
Program revenues:		
Charges for services	\$ 2,347,853	\$ 2,361,352
Operating grants and contributions	1,428,632	272,503
Capital grants and contributions	16,000	353,462
General revenues	<u>29,647,755</u>	<u>29,629,973</u>
Total revenues	<u>33,440,240</u>	<u>32,617,290</u>
Program expenses	<u>32,004,839</u>	<u>29,603,789</u>
Change in net position	1,435,401	3,013,501
Net position—beginning	55,906,689	52,670,427
Restatement	-	222,761
Net position—ending	<u>\$ 57,342,090</u>	<u>\$ 55,906,689</u>

Overall revenues of the primary government increased 2.5 percent from the prior year, due primarily to aid received in the current year related to prior expenses related to a historic snow storm. Total expenses increased by 8.1 percent from the year ended December 31, 2014, primarily due to an increase in general government support related to increased health insurance and workers' compensation claims, and public safety expenses for a retro wage arbitration settlement.

A summary of sources of revenues for the years ended December 31, 2015 and December 31, 2014 is presented below in Table 3.

**Table 3—Summary of Sources of Revenues—Primary Government**

	Year Ended December 31,		Increase/(Decrease)	
	2015	2014	Dollars	Percent (%)
Charges for services	\$ 2,347,853	\$ 2,361,352	\$ (13,499)	(0.6)
Operating grants and contributions	1,428,632	272,503	1,156,129	424.3
Capital grants and contributions	16,000	353,462	(337,462)	(95.5)
Property taxes	21,305,761	21,334,962	(29,201)	(0.1)
Non-property taxes	4,673,159	4,568,967	104,192	2.3
Use of money and property	289,018	214,021	74,997	35.0
Miscellaneous	2,333,299	2,547,313	(214,014)	(8.4)
Unrestricted state aid	<u>1,046,518</u>	<u>964,710</u>	<u>81,808</u>	8.5
Total revenues	<u>\$ 33,440,240</u>	<u>\$ 32,617,290</u>	<u>\$ 822,950</u>	2.5

The most significant sources of revenues for the year ended December 31, 2015 were property taxes of \$21,305,761, or 63.7 percent of total revenues, and non-property taxes of \$4,673,159, or 14.0 percent of total revenues. Similarly, for the year ended December 31, 2014, the largest sources of revenues were property taxes of \$21,334,962, or 65.4 percent of total revenues, and non-property taxes of \$4,568,967, or 14.0 percent of total revenues.

A summary of program expenses for the years ended December 31, 2015 and December 31, 2014 is presented below in Table 4.

**Table 4—Summary of Program Expenses—Primary Government**

	Year ended December 31,		Increase/(Decrease)	
	2015	2014	Dollars	Percent (%)
General government support	\$ 4,666,567	\$ 4,148,370	\$ 518,197	12.5
Public safety	13,792,689	12,820,700	971,989	7.6
Health	95,675	118,650	(22,975)	(19.4)
Transportation	5,830,353	5,196,035	634,318	12.2
Culture and recreation	2,767,402	2,718,063	49,339	1.8
Home and community services	4,179,626	3,947,760	231,866	5.9
Interest and other fiscal charges	672,527	654,211	18,316	2.8
Total program expenses	<u>\$ 32,004,839</u>	<u>\$ 29,603,789</u>	<u>\$ 2,401,050</u>	8.1

The most significant expense items for the year ended December 31, 2015 were public safety of \$13,792,689, or 43.1 percent of total expenses, transportation of \$5,830,353, or 18.2 percent of total expenses, general government support of \$4,666,567, or 14.6 percent of total expenses, and home and community services of \$4,179,626, or 13.1 percent of total expenses. Similarly, for the year ended December 31, 2014, the most significant expense items were public safety of \$12,820,700, or 43.3 percent of total expenses, transportation of \$5,196,035, or 17.6 percent of total expenses, general government support of \$4,148,370, or 14.0 percent of total expenses, and home and community services of \$3,947,760, or 13.3 percent of total expenses.

### Financial Analysis of Governmental Funds

**Governmental funds**—The focus of the Town’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Town itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Town Board.

At December 31, 2015, the Town’s governmental funds reported combined ending fund balances of \$5,574,600, a decrease of \$2,361,745 from prior year. Excluding the effects of a \$4,352,599 fund balance deficit in the Capital Projects Fund, approximately 60.8 percent (\$6,038,585) of the combined ending fund balance constitutes either *unassigned fund balance* or *fund balance assigned for specific use*, which is available for spending in accordance with the fund’s purpose. The remainder of fund balance is *nonspendable*, *restricted*, or *assigned* for other purposes to indicate that it is: (1) not in spendable form (\$578,261), (2) restricted for particular purposes (\$1,628,003), or (3) assigned for capital improvements and subsequent year’s expenditures (\$1,682,350).

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,551,851, while total fund balance decreased to \$3,543,858. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures and transfers out. Unassigned fund balance represents approximately 17.0 percent of total General Fund expenditures and transfers out, while total fund balance represents 38.8 percent of that same amount. The total fund balance of the Town’s General Fund decreased by \$167,896 during the current fiscal year.

The Town's Police Fund ending fund balance was \$1,871,225. Approximately 66.2 percent, \$1,238,401, of this amount is fund balance assigned to specific (Police Fund) use. During the year ended December 31, 2015, the Police Fund fund balance decreased \$644,874 as a result of the rising cost of personal services.

The Town's Highway Fund – Town Outside Village ending fund balance was \$1,558,684. Approximately 75.4 percent, \$1,175,052, of this amount is fund balance assigned to specific (Highway Fund – Town Outside Village) use. During the year ended December 31, 2015, the Highway Fund – Town Outside Village fund balance increased by \$528,972 as a result of aid received in the current year related to prior expenditures from a historic snow storm.

The Town's Fire Protection District Fund ending fund balance was \$202,696. Approximately 77.8 percent, \$157,696, of this amount is fund balance assigned to specific (Fire Protection District Fund) use. During the year ended December 31, 2015, the Fire Protection District Fund fund balance decreased by \$31,614.

The Town's Refuse District Fund ending fund balance was \$474,125. Approximately 68.4 percent, \$324,125, of this amount is fund balance assigned to specific (Refuse District Fund) use. During the year ended December 31, 2015, the Refuse District Fund fund balance decreased by \$97,152 as the result of planned use of fund balance.

The Town's Capital Project Fund ending fund balance deficit was \$4,352,599. The fund balance deficit worsened by \$2,452,510 during the year ended December 31, 2015 as the result of ongoing capital outlay expenditures not yet funded by long-term financing.

### General Fund Budgetary Highlights

The Town's General Fund budget generally contains budget amendments during the year. The budget is allowed to be amended upward (increased) for prior year's encumbrances since the funds were allocated under the previous year's budget, and the Town has appropriately assigned an equal amount of fund balance at year-end for this purpose. Furthermore, the budget is allowed to be amended upward (increased) for additional current year appropriations supported by an increase in budgeted revenues. A budgetary comparison schedule within the required supplementary information section of this report has been provided to demonstrate compliance with their budget.

A summary of the General Fund results of operations for the year ended December 31, 2015 is presented below in Table 5.

**Table 5—General Fund Budget**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues and other financing sources	\$ 8,581,804	\$ 8,581,804	\$ 8,965,704	\$ 383,900
Expenditures and other financing uses	<u>9,191,804</u>	<u>9,467,804</u>	<u>9,133,600</u>	<u>334,204</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (610,000)</u>	<u>\$ (886,000)</u>	<u>\$ (167,896)</u>	<u>\$ 718,104</u>

**Original budget compared to final budget**—At the close of the fiscal year, the overall budgeted appropriations increased by \$276,000. Significant transfers and amendments to the budget included \$244,365 supplemental appropriations for general government support related to unanticipated expenditures for professional services related to capital project activity.

**Final budget compared to actual results**—Total revenues and other financing sources exceeded the final budget by \$383,900. This excess can primarily be attributed to state aid related to mortgage tax. Total expenditures and other financing uses were less than the final budget by \$334,204. The most significant savings were realized within general government support, which had budgetary savings of \$163,464.

### Capital Asset and Debt Administration

**Capital assets**—The Town’s investment in capital assets for its governmental activities as of December 31, 2015, amounted to \$74,429,899 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, infrastructure, buildings and improvements, and machinery and equipment.

All depreciable capital assets were depreciated from acquisition date to the end of the current year, as outlined in the Town’s capital asset policy.

Capital assets, net of depreciation for the primary government at the years ended December 31, 2015 and December 31, 2014 are presented below in Table 6.

**Table 6 – Summary of Capital Assets (Net of Depreciation)—Primary Government**

	Governmental Activities	
	December 31,	
	2015	2014
Land	\$ 1,320,831	\$ 1,320,831
Construction in progress	1,907,885	1,414,480
Land improvements	1,650,731	1,733,913
Infrastructure	45,418,517	44,875,663
Buildings and improvements	20,603,443	19,409,991
Machinery and equipment	<u>3,528,492</u>	<u>3,381,857</u>
Total	<u>\$ 74,429,899</u>	<u>\$ 72,136,735</u>

Additional information on the Town’s capital assets can be found in Note 5 to the financial statements.

**Long-term debt**—At December 31, 2015, the Town had total bonded debt outstanding of \$16,210,000, as compared to \$17,570,000 in the prior year. The Town made scheduled principal payments of \$1,360,000 during the year ended December 31, 2015.

Additional information on the Town’s long-term liabilities can be found in Note 12 to the financial statements.

### **Economic Factors and Next Year's Budgets and Rates**

The unemployment rate, not seasonally adjusted, for the Western New York region during December 2015 was 5.2 percent. This compares to New York State's unemployment rate of 4.7 percent and the national unemployment rate of 5.0 percent.

The Town's 2016 General Fund budget includes the appropriation of \$390,000 of fund balance and \$170,000 of fund balance reserves. The General Fund tax rate is \$2.39 per thousand for the 2016 budget year, which was the same rate as the prior year.

### **Requests for Information**

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Supervisor's Office, 21 Central Avenue, Lancaster, NY 14086.

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# BASIC FINANCIAL STATEMENTS



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**TOWN OF LANCASTER, NEW YORK**  
**Statement of Net Position**  
**December 31, 2015**

	<b>Primary Government</b>	<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Lancaster Industrial Development Agency</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 7,496,874	\$ 1,170,566
Restricted cash and cash equivalents	5,810,149	-
Deposits	17,401	-
Receivables	791,989	-
Intergovernmental receivables	1,948,612	-
Prepaid items	578,261	-
Capital assets not being depreciated	3,228,716	-
Capital assets, net of accumulated depreciation	<u>71,201,183</u>	<u>-</u>
Total assets	<u>91,073,185</u>	<u>1,170,566</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows—relating to pensions	<u>2,001,453</u>	<u>-</u>
Total deferred outflows of resources	<u>2,001,453</u>	<u>-</u>
<b>LIABILITIES</b>		
Accounts payable	1,010,353	-
Accrued liabilities	653,089	-
Bond anticipation notes payable	8,000,000	-
Noncurrent liabilities:		
Due within one year	1,700,505	-
Due in more than one year	<u>24,284,876</u>	<u>-</u>
Total liabilities	<u>35,648,823</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows—relating to pensions	<u>83,725</u>	<u>-</u>
Total deferred inflows of resources	<u>83,725</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	51,494,565	-
Restricted for:		
Debt service	1,628,003	-
Unrestricted	<u>4,219,522</u>	<u>1,170,566</u>
Total net position	<u>\$ 57,342,090</u>	<u>\$ 1,170,566</u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF LANCASTER, NEW YORK**  
**Statement of Activities**  
**Year Ended December 31, 2015**

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit
<b>Primary government:</b>						
Governmental activities:						
General government support	\$ 4,666,567	\$ 520,577	\$ -	\$ -	\$ (4,145,990)	\$ -
Public safety	13,792,689	1,456,608	37,808	-	(12,298,273)	-
Health	95,675	-	-	-	(95,675)	-
Transportation	5,830,353	150,747	1,368,324	-	(4,311,282)	-
Culture and recreation	2,767,402	120,304	22,500	16,000	(2,608,598)	-
Home and community services	4,179,626	99,617	-	-	(4,080,009)	-
Interest and other fiscal charges	672,527	-	-	-	(672,527)	-
Total primary government	<u>\$32,004,839</u>	<u>\$2,347,853</u>	<u>\$ 1,428,632</u>	<u>\$ 16,000</u>	<u>(28,212,354)</u>	-
<b>Component unit:</b>						
Lancaster IDA	<u>\$ 123,028</u>	<u>\$ 172,390</u>	<u>\$ -</u>	<u>\$ -</u>		<u>49,362</u>
Total component unit	<u>\$ 123,028</u>	<u>\$ 172,390</u>	<u>\$ -</u>	<u>\$ -</u>		<u>49,362</u>
General revenues:						
Property taxes and other tax items					21,305,761	-
Non-property taxes					4,673,159	-
Use of money and property					289,018	489
Miscellaneous					2,333,299	688
Unrestricted state aid					1,046,518	-
Total general revenues					<u>29,647,755</u>	<u>1,177</u>
Change in net position					1,435,401	50,539
Net position—beginning, as restated (see Note 2)					<u>55,906,689</u>	<u>1,120,027</u>
Net position—ending					<u>\$ 57,342,090</u>	<u>\$ 1,170,566</u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF LANCASTER, NEW YORK**  
**Balance Sheet—Governmental Funds**  
**December 31, 2015**

	<u>Special Revenue</u>						<b>Total Nonmajor Funds</b>	<b>Total Governmental Funds</b>
	<b>General</b>	<b>Police</b>	<b>Highway Fund - Town Outside Village</b>	<b>Fire Protection District</b>	<b>Refuse District</b>	<b>Capital Projects</b>		
<b>ASSETS</b>								
Cash and cash equivalents	\$2,275,396	\$ 576	\$ 1,382,176	\$ 199,602	\$ 630,514	\$ -	\$1,445,045	\$ 5,933,309
Restricted cash and cash equivalents	1,183,365	-	66,293	-	-	4,182,146	378,345	5,810,149
Deposits	17,401	-	-	-	-	-	-	17,401
Receivables	36,355	3,932	6,214	7,557	21,378	290	506,167	581,893
Intergovernmental receivab	15,010	1,775,614	145,077	-	-	-	12,911	1,948,612
Due from other funds	114,531	-	-	-	-	-	-	114,531
Prepaid items	118,642	377,824	67,339	-	-	-	14,456	578,261
<b>Total assets</b>	<b><u>\$3,760,700</u></b>	<b><u>\$2,157,946</u></b>	<b><u>\$ 1,667,099</u></b>	<b><u>\$ 207,159</u></b>	<b><u>\$ 651,892</u></b>	<b><u>\$ 4,182,436</u></b>	<b><u>\$2,356,924</u></b>	<b><u>\$14,984,156</u></b>
<b>LIABILITIES</b>								
Accounts payable	\$ 135,059	\$ 19,291	\$ 45,663	\$ 4,463	\$ 177,767	\$ 535,035	\$ 67,804	\$ 985,082
Accrued liabilities	81,783	152,899	62,752	-	-	-	12,509	309,943
Due to other funds	-	114,531	-	-	-	-	-	114,531
Bond anticipation notes pay	-	-	-	-	-	8,000,000	-	8,000,000
<b>Total liabilities</b>	<b><u>216,842</u></b>	<b><u>286,721</u></b>	<b><u>108,415</u></b>	<b><u>4,463</u></b>	<b><u>177,767</u></b>	<b><u>8,535,035</u></b>	<b><u>80,313</u></b>	<b><u>9,409,556</u></b>
<b>FUND BALANCES (DEFICIT)</b>								
Nonspendable	118,642	377,824	67,339	-	-	-	14,456	578,261
Restricted	1,183,365	-	66,293	-	-	-	378,345	1,628,003
Assigned	690,000	1,493,401	1,425,052	202,696	474,125	-	1,883,810	6,169,084
Unassigned	1,551,851	-	-	-	-	(4,352,599)	-	(2,800,748)
<b>Total fund balances (defic</b>	<b><u>3,543,858</u></b>	<b><u>1,871,225</u></b>	<b><u>1,558,684</u></b>	<b><u>202,696</u></b>	<b><u>474,125</u></b>	<b><u>(4,352,599)</u></b>	<b><u>2,276,611</u></b>	<b><u>5,574,600</u></b>
<b>Total liabilities and fund balances (deficit)</b>	<b><u>\$3,760,700</u></b>	<b><u>\$2,157,946</u></b>	<b><u>\$ 1,667,099</u></b>	<b><u>\$ 207,159</u></b>	<b><u>\$ 651,892</u></b>	<b><u>\$ 4,182,436</u></b>	<b><u>\$2,356,924</u></b>	<b><u>\$14,984,156</u></b>

The notes to the financial statements are an integral part of this statement.

**TOWN OF LANCASTER, NEW YORK**  
**Reconciliation of the Balance Sheet—Governmental Funds**  
**to the Government-wide Statement of Net Position**  
**December 31, 2015**

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Amounts reported for governmental activities in the statement of net position (page 13) are different because:

Total fund balances (deficit)—governmental funds (page 15)		\$ 5,574,600
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$109,755,986 and the accumulated depreciation is \$35,326,087.		74,429,899
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the fund statements:		
Deferred outflows related to employer contributions	\$ 1,632,607	
Deferred outflows related to experience and investment earnings	368,846	
Deferred inflows of resources related to pension plans	<u>(83,725)</u>	1,917,728
Net accrued interest expense for bonds is not reported in the funds.		(43,163)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The effects of these items are:		
Serial bonds	\$ (16,210,000)	
Premium on serial bonds	(786,098)	
Installment purchase debt	(1,586,637)	
Compensated absences	(2,659,012)	
Other post-employment benefits obligation	(3,323,193)	
Net pension liability	<u>(1,101,711)</u>	(25,666,651)
Internal service funds are used by management to charge the cost of insurance, judgements, claims and related administrative expenses to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		<u>1,129,677</u>
Net position of governmental activities		<u><u>\$ 57,342,090</u></u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF LANCASTER, NEW YORK**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)—Governmental Funds**  
**Year Ended December 31, 2015**

	<b>Special Revenue</b>							<b>Total Nonmajor Funds</b>	<b>Total Governmental Funds</b>
	<b>General</b>	<b>Police</b>	<b>Highway Fund -</b>	<b>Fire</b>	<b>Refuse District</b>	<b>Capital Projects</b>	<b>Total</b>		
			<b>Town Outside Village</b>	<b>Protection District</b>					
<b>REVENUES</b>									
Real property taxes	\$6,546,360	\$3,634,323	\$ 3,338,653	\$3,745,177	\$1,964,132	\$ -	\$1,093,925	\$20,322,570	
Other property tax items	479,889	243,628	238,074	-	-	-	21,600	983,191	
Non-property tax items	-	3,914,394	387,138	-	-	-	371,627	4,673,159	
Departmental income	224,288	7,004	-	-	82,396	-	40,039	353,727	
Intergovernmental charges	32,890	1,106,127	113,413	-	-	-	28,114	1,280,544	
Use of money and property	188,948	3,391	1,775	22,508	618	-	71,045	288,285	
Licenses and permits	90,589	-	-	-	-	-	250,050	340,639	
Fines and forfeitures	258,960	22,470	-	-	-	-	-	281,430	
Sale of property and compensation for loss	32,171	22,008	37,334	-	-	-	-	91,513	
Miscellaneous	72,951	365	24,001	-	-	-	692,595	789,912	
State aid	951,360	34,511	394,017	-	-	16,000	122,329	1,518,217	
Federal aid	49,673	25,808	825,387	-	-	-	72,065	972,933	
<b>Total revenues</b>	<b>8,928,079</b>	<b>9,014,029</b>	<b>5,359,792</b>	<b>3,767,685</b>	<b>2,047,146</b>	<b>16,000</b>	<b>2,763,389</b>	<b>31,896,120</b>	
<b>EXPENDITURES</b>									
Current:									
General government support	3,211,750	6,215	4,674	4,929	557	-	839	3,228,964	
Public safety	59,068	6,419,650	-	3,640,370	-	-	430,892	10,549,980	
Health	70,260	-	-	-	-	-	3,133	73,393	
Transportation	137,243	-	3,267,454	-	-	-	282,317	3,687,014	
Culture and recreation	1,864,299	-	-	-	-	-	137,261	2,001,560	
Home and community services	415,381	-	-	-	2,143,741	-	377,925	2,937,047	
Employee benefits	1,026,612	2,399,388	481,417	-	-	-	118,232	4,025,649	
Debt service:									
Principal	741,000	-	194,101	-	-	-	522,000	1,457,101	
Interest and other fiscal charges	444,537	-	50,540	-	-	-	253,872	748,949	
Capital outlay	-	-	-	-	-	3,010,885	-	3,010,885	
<b>Total expenditures</b>	<b>7,970,150</b>	<b>8,825,253</b>	<b>3,998,186</b>	<b>3,645,299</b>	<b>2,144,298</b>	<b>3,010,885</b>	<b>2,126,471</b>	<b>31,720,542</b>	
Excess (deficiency) of revenues over expenditures	<u>957,929</u>	<u>188,776</u>	<u>1,361,606</u>	<u>122,386</u>	<u>(97,152)</u>	<u>(2,994,885)</u>	<u>636,918</u>	<u>175,578</u>	
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers in	37,625	265,000	-	-	-	560,000	-	862,625	
Transfers out	(1,163,450)	(1,098,650)	(832,634)	(154,000)	-	(17,625)	(133,589)	(3,399,948)	
<b>Total other financing sources (uses)</b>	<b>(1,125,825)</b>	<b>(833,650)</b>	<b>(832,634)</b>	<b>(154,000)</b>	<b>-</b>	<b>542,375</b>	<b>(133,589)</b>	<b>(2,537,323)</b>	
Net change in fund balances (deficit)	(167,896)	(644,874)	528,972	(31,614)	(97,152)	(2,452,510)	503,329	(2,361,745)	
Fund balances (deficit)—beginning	<u>3,711,754</u>	<u>2,516,099</u>	<u>1,029,712</u>	<u>234,310</u>	<u>571,277</u>	<u>(1,900,089)</u>	<u>1,773,282</u>	<u>7,936,345</u>	
Fund balances (deficit)—ending	<b>\$3,543,858</b>	<b>\$1,871,225</b>	<b>\$ 1,558,684</b>	<b>\$ 202,696</b>	<b>\$ 474,125</b>	<b>\$(4,352,599)</b>	<b>\$2,276,611</b>	<b>\$ 5,574,600</b>	

The notes to the financial statements are an integral part of this statement.

**TOWN OF LANCASTER, NEW YORK**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances (Deficit)—Governmental Funds to the Government-wide Statement of Activities**  
**Year Ended December 31, 2015**

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Amounts reported for governmental activities in the statement of activities (page 14) are different because:

Net change in fund balances (deficit)—total governmental funds (page 17) \$ (2,361,745)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital asset additions, net	\$ 4,342,179	
Depreciation expense	<u>(2,049,015)</u>	2,293,164

Net differences between pension contributions recognized on the fund financial statements and the government-wide financial statements are as follows:

Town pension contributions	\$ 1,632,607	
Cost of benefits earned net of employee contributions	<u>(1,039,351)</u>	593,256

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. 1,556

The issuance of 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. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:

Repayment of serial bonds	\$ 1,360,000	
Amortization of premiums on serial bonds	74,866	
Payment of installment purchase debt	97,101	
Change in compensated absences	(74,828)	
Change in other post-employment benefits obligation	<u>(312,119)</u>	1,145,020

Internal service funds are used by management to charge the cost of insurance, judgments, claims and related administrative expenses to individual funds. The net cost of certain activities is reported within governmental activities. (235,850)

Change in net position of governmental activities \$ 1,435,401

The notes to the financial statements are an integral part of this statement.

**TOWN OF LANCASTER, NEW YORK**  
**Statement of Net Position—Proprietary Fund**  
**December 31, 2015**

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	<u><b>Governmental Activities Internal Service Fund</b></u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,563,565
Receivables	<u>210,096</u>
Total current assets	<u>1,773,661</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	25,271
Accrued health insurance	299,983
Current portion of accrued workers' compensation	<u>15,937</u>
Total current liabilities	<u>341,191</u>
Noncurrent liabilities:	
Accrued workers' compensation	<u>302,793</u>
Total noncurrent liabilities	<u>302,793</u>
Total liabilities	<u>643,984</u>
<b>NET POSITION</b>	
Unrestricted	<u>1,129,677</u>
Total net position	<u>\$ 1,129,677</u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF LANCASTER, NEW YORK**  
**Statement of Revenues, Expenses, and Changes in Net Position—Proprietary Fund**  
**Year Ended December 31, 2015**

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	<u><b>Governmental Activities Internal Service Fund</b></u>
Operating revenues:	
Charges for services	\$ 2,537,323
Insurance recoveries	<u>210,096</u>
Total operating revenues	<u>2,747,419</u>
Operating expenses:	
Administrative fees	193,773
Claims expenses	2,429,134
Excess insurance	<u>382,267</u>
Total operating expenses	<u>3,005,174</u>
Operating income (loss)	<u>(257,755)</u>
Nonoperating revenues:	
Health reimbursements	21,172
Interest income	<u>733</u>
Total nonoperating revenues	<u>21,905</u>
Change in net position	(235,850)
Net position—beginning	<u>1,365,527</u>
Net position—ending	<u>\$ 1,129,677</u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF LANCASTER, NEW YORK**  
**Statement of Cash Flows—Proprietary Fund**  
**Year Ended December 31, 2015**

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	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from participating funds	\$ 2,537,323
Payments for claims	(1,901,366)
Payments for administration and insurance	(576,040)
Net cash provided by operating activities	59,917
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Health reimbursements	21,172
Interest earnings	733
Net cash provided by investing activities	21,905
Net increase in cash and cash equivalents	81,822
Cash and cash equivalents—beginning	1,481,743
Cash and cash equivalents—ending	\$ 1,563,565
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>	
Operating income (loss)	\$ (257,755)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
(Increase) in receivables	(210,096)
(Decrease) in accounts payable	(15,296)
Increase in accrued liabilities	543,064
Net cash provided by operating activities	\$ 59,917

The notes to the financial statements are an integral part of this statement.

**TOWN OF LANCASTER, NEW YORK**  
**Statement of Net Position—Agency Fund**  
**December 31, 2015**

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	<b>Agency Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 288,512
LOSAP assets	<u>3,615,823</u>
Total assets	<u><u>\$ 3,904,335</u></u>
<b>LIABILITIES</b>	
Agency liabilities	\$ 288,512
Amounts held for LOSAP	<u>3,615,823</u>
Total liabilities	<u><u>\$ 3,904,335</u></u>

The notes to the financial statements are an integral part of this statement.

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**TOWN OF LANCASTER, NEW YORK**  
**Notes to the Financial Statements**  
**Year Ended December 31, 2015**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Town of Lancaster, New York (the “Town”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town’s accounting policies are described below.

***Description of Government-wide Financial Statements***

The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. The Town reports no business-type activities. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

***Reporting Entity***

The Town, which was established in 1833, is a unit of local government created by the State of New York. The Town operates under provisions of New York State law and with authority vested by those statutes. The five-member Town Board is the legislative body responsible for overall operations. The Supervisor serves as both Chief Executive Officer and Chief Fiscal Officer.

Independently elected officials of the Town include:

Supervisor	Town Clerk and Receiver of Taxes
Councilmembers (4)	Superintendent of Highways
Town Justices (2)	

The Town is located in the County of Erie, New York. Units of local government which operate within the boundaries of the Town include the Villages of Depew and Lancaster. Public education is provided by five independent school districts within the Town.

The Town provides services for general government support, police protection, fire protection through contracts with the local volunteer fire companies, highway maintenance, sanitation, recreational programs, street lighting, water transmission service and general administration.

The accompanying financial statements present the Town and its component unit, an entity for which the Town is considered to be financially accountable.

***Discretely Presented Component Unit***—The component unit column in the basic financial statements include the financial data of the Town’s discretely presented component unit. This unit is reported in a separate column to emphasize that they are legally separate from the Town.

**Lancaster Industrial Development Agency**—The Town of Lancaster Industrial Development Agency (the “Agency”) was created in 1972 under Title I 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 Lancaster, New York (the “Town”). The Agency is a separate entity and operates independently of the Town.

### ***Basis of Presentation – Government-wide Financial Statements***

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements.

As discussed earlier, the Town has one discretely presented component unit. While the Agency is not considered to be a major component unit, it is nevertheless shown in a separate column in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments and charges between the Town’s various functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

### ***Basis of Presentation – Fund Financial Statements***

The fund financial statements provide information about the Town’s funds, including its proprietary and fiduciary funds. Separate statements for each fund category—governmental, proprietary and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Town reports the following major governmental funds:

- ***General Fund***—The General Fund constitutes the principal operating fund of the Town and includes all operations not required to be recorded in other funds.
- ***Police Fund***—The Police Fund records all revenues and expenditures related to police activities.
- ***Highway Fund – Town Outside Village Fund***—The Highway Fund – Town Outside Village Fund is used to record all revenues and expenditures related to road maintenance and construction outside village boundaries.
- ***Fire Protection District Fund***—The Fire Protection District Fund is used to record all revenues and expenditures related to fire protection district activities.
- ***Refuse District Fund***—The Refuse District Fund is used to record all revenues and expenditures related to garbage pick-up and recycling activities.
- ***Capital Projects Fund***—The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.

The Town reports the following major proprietary fund:

- *Internal Service Fund*—The Internal Service Fund is used to account for the activity of the Town’s self-insured health and workers’ compensation plans.

Additionally, the Town reports the following fund type:

- *Fiduciary Fund*—These funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Trust funds account for resources received and disbursements made in accordance with trust agreements or applicable legislative enactments for each particular fund. Fiduciary funds include the *Agency Fund*. The Agency Fund is custodial in nature and does not involve measurement of results of operations. The Agency Fund accounts, such as payroll withholdings, are reported as liabilities.

During the course of operations the Town has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

### ***Measurement Focus and Basis of Accounting***

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue 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.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, pensions, other post-employment benefits, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, charges for services provided, and state and federal aid 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. Entitlements are recorded as revenues when all eligibility requirements are met and the amount is received during the period of availability. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements are met and amount is received during the period of availability. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The Agency Fund has no measurement focus, but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

***Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance***

***Cash, Cash Equivalents and Investments***—The Town’s cash and cash equivalents consist of cash on hand, demand deposits, time deposits and short-term, highly liquid investments with original maturities of three months or less from the date of acquisition. The Town had no investments at December 31, 2015; however, when the Town does have investments they are recorded at fair value based on quoted market value.

***Restricted Cash and Cash Equivalents***—Restricted cash and cash equivalents represent amounts to support fund balance restrictions and unspent proceeds of debt.

***Prepaid Items***—Certain payments reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenses/expenditures when consumed rather than when purchased.

***Capital Assets***—Capital assets, which include property, land improvements, buildings and improvements, machinery and equipment, and infrastructure assets, are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$40,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at estimated fair market value of the item at the date of its donation.

Land and construction in progress are not depreciated. The other capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

	Years
Land improvements	25
Infrastructure	20-100
Buildings and improvements	15-75
Machinery and equipment	2-25

The *capital outlays* character classification is employed only for expenditures reported in the Capital Projects Fund. Routine capital expenditures in the General Fund and other governmental funds are included in the appropriate functional category (for example, the purchase of a new highway vehicle included as part of *expenditures—transportation*). At times, amounts reported as *capital outlays* in the Capital Projects Fund will also include non-capitalized, project-related costs (for example, furnishings).

***Deferred Outflows/Inflows of Resources***—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At December 31, 2015, the Town has one item that qualifies for reporting in this category. This item represents the effect of the net change in the Town’s proportion of the collective net pension liability, the difference during the measurement period between the Town’s contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense, and any contributions to the pension systems made subsequent to the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At December 31, 2015, the Town has one item that qualifies for reporting in this category. This item represents the effect of the net change in the Town’s proportion of the collective net pension liability and the difference during the measurement periods between the Town’s contributions and its proportionate share of the total contributions to the pension systems not included in pension expense, and is reported on the government-wide statements.

***Net Position Flow Assumption***—Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

***Fund Balance Flow Assumptions***—Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

***Fund Balance Policies***—Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision-making authority. The Town Board is the highest level of decision-making authority for the Town that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes, but do not meet the criteria to be classified as committed. The Town Board has by resolution authorized the Director of Administration and Finance to assign fund balance. The Town Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

### ***Revenues and Expenses/Expenditures***

***Program Revenues***—Amounts reported as 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 or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

***Property Taxes***—The Erie County Legislature prepares the levy in late December of each year and jointly bills the Town levy and Erie County real property taxes. Property taxes are levied and become a lien as of January 1<sup>st</sup> based on assessed property values as of that date.

Tax payments are due January 1<sup>st</sup> to February 15<sup>th</sup> without penalty; February 16<sup>th</sup> to 28<sup>th</sup> a 1.5% penalty; March 1<sup>st</sup> to 15<sup>th</sup> a 3.0% penalty; March 16<sup>th</sup> to April 1<sup>st</sup> a 4.5% penalty; April 2<sup>nd</sup> to 15<sup>th</sup> a 6.0% penalty; April 16<sup>th</sup> to 30<sup>th</sup> a 7.5% penalty; and 1.5% added each month thereafter.

The tax roll is returned to the Erie County Commissioner of Finance after June 30<sup>th</sup>, at which time all unpaid taxes and penalties are payable to that office. The Town retains their full tax levies for all unpaid items that are returned to the County. Thus, the Town is assured of receiving 100% of its tax levy. The County enforces all liens.

The Town also bills and collects taxes for various school districts within Town limits. Collections of the school district taxes and remittances of them are accounted for by the Town Clerk and Receiver of Taxes, independent of Town operations.

***Compensated Absences***—The Town labor agreements and Town Board rules and regulations provide for sick leave, vacations and miscellaneous other paid absences. Upon retirement, certain eligible employees qualify for paid health insurance and/or payment of fractional values of unused sick leave. These payments are budgeted annually without accrual.

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

***Pensions***—The Town is mandated by New York State law to participate in the New York State Local Employees’ Retirement System (“ERS”) and the New York State Police and Fire Retirement System (“PFRS”). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 7.

***Service Awards***—The Town has adopted a Length of Service Award Program for firefighters that serve on a volunteer basis. The program is administered by an outside agency, with the Town as trustee. More information is included in Note 8.

***Other Post-Employment Benefits***—In addition to providing pension benefits, the Town provides health insurance coverage and/or payments for fractional values of unused sick leave for certain retired employees at the time of retirement as discussed in Note 9.

***Proprietary Fund Operating and Nonoperating Revenues and Expenses***—Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Internal Service Fund are charges to other funds for healthcare and workers’ compensation costs. Operating expenses for the Internal Service Fund include cost of health and workers’ compensation claims from providers, excess insurance coverage and administrative costs of third party provider of services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

***Other***

***Estimates***—The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

***Adoption of New Accounting Pronouncements***—During the year ended December 31, 2015, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*; and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. GASB Statements No. 68 and No. 71 improve accounting and recognizing liabilities/(assets), deferred outflows of resources, deferred inflows of resources and expenses related to pensions.

***Future Impacts of Accounting Pronouncements***—The Town has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 72, *Fair Value Measurement and Application*; No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; No. 77, *Tax Abatement Disclosures*; No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Plans*; and No. 79, *Certain External Investment Pools and Pool Participants*, effective for the fiscal year ending December 31, 2016; No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*; No. 80, *Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14*; No. 81, *Irrevocable Split-Interest Agreements*; and No. 82, *Pension Issues; an Amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for the fiscal year ending December 31, 2017; and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the fiscal year ending December 31, 2018. The Town is, therefore, unable to disclose the impact that adopting GASB Statements No. 72, 73, 74, 75, 76, 77, 78, 79, 80, 81 and 82 will have on its financial position and results of operations when such statements are adopted.

### ***Stewardship, Compliance and Accountability***

***Legal Compliance—Budgets***—The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to September 30<sup>th</sup>, the Town Supervisor files a “tentative” budget with the Town Clerk for the following fiscal year to commence on January 1<sup>st</sup>. This budget, which includes appropriations and estimated revenues, is then presented to the full Town Board by October 5<sup>th</sup>.
- The full Town Board reviews the tentative budget and may adjust same before approving a “preliminary” budget and calling for a public hearing, which is generally held in November.
- Following the public hearing, revisions may again be made by the Town Board before filing an adopted budget with Erie County by November 20<sup>th</sup>.
- During the fiscal year, the Town Board can legally amend the operating budgets and is empowered to implement supplemental appropriations. Budget amendments are required for the departmental budgetary control. All budget amendments and budget transfers require Town Board approval.

***Deficit Fund Balances***—At December 31, 2015, the Capital Projects Fund, a major fund, has a deficit fund balance of \$4,352,599. The primary reason for the deficit in this case is that the Town issued bond anticipation notes (“BANs”), which do not qualify for treatment as a long-term liability. Accordingly, the BANs are reported as a fund liability in the Capital Projects Fund balance sheet (rather than an inflow on the statement of revenues, expenditures, and changes in fund balances). When the cash from the BANs is spent, expenditures are reported and fund balance is reduced. Because the BANs are the main source of resources for the fund, the result is an overall fund deficit. This deficit will be remedied by future tax revenues, anticipated grants and proceeds from future bond issuances.

## 2. RESTATEMENT OF NET POSITION

For the year ended December 31, 2015, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The implementation of GASB Statements No. 68 and No. 71 resulted in the reporting of deferred outflows of resources, a deferred inflow of resources, and a liability related to the Town’s participation in the New York State Employees’ and Police and Fire Retirement Systems.

The Town’s governmental activities net position as of December 31, 2014 has been restated as follows:

Net position—December 31, 2014, as previously stated	\$ 55,683,928
GASB Statements No. 68 and No. 71 implementation:	
Beginning system liability—Police and Fire Retirement System	(689,030)
Beginning system liability—Employees' Retirement System	(864,289)
Beginning deferred outflow of resources for contributions subsequent to the measurement date:	
Police and Fire Retirement System	1,047,923
Employees' Retirement System	<u>728,157</u>
Net position—December 31, 2014, as restated	<u>\$ 55,906,689</u>

## 3. CASH, CASH EQUIVALENTS AND INVESTMENTS

The Town’s investment policies are governed by State statutes. In addition, the Town has its own written investment policy. Town monies must be deposited in FDIC-insured commercial banks or trust companies located within New York State. The Supervisor 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 deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The Town has entered into a custodial agreement with the bank which holds their deposits. This agreement authorizes the obligations that may be pledged as collateral. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York.

Cash and cash equivalents at December 31, 2015, are as follows:

	Governmental Funds	Proprietary Fund	Fiduciary Fund	Total
Petty cash (uncollateralized)	\$ 1,900	\$ -	\$ -	\$ 1,900
Deposits	<u>11,741,558</u>	<u>1,563,565</u>	<u>288,512</u>	<u>13,593,635</u>
Total	<u>\$ 11,743,458</u>	<u>\$ 1,563,565</u>	<u>\$ 288,512</u>	<u>\$ 13,595,535</u>

**Deposits**—All deposits are carried at fair value and are classified by custodial credit risk at December 31, 2015 as follows:

	Bank Balance	Carrying Amount
FDIC insured	\$ 432,900	\$ 432,900
Uninsured:		
Collateral held by pledging bank's agent in the Town's name	<u>13,420,279</u>	<u>13,160,735</u>
Total	<u>\$ 13,853,179</u>	<u>\$ 13,593,635</u>

**Custodial Credit Risk—Deposits**—Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. As noted above, by New York State statute all deposits in excess of FDIC insurance coverage must be collateralized. As of December 31, 2015, the Town’s deposits were either FDIC insured or collateralized with securities held by the pledging bank’s agent in the Town’s name.

**Restricted Cash and Cash Equivalents**—The Town reports restricted cash, totaling \$5,791,881, within the General Fund, Highway-Town Outside Village Fund, Capital Projects Fund and nonmajor funds. These funds are set aside for future payments toward debt service and capital projects, in the amounts of \$1,183,365, \$66,293, \$4,182,146 and \$378,345, respectively.

**Investments**—The Town had no investments at December 31, 2015.

**Interest Rate Risk**—In accordance with its investment policy, the Town manages exposures by limiting investments to low risk type investments governed by New York State statutes.

#### **Discretely Presented Component Unit**

**Lancaster Industrial Development Agency**— The Agency had unrestricted deposits of \$1,170,566 which were insured or collateralized by securities held by the pledging financial institution’s trust department or agent in the Agency’s name.

#### 4. RECEIVABLES

Major revenues accrued by the Town at December 31, 2015 consisted of the following:

**Receivables**—Represents amounts due from various sources. Receivables at December 31, 2015 are:

Governmental Funds:		
General Fund:		
Town Clerk	\$ 5,569	
Town Justices	23,814	
Miscellaneous	<u>6,972</u>	\$ 36,355
Police Fund:		
Town Clerk	\$ 50	
Workers' compensation reimbursement	<u>3,882</u>	3,932
Highway Fund—Town Outside Village:		
Wage reimbursement		6,214
Fire Protection District Fund:		
Workers' compensation reimbursement		7,557
Refuse District Fund:		
Town Clerk		21,378
Capital Projects Fund:		
Miscellaneous		290
Nonmajor Funds:		
General Fund—Town Outside Village:		
Town Clerk	\$ 40,182	
Cable franchise fees	<u>192,145</u>	232,327
Miscellaneous Special Revenue Fund:		
Town Clerk		<u>273,840</u>
Total governmental funds		<u>581,893</u>
Proprietary Fund:		
Insurance recoveries		<u>210,096</u>
Total governmental activities		<u>\$ 791,989</u>

**Intergovernmental Receivables**—Represents amounts due from other units of government, such as Federal, New York State, County of Erie or other local governments. Intergovernmental receivables at December 31, 2015 are:

General Fund:		
Due from Erie County	\$ 13,385	
Miscellaneous	<u>1,625</u>	\$ 15,010
Police Fund:		
Due from Erie County	\$ 1,466,892	
Due from New York State	7,054	
Due from Village of Lancaster	225,943	
Due from Lancaster CSD	<u>75,725</u>	1,775,614
Highway Fund—Town Outside Village:		
Due from Erie County		145,077
Nonmajor funds:		
Miscellaneous Special Revenue Fund:		
Due from Federal		<u>12,911</u>
Total governmental funds		<u>\$ 1,948,612</u>

## 5. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended December 31, 2015 was as follows:

	Balance 1/1/2015	Increases	Decreases	Balance 12/31/2015
Capital assets, not being depreciated:				
Land	\$ 1,320,831	\$ -	\$ -	\$ 1,320,831
Construction in progress	1,414,480	2,508,402	2,014,997	1,907,885
Total capital assets, not being depreciated	<u>2,735,311</u>	<u>2,508,402</u>	<u>2,014,997</u>	<u>3,228,716</u>
Capital assets, being depreciated:				
Land improvements	2,079,539	-	-	2,079,539
Infrastructure	70,951,284	1,756,660	-	72,707,944
Buildings and improvements	23,544,148	1,570,456	-	25,114,604
Machinery and equipment	6,103,525	521,658	-	6,625,183
Total capital assets, being depreciated	<u>102,678,496</u>	<u>3,848,774</u>	<u>-</u>	<u>106,527,270</u>
Less accumulated depreciation for:				
Land improvements	345,626	83,182	-	428,808
Infrastructure	26,075,621	1,213,805	-	27,289,426
Buildings and improvements	4,134,157	377,005	-	4,511,162
Machinery and equipment	2,721,668	375,023	-	3,096,691
Total accumulated depreciation	<u>33,277,072</u>	<u>2,049,015</u>	<u>-</u>	<u>35,326,087</u>
Total capital assets, being depreciated, net	<u>69,401,424</u>	<u>1,799,759</u>	<u>-</u>	<u>71,201,183</u>
Governmental activities capital assets, net	<u>\$ 72,136,735</u>	<u>\$ 4,308,161</u>	<u>\$ 2,014,997</u>	<u>\$ 74,429,899</u>

Depreciation expense was charged to the functions and programs of the governmental activities as follows:

Governmental activities:	
General government support	\$ 186,390
Public safety	187,729
Transportation	1,143,839
Culture and recreation	180,192
Home and community services	350,865
Total	<u>\$ 2,049,015</u>

## 6. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at December 31, 2015 were as follows:

	General Fund	Police Fund	Highway Fund—Town Outside Village	General Fund—Town Outside Village	Total
Salary and employee benefits	\$ 81,783	\$ 152,899	\$ 62,752	\$ 12,509	\$ 309,943
Total	<u>\$ 81,783</u>	<u>\$ 152,899</u>	<u>\$ 62,752</u>	<u>\$ 12,509</u>	<u>\$ 309,943</u>

## 7. PENSION PLANS

### *Plan Descriptions and Benefits Provided*

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

The System is noncontributory, except for employees who joined the ERS after July 27, 1976 who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 10, 2010 (ERS) or January 9, 2010 (PFRS), who generally contribute three percent (3%) to three and one half percent (3.5%) of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers’ contributions based on salaries paid during the System’s fiscal year ending March 31.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions**—At December 31, 2015, the Town reported the following liabilities for its proportionate share of the net pension liabilities for PFRS and ERS. The net pension liabilities were measured as of March 31, 2015. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of April 1, 2014, with update procedures used to roll forward the total net pension liabilities to the measurement date. The Town’s proportion of the net pension liabilities were based on projections of the Town’s long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the System in reports provided to the Town.

	PFRS	ERS
Measurement date	March 31, 2015	March 31, 2015
Net pension liability	\$ 455,579	\$ 646,132
Town's portion of the Plan's total net pension liability	0.1655090%	0.0191263%

For the year ended December 31, 2015, the Town recognized pension expenses of \$1,039,672 and \$591,767, respectively, for PFRS and ERS. At December 31, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	PFRS	ERS	PFRS	ERS
Differences between expected and actual experiences	\$ 54,940	\$ 20,683	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	152,953	112,225	-	-
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	-	28,045	83,725	-
Town contributions subsequent to the measurement date	922,305	710,302	-	-
Total	<u>\$ 1,130,198</u>	<u>\$ 871,255</u>	<u>\$ 83,725</u>	<u>\$ -</u>

The Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	PFRS	ERS
2016	\$ 32,481	\$ 40,238
2017	32,481	40,238
2018	32,481	40,238
2019	26,725	40,239

**Actuarial Assumptions**—The total pension liabilities as of the measurement date were determined by using actuarial valuations as noted in the table below, with update procedures used to roll forward the total pension liabilities to the measurement date. The actuarial valuations used the following actuarial assumptions:

	PFRS	ERS
Measurement date	March 31, 2015	March 31, 2015
Actuarial valuation date	April 1, 2014	April 1, 2014
Interest rate	7.50%	7.50%
Salary scale	6.00%	4.90%
Decrement tables	April 1, 2005- March 31, 2010	April 1, 2005- March 31, 2010
Inflation rate	2.7%	2.7%

Annuitant mortality rates are based on April 1, 2005 – March 31, 2010 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 – March 31, 2010.

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined

to produce the long-term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below.

Measurement date	PFRS and ERS	
	Target Allocation	Long-Term Expected
		Real Rate of Return
	March 31, 2015	
Asset class:		
Domestic equities	38.0 %	7.3 %
International equities	13.0	8.6
Private equity	10.0	11.0
Real estate	8.0	8.3
Absolute return strategies	3.0	6.8
Opportunistic portfolio	3.0	8.6
Real assets	3.0	8.7
Bonds and mortgages	18.0	4.0
Cash	2.0	2.3
Inflation-indexed bonds	2.0	4.0
Total	<u>100.0 %</u>	

**Discount Rate**—The discount rate used to calculate the total pension liabilities was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption**—The chart below presents the Town’s proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.5%, as well as what the Town’s proportionate share of the net pension liability/(asset) would be if they were calculated using a discount rate that is one percentage-point lower (6.5%) or one percentage-point higher (8.5%) than the current assumption.

	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Employer's proportionate share of the net pension liability—PFRS	\$ 6,065,801	\$ 455,579	\$ (4,246,125)
Employer's proportionate share of the net pension liability—ERS	4,306,749	646,132	(2,444,337)

**Pension Plan Fiduciary Net Position**—The components of the current-year net pension liabilities of the employers as of the valuation dates, were as follows:

	(Dollars in Thousands)		
	PFRS	ERS	Total
Valuation date	March 31, 2015	March 31, 2015	
Employers' total pension liability	\$ 28,474,417	\$ 164,591,504	\$ 193,065,921
Plan fiduciary net position	28,199,157	161,213,259	189,412,416
Employers' net pension liability	<u>\$ 275,260</u>	<u>\$ 3,378,245</u>	<u>\$ 3,653,505</u>
System fiduciary net position as a percentage of total pension liability	99.0%	97.9%	98.1%

## 8. LENGTH OF SERVICE AWARDS PROGRAM (“LOSAP”)

The Town established a defined benefit Length of Service Awards Program (the “LOSAP”) for the active volunteer firefighters. The program took effect January 1, 1992. The Program was established pursuant to Article 11-A of the General Municipal Law. The Program provides municipally-funded pension-like benefits to facilitate the recruitment and retention of active volunteer firefighters. The Town is the sponsor of the program.

### Program Description

**Participation, vesting and service credit**—Active volunteer firefighters who have reached the age of eighteen and who have completed one year of firefighting service are eligible to participate in the program. The program’s entitlement age is age fifty-five. In general, an active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the program in which he or she accumulates fifty points. Points are granted for the performance of certain activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values.

**Benefits**—A participant’s benefit under the program is the actuarial equivalent of a monthly payment for life equal to twenty dollars multiplied by the person’s total number of years of firefighting service. The number of years of firefighting service used to compute the benefit cannot exceed thirty. Except in the case disability or death, benefits are payable when a participant reaches entitlement age. The program provides statutorily mandated death and disability benefits.

### Fiduciary Investment and Control

Service credit is determined by the governing board of the sponsor, based on information certified to the governing board by each fire company having members who participate in the program. Each fire company must maintain all required records on forms prescribed by the governing board.

The Town of Lancaster is the sponsor of the plan. The Town has retained and designated Hometown Insurance/RSA Consultants to assist in the administration of the program. The designated program administrator’s functions include administration of the plan, updating census from information furnished by the sponsor, coordinating the actuarial services, adopting needed updates and plan modifications, preparing reports and invoices to sponsor for normal cost and amortization of past service costs, administration of benefits to eligible participants and furnishing complete accounting to the sponsor as well as handling all required filing for the plan. The Town of Lancaster Town Board

must approve disbursements of program assets for the payment of benefits or administrative expenses in advance.

Program assets are required to be held in trust by LOSAP legislation, 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.

Authority to invest program assets is vested in Hometown Insurance/RSA Consultants. Subject to restrictions in the program document, program assets are invested in accordance with a statutory “prudent person” rule.

The sponsor is required to retain an actuary to determine the amount of the sponsor’s contributions to the plan. The actuary retained by the sponsor for this purpose is Harbridge Consulting Group LLC. Portions of the following information are derived from a report prepared by the actuary.

### **Program Financial Condition**

#### ***Assets and Liabilities***

Actuarial present value of benefits earned at December 31, 2015		\$ 4,775,218
Less: Assets available for benefits		
	<u>% of total</u>	
<i>Cash and short-term investments:</i>		
Cash and money market	1.8%	\$ 66,242
<i>Other assets:</i>		
Annuities and insurance contracts	98.2%	<u>3,549,581</u>
Total net assets available for benefits		<u>3,615,823</u>
Total unfunded benefits		<u>\$ 1,159,395</u>

#### ***Receipts and Disbursements***

Plan assets, January 1, 2015		\$ 3,405,468
Changes during the year:		
Add: Plan contributions		\$ 330,079
Investment income earned		100,807
Change in cash value of life insurance		5,708      436,594
Less: Whole life insurance policies premiums		(19,204)
Term life insurance policies premiums		(7,475)
Administrative fees		(5,600)
Plan benefit withdrawals		<u>(193,960)      (226,239)</u>
Net change		<u>210,355</u>
Plan net assets, December 31, 2015		<u>\$ 3,615,823</u>

**Contributions and Administrative Fees**

The Town contributed \$330,079 to the Program during the year ended December 31, 2015. Administrative costs are paid within the Fire Protection District Fund.

**9. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”) OBLIGATION**

**Plan Description**—In addition to providing pension benefits and payment for fractional values of unused sick leave, the Town provides health insurance coverage to eligible retired employees. Police participants, age 55 with 5 years of service or any age with 20 years of service may be eligible, if hired on or before 1/1/2000. Non-police participants age 55 with 10 years of service may be eligible, if hired before 1/1/1977.

The Town is obligated to pay such benefits as a result of union contracts and Town Board rules and regulation for nonunion employees. Health care benefits are provided by the Town’s Senior Blue 699 Plan to eligible retired employees age 65 and over and self funded POS204, PPO813 plans for those under age 65 and whose premiums are based on the benefits paid during the year. The Town recognizes the cost of providing benefits by recording its share of insurance costs as an expenditure in the operating or Self Insurance Fund.

**Funding Policy**—Authorization for the Town to pay retiree health insurance premiums was enacted by union contracts, which are approved by the Town Board. Police participants are not required to contribute to postretirement healthcare benefits. Non-police participants with less than 15 years of service are required to contribute on a sliding scale based on years of service. Medical benefits are provided for the life of the retiree and eligible dependents; however, such medical benefits cease upon the death of the retiree.

The Town’s annual post-employment benefits (“OPEB”) cost is calculated based on the annual required contributions (“ARC”) of the employer, an amount actuarially determined in accordance with the parameters of GASB. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period not to exceed thirty years. The following table shows the components of the Town’s annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the Town’s net OPEB obligation.

	<u>Year Ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Annual required contribution ("ARC")	\$ 888,536	\$ 853,177
Interest on net OPEB obligation	120,442	107,106
Adjustment to ARC	<u>(141,244)</u>	<u>(122,137)</u>
Annual OPEB cost (expense)	867,734	838,146
Contributions made	<u>(555,615)</u>	<u>(504,700)</u>
Increase in net OPEB obligation	312,119	333,446
Net OPEB obligation—beginning	<u>3,011,074</u>	<u>2,677,628</u>
Net OPEB obligation—ending	<u>\$ 3,323,193</u>	<u>\$ 3,011,074</u>

**Funding Status and Funding Progress**—As of January 1, 2014, the most recent actuarial valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial liability for benefits was \$14,469,011.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Town’s schedule of contributions for the most recent three years is shown below:

Year Ended December 31,	Annual Required Contribution	Contributions Made	Percentage Contributed
2015	\$ 888,536	\$ 555,615	62.5%
2014	853,177	504,700	59.2%
2013	880,031	518,100	58.9%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrual liability for benefits.

**Actuarial Methods and Assumptions**—Calculations are based on the types of benefits provided under the terms of the substantive plan, the plan as understood by the employer and the plan members, at the time of the valuation and on the pattern of cost sharing between the employer and plan members. The projection of benefits does not incorporate the potential effect of a change in the pattern of cost sharing between the employer and plan members in the future. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the January 1, 2014 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a valuation date of January 1, 2014 and measurement date of December 31, 2015. The expected investment rate of return on employer’s assets is 4%, which is identical to the prior valuation date of January 1, 2011. The rate is based on the projected long-term earning rate of the assets expected to be available to pay benefits. Since the Town does not currently segregate funding for these benefits, the appropriate rate is the expected return on the employer’s assets. Decrements for mortality, retirement, disability and termination are those developed in the report “*Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 45*” prepared by the Department of Civil Service’s actuarial consultants. The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar basis, therefore the remaining amortization period at December 31, 2015 was twenty-two years.

## 10. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, vehicle liability, injuries to employees; and natural disasters. The Town purchases insurance for: automobile, general, professional liability and umbrella liability. For the year ended December 31, 2015, automobile insurance is limited to \$1 million per accident. The general liability insurance is limited to \$1 million per occurrence, and an aggregate \$3 million for general and products-completed operations hazards. The professional liability is limited to \$1 million per occurrence and in aggregate. The umbrella liability insurance is limited to \$10 million per occurrence and in aggregate. There have been no significant reduction in the levels of this commercial insurance from the prior year, nor have there been any settlements which exceeded insurance coverage for each of the past three fiscal years.

**Medical Self-Insurance**—On May 1, 2008, the Town began self-insuring for medical claims. Claims are processed through Blue Cross Blue Shield of Western New York for a fee per covered person, per month. However, the responsibility of insuring claims lies with the Town.

In order to insure against larger than expected health care losses associated with the self-insurance plan, the Town has entered into a Stop Loss Agreement with the HM Life Insurance Company of New York. This agreement includes a “specific deductible” for each covered person. This deductible per covered person is \$90,000 per year, with a lifetime deductible \$4,920,000. This will cover the individual up to a lifetime maximum specific benefit of \$5,000,000. Above this dollar amount the Town will be liable for the claim. In return, the Town pays a premium for the stop loss insurance, which amounted to \$259,227 during the year ended December 31, 2015. The plan’s coverage extends to both medical and prescription claims.

The Town is liable for annual claims under \$90,000 for each individual member covered by the Town’s self-insured plan. The maximum aggregate benefit available to the Town per policy term, which is a one year period, is \$1,000,000. The Town would also be liable for claims over \$5,000,000 over the course of each covered member’s lifetime. The Town considers medical self-insurance claims to be paid within the following fiscal year and as a result, records the liability as a current liability in the government-wide financial statements.

**Workers’ Compensation Self-Insurance**—On July 1, 2014, the Town began self-insuring for workers’ compensation claims for its employees and certain volunteer firefighters. Claims are processed through POMCO, Inc. as the third party administrator for all claims as they are incurred and reported for an all-inclusive annual flat fee. However, the responsibility of insuring claims lies with the Town.

In order to insure against larger than expected claims, the Town has entered into a Stop Loss Agreement with the New York Marine and General Insurance Company which includes Specific Excess and Aggregate Excess Workers’ Compensation and Employers Liability coverage. Limits provided are: Part A – Workers’ Compensation - statutory; Part B – Employer’s Liability - \$1,000,000. The self-insured retention is \$500,000 per accident, except for police, firefighters and first responders which is \$750,000. The Aggregate Retention is \$1,902,383 (minimum) based on standard premium of \$640,533. The deposit premium amounted to \$123,040 during the year ended December 31, 2015 and was based on a total estimated payroll of \$10,145,600. The Town accrues as a current liability the incurred but not yet reported claims paid within 60 days of the end of the fiscal year and records the remaining claims as a noncurrent liability within the government-wide financial statements.

At December 31, 2015, the health insurance liability and workers’ compensation liability are recorded within the Town’s Internal Service Fund. This liability presented below is the Town’s best estimate based on available information.

	Liability, 1/1/2015	Claims and Adjustments	Claims Payments	Liability, 12/31/2015
Health insurance	\$ 69,471	\$ 1,854,554	\$ 1,624,042	\$ 299,983
Workers' compensation	6,178	725,481	412,929	318,730
Total	<u>\$ 75,649</u>	<u>\$ 2,580,035</u>	<u>\$ 2,036,971</u>	<u>\$ 618,713</u>

## 11. SHORT-TERM DEBT

Liabilities for bond anticipation notes (“BANs”) are generally accounted for in the Capital Projects Fund. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the life of permanent financing, provided that annual reductions of principal are made. The following is a summary of the Town’s short-term debt for the year ended December 31, 2015:

Description	Interest Rate	Maturity Date	Balance 1/1/2015	Issues	Redemptions	Balance 12/31/2015
Capital Projects Fund:						
Police court building	1.50%	7/28/2016	\$ 3,500,000	\$ -	\$ 600,000	\$ 2,900,000
Public library improvements	1.50%	7/28/2016	180,000	-	45,000	135,000
Town storage building	1.50%	7/28/2016	780,000	250,000	85,000	945,000
Culverts and road stabilization	1.50%	7/28/2016	405,000	-	45,000	360,000
Highway construction vehicle	1.50%	7/28/2016	180,000	-	50,000	130,000
Highway maintenance vehicle and equipment	1.50%	7/28/2016	990,000	-	110,000	880,000
Lincoln St. culvert	1.50%	7/28/2016	-	500,000	-	500,000
Highway equipment	1.50%	7/28/2016	-	1,100,000	-	1,100,000
Parks/Rec department equipment	1.50%	7/28/2016	-	400,000	-	400,000
Reconst. of various bridges & culverts	1.50%	7/28/2016	-	650,000	-	650,000
Total			<u>\$ 6,035,000</u>	<u>\$ 2,900,000</u>	<u>\$ 935,000</u>	<u>\$ 8,000,000</u>

## 12. LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

The Town’s outstanding long-term liabilities include serial bonds, installment purchase debt, compensated absences, other post-employment benefits (“OPEB”) obligation, accrued workers’ compensation and net pension liability. The bonds payable of the Town are secured by its general credit and revenue raising powers, as per State statute.

A summary of changes in the Town's long-term debt at December 31, 2015 follows:

	Balance 1/1/2015 (as restated)	Additions	Reductions	Balance 12/31/2015	Due Within One Year
Serial bonds	\$ 17,570,000	\$ -	\$ 1,360,000	\$ 16,210,000	\$ 1,340,000
Premium on serial bonds	860,964	-	74,866	786,098	74,866
Bonds payable	18,430,964	-	1,434,866	16,996,098	1,414,866
Installment purchase debt	1,683,738	-	97,101	1,586,637	136,751
Compensated absences	2,584,184	204,037	129,209	2,659,012	132,951
OPEB obligation	3,011,074	867,734	555,615	3,323,193	-
Workers' compensation	6,178	725,481	412,929	318,730	15,937
Net pension liability*	1,553,319	-	451,608	1,101,711	-
Total	<u>\$ 27,269,457</u>	<u>\$ 1,797,252</u>	<u>\$ 3,081,328</u>	<u>\$ 25,985,381</u>	<u>\$ 1,700,505</u>

\*Reductions to the net pension liability are shown net of additions.

**Serial Bonds**—The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 15 to 20 years. A schedule of the Town's general obligation bonds is presented below:

Description	Year of of Issue/ Maturity	Interest Rate (%)	Balance 1/1/2015	Additions	Reductions	Balance 12/31/2015
General Fund:						
Walden Ave. building/land acquisition	2005/2024	3.5-4.0	\$ 1,000,000	\$ -	\$ 100,000	\$ 900,000
Town hall addition	2012/2026	2.0-5.0	1,559,000	-	113,000	1,446,000
Police/court building	2012/2026	2.0-5.0	5,576,000	-	400,000	5,176,000
OEM building HVAC system	2012/2015	2.0-3.0	38,000	-	38,000	-
Indoor training facility	2013/2028	3.0-5.0	1,610,000	-	90,000	1,520,000
Total General Fund			<u>9,783,000</u>	<u>-</u>	<u>741,000</u>	<u>9,042,000</u>
Highway Fund—Townwide:						
Bridge recon. (1/1/04)	2005/2015	3.5-3.8	25,000	-	25,000	-
Culverts/bridges	2012/2026	2.0-5.0	1,145,000	-	83,000	1,062,000
Total Highway Fund—Townwide			<u>1,170,000</u>	<u>-</u>	<u>108,000</u>	<u>1,062,000</u>
Highway Fund—Town Outside Village:						
Highway equipment	2012/2023	2.0-5.0	441,000	-	43,000	398,000
Glendale/parkdale road reconstruction	2012/2023	2.0-5.0	393,000	-	54,000	339,000
Total Highway Fund—Town Outside Village			<u>834,000</u>	<u>-</u>	<u>97,000</u>	<u>737,000</u>
Special Districts—Consolidated Water District:						
Transit Rd. water improvements	2012/2026	2.0-5.0	427,000	-	31,000	396,000
Townwide water improvements	2012/2026	2.0-5.0	4,575,000	-	328,000	4,247,000
Schwartz Road waterline improvements	2012/2026	2.0-5.0	781,000	-	55,000	726,000
Total Special Districts—Consolidated Water District			<u>5,783,000</u>	<u>-</u>	<u>414,000</u>	<u>5,369,000</u>
Total governmental funds			<u>\$ 17,570,000</u>	<u>\$ -</u>	<u>\$ 1,360,000</u>	<u>\$ 16,210,000</u>

**Amortization of Bond Premium**—On June 15, 2012, the Town issued serial bonds totaling \$18,090,000 and received a bond premium of \$1,048,129. The premium is being amortized on a straight-line basis over the life of the bond, which matures on July 15, 2026, using a half year convention in year of issuance. The outstanding premium as of December 31, 2015 was \$786,098.

**Installment Purchase Debt**—On July 31, 2012 the Town entered into an installment purchase contract for the acquisition of four vehicles and a gradall excavator. The installment purchase debt carries an interest rate of 1.61% and is payable in quarterly installments, with the final payment due on July 1, 2017. In addition, the Town entered into a new installment purchase energy performance contract on July 21, 2014 for the installation and maintenance of various Town buildings, machinery and equipment, in an effort to reduce energy costs. The installment purchase debt carries an interest rate of 3.53% and is payable semi-annually, with the final payment due on August 1, 2030. Total outstanding balance at December 31, 2015 was \$1,586,637.

The requirements of the installment purchase agreements are summarized as follows:

Year ended December 31,	Governmental Activities
2016	\$ 189,732
2017	174,295
2018	127,984
2019	127,984
2020	639,921
2021-2025	639,921
2026-2030	639,921
Total minimum lease payments	2,027,937
Less: amount representing imputed interest	(441,300)
Present value of minimum lease payments	<u>\$ 1,586,637</u>

**Compensated Absences**—As explained in Note 1, certain Town employees are permitted to accumulate earned but unused vacation and sick benefits. Upon retirement, these employees are entitled to compensation for such unused benefits. The payment in cash or health care benefits depends upon individual options selected upon retirement in accordance with the contractual agreement for union employees and Town Board rules and regulations for non-union employees. The annual budgets of the operating funds provide funding for these benefits as they become payable. The liability for compensated absences at December 31, 2015 amounts to \$2,659,012.

**Other Post-Employment Benefits (“OPEB”) Obligation**—As explained in Note 9, the Town provides a portion of health care benefits for retirees. The Town’s annual OPEB cost is calculated based on the annual required contributions of the employer, an amount determined in accordance with the parameters of GASB. The Town’s long-term OPEB obligation is estimated to be \$3,323,193 at December 31, 2015.

**Workers’ Compensation**—As explained in Note 10, the Town reports workers’ compensation liabilities within its governmental activities. The total workers’ compensation liability outstanding at December 31, 2015 is \$318,730.

**Net Pension Liability**—The Town reported a liability for its proportionate share of the net pension liability for the Employees’ Retirement System and Police and Fire Retirement System. The net pension liability is estimated to be \$1,101,711 in the governmental activities. Typically, all operating funds that pay NYS retirement have been used to liquidate this liability within the governmental funds. Refer to Note 7 for additional information related to the Town’s net pension liability.

The following is a maturity schedule of the Town's indebtedness:

Year ending December 31,	Serial Bonds	Premium on Serial Bonds	Installment		OPEB Obligation	Workers' Compensation	Net Pension Liability	Total
			Purchase Debt	Compensated Absences				
2016	\$ 1,340,000	\$ 74,866	\$ 136,751	\$ 132,951	\$ -	\$ 15,937	\$ -	\$ 1,700,505
2017	1,370,000	74,866	125,015	-	-	-	-	1,569,881
2018	1,390,000	74,866	81,894	-	-	-	-	1,546,760
2019	1,425,000	74,866	84,812	-	-	-	-	1,584,678
2020	1,465,000	74,866	87,835	-	-	-	-	1,627,701
2021-2025	7,620,000	374,330	488,428	-	-	-	-	8,482,758
2026-thereafter	1,600,000	37,438	581,902	2,526,061	3,323,193	302,793	1,101,711	9,473,098
Total	<u>\$ 16,210,000</u>	<u>\$ 786,098</u>	<u>\$ 1,586,637</u>	<u>\$ 2,659,012</u>	<u>\$ 3,323,193</u>	<u>\$ 318,730</u>	<u>\$ 1,101,711</u>	<u>\$ 25,985,381</u>

Interest requirements on serial bonds payable are as follows:

Year ending December 31,	Interest
2016	\$ 611,007
2017	569,582
2018	515,507
2019	448,757
2020	380,257
2021-2025	1,013,412
2026-2030	79,800
Total	<u>\$ 3,618,322</u>

### 13. NET POSITION AND FUND BALANCE

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- **Net Investment in Capital Assets**—This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category. The following is a reconciliation of the Town's governmental activities net investment in capital assets:

Capital assets, net of accumulated depreciation	\$ 74,429,899
Less: related debt	
Serial bonds	(16,210,000)
Premium on serial bonds	(786,098)
Bond anticipation notes payable	(8,000,000)
Installment purchase debt	(1,586,637)
Add: Unspent debt proceeds used for capital	<u>3,647,401</u>
Net investment in capital assets	<u>\$ 51,494,565</u>

- **Restricted Net Position**—This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The total restricted component of net position of \$1,628,003 is restricted for debt service.

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

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance maintained by the Town at December 31, 2015 includes:

- **Prepaid Items**—Represents amount prepaid to the retirement system that are applicable to future accounting periods. The General, Police, Highway—Town Outside Village, and General—Town Outside Village Funds reported amounts of \$118,642, \$377,824, \$67,339, and \$14,456, respectively.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation. At December 31, 2015, the Town reported restricted fund balance in the General, Highway—Town Outside Village, and nonmajor funds for \$1,183,365, \$66,293 and \$378,345, respectively. Restrictions of the Town at December 31, 2015 include:

- **Restricted for Debt Service**—Represents resources legally restricted for the payment of debt service.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the Town’s highest level of decision-making authority. At December 31, 2015, the Town reported no committed fund balance.

In the fund financial statements, assignments are not legally required segregations but are segregated for a specific purpose by the Town. At December 31, 2015, the Town reported the following fund balance assignments:

	Subsequent Year's Expenditures	Capital Improvements	Specific Use	Total Assigned
General Fund	\$ 390,000	\$ 300,000	\$ -	\$ 690,000
Police Fund	255,000	-	1,238,401	1,493,401
Highway Fund—Town Outside Village	250,000	-	1,175,052	1,425,052
Fire Protection District Fund	45,000	-	157,696	202,696
Refuse District Fund	150,000	-	324,125	474,125
Nonmajor governmental funds	292,350	-	1,591,460	1,883,810
Total	<u>\$ 1,382,350</u>	<u>\$ 300,000</u>	<u>\$ 4,486,734</u>	<u>\$ 6,169,084</u>

- **Assigned to Subsequent Year’s Expenditures**—Represents available fund balance being appropriated to meet expenditure requirements in the 2016 fiscal year.
- **Assigned to Capital Improvements**—Represents available fund balance from the proceeds of the sale of a building to be used towards future capital improvements within the Town.
- **Assigned to Specific Use**—Represents fund balance within the special revenue funds that is assigned for a specific purpose. The assignment’s purpose relates to each fund’s operations and represents amounts within funds that are not restricted or committed.

If the Town must use funds for emergency expenditures the Town Board shall authorize the Director of Administration and Finance to expend funds first from funds classified under GASB as nonspendable (if funds become available) then restricted funds. The use of committed and assigned funds as classified by GASB will occur after the exhaustion of available restricted funds. Finally, if no other fund balances are available, the Town will use unassigned fund balance.

#### 14. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are short-term in nature and exist because of temporary advances or payments made on behalf of other funds. The composition of interfund balances as of December 31, 2015 is as follows:

	<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>
Governmental funds:		
General Fund	\$ 114,531	\$ -
Police Fund	-	114,531
Total governmental funds	<u>\$ 114,531</u>	<u>\$ 114,531</u>

The outstanding balances between funds result from payments made on behalf of other funds or temporary advances. All of these balances are expected to be collected/paid within the subsequent year.

The Town made the following transfers during the year ended December 31, 2015:

<u>Fund</u>	<u>Transfers out:</u>						<u>Total</u>
	<u>General Fund</u>	<u>Police Fund</u>	<u>Highway Fund - Town Outside Village</u>	<u>Fire Protection District Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	
Transfers in:							
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 17,625	\$ 20,000	\$ 37,625
Police Fund	265,000	-	-	-	-	-	265,000
Capital Projects Fund	355,000	-	205,000	-	-	-	560,000
Total governmental funds	620,000	-	205,000	-	17,625	20,000	862,625
Proprietary Fund	543,450	1,098,650	627,634	154,000	-	113,589	2,537,323
Total government	<u>\$ 1,163,450</u>	<u>\$ 1,098,650</u>	<u>\$ 832,634</u>	<u>\$ 154,000</u>	<u>\$ 17,625</u>	<u>\$ 133,589</u>	<u>\$ 3,399,948</u>

Transfers are used primarily to provide funding for the Town's self-insurance health and workers' compensation programs, for capital projects and to provide for recreation and police expenditures.

#### 15. AGENCY FUND

An agency fund exists for employee withholding and temporary deposit funds. A summary of changes in assets and liabilities for the year ended December 31, 2015 is presented below:

	<u>Balance</u> <u>1/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2015</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 270,900	\$ 13,637,712	\$ 13,620,100	\$ 288,512
LOSAP assets	3,405,468	436,594	226,239	3,615,823
Total assets	<u>\$ 3,676,368</u>	<u>\$ 14,074,306</u>	<u>\$ 13,846,339</u>	<u>\$ 3,904,335</u>
<b>LIABILITIES</b>				
Agency liabilities	\$ 270,900	\$ 6,146,226	\$ 6,128,614	\$ 288,512
Amounts held for LOSAP	3,405,468	436,594	226,239	3,615,823
Total liabilities	<u>\$ 3,676,368</u>	<u>\$ 6,582,820</u>	<u>\$ 6,354,853</u>	<u>\$ 3,904,335</u>

## 16. LABOR CONTRACTS

Certain town employees are represented by four bargaining units, with the balance governed by Town Board rules and regulations. The Cayuga Club Police Benevolent Association, Lancaster Dispatcher Employee Association, CSEA Blue Collar and CSEA White Collar all have expired contracts which are under negotiation at December 31, 2015.

## 17. COMMITMENTS

*Encumbrances*—Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expended in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

The Town considers encumbrances to be significant for amounts that are encumbered in excess of \$50,000. As of December 31, 2015, the Town reported no encumbrances.

## 18. CONTINGENCIES

*Litigation*—The Town is involved in litigation in the ordinary course of its operations. Various legal actions are pending against the Town. The outcome of these matters is not presently determinable, but in the opinion of management, the ultimate liability will not have a material adverse effect on the financial condition or results of operation of the Town.

*Assessments*—The Town is a defendant in various litigation under Article 7 of the Real Property Tax Law of the State of New York to review tax assessments. While the Town vigorously defends assessments, the likelihood of success is on a case by case basis, and is dependent upon various factors including market values and appraised amounts. No potential amount or potential range of loss is determinable. However, management believes that level of such potential loss, if any, would be immaterial and no provisions have been made with the financial statements.

*Grants*—In the normal course of operations, the Town receives grant funds from various Federal and State agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed expenditures resulting from such audits could become a liability of the governmental funds. While the amount of expenditures, if any, which may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

## 19. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 17, 2016, which is the date that financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

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## REQUIRED SUPPLEMENTARY INFORMATION



**TOWN OF LANCASTER, NEW YORK**  
**Schedule of Funding Progress—Other Post-Employment Benefits Plan**  
**Year Ended December 31, 2015**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability ("AAL")</b>	<b>Unfunded AAL ("UAAL")</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
As of January 1, 2014	\$ -	\$ 14,469,011	\$ 14,469,011	-	\$ 1,474,757	981%
As of January 1, 2011	-	12,767,312	12,767,312	-	930,394	1372%
As of January 1, 2008	-	13,891,968	13,891,968	-	705,170	1970%

**TOWN OF LANCASTER, NEW YORK**  
**Schedule of the Town's Proportionate Share of the**  
**Net Pension Liability—Police and Fire Retirement System**  
**Last Two Years**

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	Year Ended December 31,	
	2015	2014
Measurement date	March 31, 2015	March 31, 2014
Town's proportion of the net pension liability	0.1655090%	0.1655090%
Town's proportionate share of the net pension liability	<u>\$ 455,579</u>	<u>\$ 689,030</u>
Town's covered-employee payroll	\$ 4,298,778	\$ 4,309,866
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	10.6%	16.0%
Plan fiduciary net position as a percentage of the total pension liability	99.0%	98.5%

**TOWN OF LANCASTER, NEW YORK**  
**Schedule of the Town's Contributions—**  
**Police and Fire Retirement System**  
**Last Two Years**

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	Year Ended December 31,	
	2015	2014
Contractually required contributions	\$ 1,397,290	\$ 1,407,967
Contributions in relation to the contractually required contribution	(1,397,290)	(1,407,967)
Contribution deficiency (excess)	\$ -	\$ -
Town's covered-employee payroll	\$ 4,298,778	\$ 4,309,866
Contributions as a percentage of covered-employee payroll	32.5%	32.7%

**TOWN OF LANCASTER, NEW YORK**  
**Schedule of the Town's Proportionate Share of the**  
**Net Pension Liability—Employees' Retirement System**  
**Last Two Years**

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	Year Ended December 31,	
	2015	2014
Measurement date	March 31, 2015	March 31, 2014
Town's proportion of the net pension liability	0.0191263%	0.0191263%
Town's proportionate share of the net pension liability	<u>\$ 646,132</u>	<u>\$ 864,289</u>
Town's covered-employee payroll	\$ 5,348,133	\$ 5,227,702
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	12.1%	16.5%
Plan fiduciary net position as a percentage of the total pension liability	97.9%	97.2%

**TOWN OF LANCASTER, NEW YORK**  
**Schedule of the Town's Contributions—**  
**Employees' Retirement System**  
**Last Two Years**

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	Year Ended December 31,	
	2015	2014
Contractually required contributions	\$ 970,877	\$ 1,103,395
Contributions in relation to the contractually required contribution	<u>(970,877)</u>	<u>(1,103,395)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 5,348,133	\$ 5,227,702
Contributions as a percentage of covered-employee payroll	18.2%	21.1%

**TOWN OF LANCASTER, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual—General Fund**  
**Year Ended December 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Real property taxes	\$ 6,546,360	\$ 6,546,360	\$ 6,546,360	\$ -
Other property tax items	460,000	460,000	479,889	19,889
Departmental income	188,000	188,000	224,288	36,288
Intergovernmental charges	46,500	46,500	32,890	(13,610)
Use of money and property	200,244	200,244	188,948	(11,296)
Licenses and permits	73,500	73,500	90,589	17,089
Fines and forfeitures	211,200	211,200	258,960	47,760
Sale of property and compensation for loss	3,000	3,000	32,171	29,171
Miscellaneous	10,000	10,000	72,951	62,951
State aid	823,000	823,000	951,360	128,360
Federal aid	-	-	49,673	49,673
Total revenues	<u>8,561,804</u>	<u>8,561,804</u>	<u>8,928,079</u>	<u>366,275</u>
<b>EXPENDITURES</b>				
Current:				
General government support	3,116,004	3,375,214	3,211,750	163,464
Public safety	66,300	66,300	59,068	7,232
Health	92,882	92,882	70,260	22,622
Transportation	142,775	142,775	137,243	5,532
Culture and recreation	1,891,669	1,904,544	1,864,299	40,245
Home and community services	473,072	430,372	415,381	14,991
Employee benefits	1,019,399	1,066,014	1,026,612	39,402
Debt service:				
Principal	741,000	741,000	741,000	-
Interest and other fiscal charges	450,203	450,203	444,537	5,666
Total expenditures	<u>7,993,304</u>	<u>8,269,304</u>	<u>7,970,150</u>	<u>299,154</u>
Excess of revenues over expenditures	<u>568,500</u>	<u>292,500</u>	<u>957,929</u>	<u>665,429</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	20,000	20,000	37,625	17,625
Transfers out	<u>(1,198,500)</u>	<u>(1,198,500)</u>	<u>(1,163,450)</u>	<u>35,050</u>
Total other financing sources (uses)	<u>(1,178,500)</u>	<u>(1,178,500)</u>	<u>(1,125,825)</u>	<u>52,675</u>
Net change in fund balances*	(610,000)	(886,000)	(167,896)	718,104
Fund balances—beginning	<u>3,711,754</u>	<u>3,711,754</u>	<u>3,711,754</u>	<u>-</u>
Fund balances—ending	<u>\$ 3,101,754</u>	<u>\$ 2,825,754</u>	<u>\$ 3,543,858</u>	<u>\$ 718,104</u>

\* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance and the use of reserved fund balances.

The note to the required supplementary information is an integral part of this schedule.

**TOWN OF LANCASTER, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual—Police Fund**  
**Year Ended December 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Real property taxes	\$ 3,634,323	\$ 3,634,323	\$ 3,634,323	\$ -
Other property tax items	220,000	220,000	243,628	23,628
Non-property tax items	3,830,000	3,830,000	3,914,394	84,394
Departmental income	5,500	5,500	7,004	1,504
Intergovernmental charges	1,043,000	1,043,000	1,106,127	63,127
Use of money and property	1,500	1,500	3,391	1,891
Fines and forfeitures	10,000	10,000	22,470	12,470
Sale of property and compensation for loss	10,000	10,000	22,008	12,008
Miscellaneous	1,000	1,000	365	(635)
State aid	-	20,000	34,511	14,511
Federal aid	-	18,000	25,808	7,808
Total revenues	<u>8,755,323</u>	<u>8,793,323</u>	<u>9,014,029</u>	<u>220,706</u>
<b>EXPENDITURES</b>				
Current:				
General government support	31,215	31,215	6,215	25,000
Public safety	5,805,434	6,543,434	6,419,650	123,784
Employee benefits	2,433,674	2,489,674	2,399,388	90,286
Total expenditures	<u>8,270,323</u>	<u>9,064,323</u>	<u>8,825,253</u>	<u>239,070</u>
Excess (deficiency) of revenues over expenditures	<u>485,000</u>	<u>(271,000)</u>	<u>188,776</u>	<u>459,776</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	265,000	265,000	265,000	-
Transfers out	<u>(1,230,000)</u>	<u>(1,230,000)</u>	<u>(1,098,650)</u>	<u>131,350</u>
Total other financing sources (uses)	<u>(965,000)</u>	<u>(965,000)</u>	<u>(833,650)</u>	<u>131,350</u>
Net change in fund balances*	(480,000)	(1,236,000)	(644,874)	591,126
Fund balances—beginning	<u>2,516,099</u>	<u>2,516,099</u>	<u>2,516,099</u>	<u>-</u>
Fund balances—ending	<u>\$ 2,036,099</u>	<u>\$ 1,280,099</u>	<u>\$ 1,871,225</u>	<u>\$ 591,126</u>

\* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance.

The note to the required supplementary information is an integral part of this schedule.

**TOWN OF LANCASTER, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual—Highway Fund – Town Outside Village**  
**Year Ended December 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Real property taxes	\$ 3,338,653	\$ 3,338,653	\$ 3,338,653	\$ -
Other property tax items	225,000	225,000	238,074	13,074
Non-property tax items	380,000	380,000	387,138	7,138
Intergovernmental charges	105,000	105,000	113,413	8,413
Use of money and property	1,500	1,500	1,775	275
Sale of property and compensation for loss	8,000	8,000	37,334	29,334
Miscellaneous	100	100	24,001	23,901
State aid	79,500	79,500	394,017	314,517
Federal aid	-	775,000	825,387	50,387
Total revenues	<u>4,137,753</u>	<u>4,912,753</u>	<u>5,359,792</u>	<u>447,039</u>
<b>EXPENDITURES</b>				
Current:				
General government support	4,674	4,674	4,674	-
Transportation	2,765,162	3,540,162	3,267,454	272,708
Employee benefits	529,276	520,636	481,417	39,219
Debt service:				
Principal	194,101	194,101	194,101	-
Interest and other fiscal charges	50,540	50,540	50,540	-
Total expenditures	<u>3,543,753</u>	<u>4,310,113</u>	<u>3,998,186</u>	<u>311,927</u>
Excess of revenues over expenditures	<u>594,000</u>	<u>602,640</u>	<u>1,361,606</u>	<u>758,966</u>
<b>OTHER FINANCING (USES)</b>				
Transfers out	<u>(824,000)</u>	<u>(832,640)</u>	<u>(832,634)</u>	<u>6</u>
Total other financing sources (uses)	<u>(824,000)</u>	<u>(832,640)</u>	<u>(832,634)</u>	<u>6</u>
Net change in fund balances*	(230,000)	(230,000)	528,972	758,972
Fund balances—beginning	<u>1,029,712</u>	<u>1,029,712</u>	<u>1,029,712</u>	<u>-</u>
Fund balances—ending	<u>\$ 799,712</u>	<u>\$ 799,712</u>	<u>\$ 1,558,684</u>	<u>\$ 758,972</u>

\* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance and the use of reserved fund balances.

The note to the required supplementary information is an integral part of this schedule.

**TOWN OF LANCASTER, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual—Fire Protection District Fund**  
**Year Ended December 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Real property taxes	\$ 3,745,177	\$ 3,745,177	\$ 3,745,177	\$ -
Use of money and property	<u>6,500</u>	<u>6,500</u>	<u>22,508</u>	<u>16,008</u>
Total revenues	<u>3,751,677</u>	<u>3,751,677</u>	<u>3,767,685</u>	<u>16,008</u>
<b>EXPENDITURES</b>				
Current:				
General government support	4,929	4,929	4,929	-
Public safety	<u>3,791,748</u>	<u>3,652,748</u>	<u>3,640,370</u>	<u>12,378</u>
Total expenditures	<u>3,796,677</u>	<u>3,657,677</u>	<u>3,645,299</u>	<u>12,378</u>
Excess (deficiency) of revenues over expenditures	<u>(45,000)</u>	<u>94,000</u>	<u>122,386</u>	<u>3,630</u>
<b>OTHER FINANCING (USES)</b>				
Transfers out	<u>-</u>	<u>(154,000)</u>	<u>(154,000)</u>	<u>-</u>
Total other financing (uses)	<u>-</u>	<u>(154,000)</u>	<u>(154,000)</u>	<u>-</u>
Net change in fund balances*	(45,000)	(60,000)	(31,614)	3,630
Fund balances—beginning	<u>234,310</u>	<u>234,310</u>	<u>234,310</u>	<u>-</u>
Fund balances—ending	<u>\$ 189,310</u>	<u>\$ 174,310</u>	<u>\$ 202,696</u>	<u>\$ 3,630</u>

\* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance.

The note to the required supplementary information is an integral part of this schedule.

**TOWN OF LANCASTER, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual—Refuse District Fund**  
**Year Ended December 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Real property taxes	\$ 1,964,132	\$ 1,964,132	\$ 1,964,132	\$ -
Departmental income	40,000	40,000	82,396	42,396
Use of money and property	500	500	618	118
Total revenues	<u>2,004,632</u>	<u>2,004,632</u>	<u>2,047,146</u>	<u>42,514</u>
<b>EXPENDITURES</b>				
Current:				
General government support	557	557	557	-
Home and community services	<u>2,154,075</u>	<u>2,154,075</u>	<u>2,143,741</u>	<u>10,334</u>
Total expenditures	<u>2,154,632</u>	<u>2,154,632</u>	<u>2,144,298</u>	<u>10,334</u>
Net change in fund balances*	(150,000)	(150,000)	(97,152)	52,848
Fund balances—beginning	<u>571,277</u>	<u>571,277</u>	<u>571,277</u>	<u>-</u>
Fund balances—ending	<u>\$ 421,277</u>	<u>\$ 421,277</u>	<u>\$ 474,125</u>	<u>\$ 52,848</u>

\* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance.

The note to the required supplementary information is an integral part of this schedule.

**TOWN OF LANCASTER, NEW YORK**  
**Note to the Required Supplementary Information**  
**Year Ended December 31, 2015**

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**1. BUDGETARY INFORMATION**

*Budgetary Basis of Accounting*—Annual budgets are adopted on a basis consistent with generally accepted accounting principles in the United States of America for all governmental funds, with the exception of the Capital Projects Fund. The Capital Projects Fund is appropriated on a project-length basis; appropriations are approved through Town Board resolution at the project's inception and lapse upon termination of the project.

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations require the approval of the Town Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the departmental level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances.

Actual results of operations presented in accordance with GAAP and the Town's accounting policies do not recognize encumbrances and restricted fund balance as expenditures until the period in which the actual goods or services are received and a liability is incurred. Encumbrances are only reported on the balance sheet of the governmental funds included within restricted, committed or assigned fund balance. Significant encumbrances are disclosed in the notes to the financial statements.

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## SUPPLEMENTARY INFORMATION



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**TOWN OF LANCASTER, NEW YORK**  
**Combining Balance Sheet—Nonmajor Governmental Funds**  
**December 31, 2015**

	<u>Special Revenue</u>					
	<u>General</u>					
	<u>Fund - Town</u>	<u>Highway</u>	<u>Lighting</u>	<u>Consolidated</u>	<u>Miscellaneous</u>	<u>Total</u>
	<u>Outside</u>	<u>Fund -</u>	<u>District</u>	<u>Water</u>	<u>Special</u>	<u>Nonmajor</u>
	<u>Village</u>	<u>Townwide</u>	<u>District</u>	<u>District</u>	<u>Revenue</u>	<u>Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 170,810	\$ 167,837	\$ 175,503	\$ 115,366	\$ 815,529	\$ 1,445,045
Restricted cash and cash equivalents	-	32,152	-	346,193	-	378,345
Receivables	232,327	-	-	-	273,840	506,167
Intergovernmental receivables	-	-	-	-	12,911	12,911
Prepaid items	14,456	-	-	-	-	14,456
Total assets	<u>\$ 417,593</u>	<u>\$ 199,989</u>	<u>\$ 175,503</u>	<u>\$ 461,559</u>	<u>\$ 1,102,280</u>	<u>\$ 2,356,924</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 2,312	\$ -	\$ 21,089	\$ -	\$ 44,403	\$ 67,804
Accrued liabilities	12,509	-	-	-	-	12,509
Total liabilities	<u>14,821</u>	<u>-</u>	<u>21,089</u>	<u>-</u>	<u>44,403</u>	<u>80,313</u>
<b>FUND BALANCES</b>						
Nonspendable	14,456	-	-	-	-	14,456
Restricted	-	32,152	-	346,193	-	378,345
Assigned	388,316	167,837	154,414	115,366	1,057,877	1,883,810
Total fund balances	<u>402,772</u>	<u>199,989</u>	<u>154,414</u>	<u>461,559</u>	<u>1,057,877</u>	<u>2,276,611</u>
Total liabilities and fund balances	<u>\$ 417,593</u>	<u>\$ 199,989</u>	<u>\$ 175,503</u>	<u>\$ 461,559</u>	<u>\$ 1,102,280</u>	<u>\$ 2,356,924</u>

**TOWN OF LANCASTER, NEW YORK**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2015**

	<b>Special Revenue</b>					
	<b>General</b>					
	<b>Fund - Town</b>	<b>Highway</b>		<b>Consolidated</b>	<b>Miscellaneous</b>	<b>Total</b>
	<b>Outside</b>	<b>Fund -</b>	<b>Lighting</b>	<b>Water</b>	<b>Special</b>	<b>Nonmajor</b>
	<b>Village</b>	<b>Townwide</b>	<b>District</b>	<b>District</b>	<b>Revenue</b>	<b>Funds</b>
<b>REVENUES</b>						
Real property taxes	\$ 151,512	\$ 161,002	\$ 245,217	\$ 536,194	\$ -	\$ 1,093,925
Other property tax items	10,859	10,741	-	-	-	21,600
Non-property tax items	371,627	-	-	-	-	371,627
Departmental income	40,039	-	-	-	-	40,039
Intergovernmental charges	23,000	-	-	5,114	-	28,114
Use of money and property	49,324	10,661	110	301	80	60,476
Licenses and permits	250,050	-	-	-	-	250,050
Miscellaneous	7,507	-	-	-	695,657	703,164
State aid	122,329	-	-	-	-	122,329
Federal aid	29,668	30,247	12,150	-	-	72,065
Total revenues	<u>1,055,915</u>	<u>212,651</u>	<u>257,477</u>	<u>541,609</u>	<u>695,737</u>	<u>2,763,389</u>
<b>EXPENDITURES</b>						
Current:						
General government support	-	127	316	396	-	839
Public safety	387,748	-	-	-	43,144	430,892
Health	3,133	-	-	-	-	3,133
Transportation	-	30,246	252,071	-	-	282,317
Culture and recreation	-	-	-	-	137,261	137,261
Home and community services	289,283	-	-	-	88,642	377,925
Employee benefits	118,232	-	-	-	-	118,232
Debt service:						
Principal	-	108,000	-	414,000	-	522,000
Interest and other fiscal charges	-	42,376	-	211,496	-	253,872
Total expenditures	<u>798,396</u>	<u>180,749</u>	<u>252,387</u>	<u>625,892</u>	<u>269,047</u>	<u>2,126,471</u>
Excess (deficiency) of revenues over expenditures	<u>257,519</u>	<u>31,902</u>	<u>5,090</u>	<u>(84,283)</u>	<u>426,690</u>	<u>636,918</u>
<b>OTHER FINANCING (USES)</b>						
Transfers out	<u>(113,589)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,000)</u>	<u>(133,589)</u>
Total other financing (uses)	<u>(113,589)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,000)</u>	<u>(133,589)</u>
Net change in fund balances	143,930	31,902	5,090	(84,283)	406,690	503,329
Fund balances—beginning	<u>258,842</u>	<u>168,087</u>	<u>149,324</u>	<u>545,842</u>	<u>651,187</u>	<u>1,773,282</u>
Fund balances—ending	<u>\$ 402,772</u>	<u>\$ 199,989</u>	<u>\$ 154,414</u>	<u>\$ 461,559</u>	<u>\$ 1,057,877</u>	<u>\$ 2,276,611</u>

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## OTHER INFORMATION



**TOWN OF LANCASTER, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual—General Fund - Town Outside Village**  
**Year Ended December 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
<b>REVENUES</b>				
Real property taxes	\$ 151,512	\$ 151,512	\$ 151,512	\$ -
Other property tax items	10,100	10,100	10,859	759
Non-property tax items	350,000	350,000	371,627	21,627
Departmental income	29,000	29,000	40,039	11,039
Intergovernmental charges	23,000	23,000	23,000	-
Use of money and property	50,100	50,100	49,324	(776)
Licenses and permits	137,000	137,000	250,050	113,050
Miscellaneous	200	200	7,507	7,307
State aid	120,000	120,000	122,329	2,329
Federal aid	-	-	29,668	29,668
Total revenues	<u>870,912</u>	<u>870,912</u>	<u>1,055,915</u>	<u>185,003</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	420,898	402,918	387,748	15,170
Health	3,200	3,200	3,133	67
Home and community services	278,208	290,098	289,283	815
Employee benefits	<u>124,606</u>	<u>121,106</u>	<u>118,232</u>	<u>2,874</u>
Total expenditures	<u>826,912</u>	<u>817,322</u>	<u>798,396</u>	<u>18,926</u>
Excess of revenues over expenditures	<u>44,000</u>	<u>53,590</u>	<u>257,519</u>	<u>203,929</u>
<b>OTHER FINANCING (USES)</b>				
Transfers out	<u>(104,000)</u>	<u>(113,590)</u>	<u>(113,589)</u>	<u>1</u>
Total other financing (uses)	<u>(104,000)</u>	<u>(113,590)</u>	<u>(113,589)</u>	<u>1</u>
Net change in fund balances*	(60,000)	(60,000)	143,930	203,930
Fund balances—beginning	<u>258,842</u>	<u>258,842</u>	<u>258,842</u>	<u>-</u>
Fund balances—ending	<u>\$ 198,842</u>	<u>\$ 198,842</u>	<u>\$ 402,772</u>	<u>\$ 203,930</u>

\* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance.

**TOWN OF LANCASTER, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual—Highway Fund - Townwide**  
**Year Ended December 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Real property taxes	\$ 161,002	\$ 161,002	\$ 161,002	\$ -
Other property tax items	8,550	8,550	10,741	2,191
Use of money and property	100	100	10,661	10,561
Federal aid	-	-	30,247	30,247
Total revenues	<u>169,652</u>	<u>169,652</u>	<u>212,651</u>	<u>42,999</u>
<b>EXPENDITURES</b>				
Current:				
General government support	127	127	127	-
Transportation	48,000	48,000	30,246	17,754
Employee benefits	1,149	1,149	-	1,149
Debt service:				
Principal	108,000	108,000	108,000	-
Interest and other fiscal charges	42,376	42,376	42,376	-
Total expenditures	<u>199,652</u>	<u>199,652</u>	<u>180,749</u>	<u>18,903</u>
Net change in fund balances*	(30,000)	(30,000)	31,902	61,902
Fund balances—beginning	<u>168,087</u>	<u>168,087</u>	<u>168,087</u>	<u>-</u>
Fund balances—ending	<u>\$ 138,087</u>	<u>\$ 138,087</u>	<u>\$ 199,989</u>	<u>\$ 61,902</u>

\* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance and the use of reserved fund balances.

**TOWN OF LANCASTER, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual—Lighting District Fund**  
**Year Ended December 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Real property taxes	\$ 245,217	\$ 245,217	\$ 245,217	\$ -
Use of money and property	100	100	110	10
Federal aid	-	-	12,150	12,150
Total revenues	<u>245,317</u>	<u>245,317</u>	<u>257,477</u>	<u>12,160</u>
<b>EXPENDITURES</b>				
Current:				
General government support	317	317	316	1
Transportation	<u>280,000</u>	<u>280,000</u>	<u>252,071</u>	<u>27,929</u>
Total expenditures	<u>280,317</u>	<u>280,317</u>	<u>252,387</u>	<u>27,930</u>
Net change in fund balances*	(35,000)	(35,000)	5,090	40,090
Fund balances—beginning	<u>149,324</u>	<u>149,324</u>	<u>149,324</u>	<u>-</u>
Fund balances—ending	<u>\$ 114,324</u>	<u>\$ 114,324</u>	<u>\$ 154,414</u>	<u>\$ 40,090</u>

\* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance.

**TOWN OF LANCASTER, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual—Consolidated Water District Fund**  
**Year Ended December 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Real property taxes	\$ 536,194	\$ 536,194	\$ 536,194	\$ -
Intergovernmental charges	4,500	4,500	5,114	614
Use of money and property	200	200	301	101
Total revenues	<u>540,894</u>	<u>540,894</u>	<u>541,609</u>	<u>715</u>
<b>EXPENDITURES</b>				
Current:				
General government support	396	396	396	-
Home and community services	15,000	15,000	-	15,000
Debt service:				
Principal	414,000	414,000	414,000	-
Interest and other fiscal charges	211,498	211,498	211,496	2
Total expenditures	<u>640,894</u>	<u>640,894</u>	<u>625,892</u>	<u>15,002</u>
Net change in fund balances*	(100,000)	(100,000)	(84,283)	15,717
Fund balances—beginning	<u>545,842</u>	<u>545,842</u>	<u>545,842</u>	<u>-</u>
Fund balances—ending	<u>\$ 445,842</u>	<u>\$ 445,842</u>	<u>\$ 461,559</u>	<u>\$ 15,717</u>

\* The net change in fund balances was included in the budget as the use of reserved fund balances.

**TOWN OF LANCASTER, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual—Miscellaneous Special Revenue Fund**  
**Year Ended December 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Use of money and property	\$ 250	\$ 250	\$ 80	\$ (170)
Miscellaneous	<u>105,500</u>	<u>147,500</u>	<u>695,657</u>	<u>548,157</u>
Total revenues	<u>105,750</u>	<u>147,750</u>	<u>695,737</u>	<u>547,987</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	41,200	63,200	43,144	20,056
Culture and recreation	152,000	152,000	137,261	14,739
Home and community services	<u>30,000</u>	<u>89,800</u>	<u>88,642</u>	<u>1,158</u>
Total expenditures	<u>223,200</u>	<u>305,000</u>	<u>269,047</u>	<u>35,953</u>
Excess (deficiency) of revenues over expenditures	<u>(117,450)</u>	<u>(157,250)</u>	<u>426,690</u>	<u>583,940</u>
<b>OTHER FINANCING (USES)</b>				
Transfers out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Total other financing (uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Net change in fund balances*	(137,450)	(177,250)	406,690	583,940
Fund balances—beginning	<u>651,187</u>	<u>651,187</u>	<u>651,187</u>	<u>-</u>
Fund balances—ending	<u>\$ 513,737</u>	<u>\$ 473,937</u>	<u>\$1,057,877</u>	<u>\$ 583,940</u>

\* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance.

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# FEDERAL AWARDS INFORMATION



**TOWN OF LANCASTER, NEW YORK**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2015**

<b>Federal Grantor/Pass-through Grantor Program Title (a)</b>	<b>Federal CFDA Number (b)</b>	<b>Pass-through Entity's Identifying Number</b>	<b>Federal Expenditures (c)</b>
<b>U.S. DEPARTMENT OF JUSTICE:</b>			
Bulletproof Vest Partnership Program	16.607	N/A	\$ 25,808
<b>U.S. DEPARTMENT OF HOMELAND SECURITY:</b>			
<i>Passed through New York State Division of Homeland Security and Emergency Services:</i>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4204-DR	<u>947,125</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<u><u>\$ 972,933</u></u>

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**TOWN OF LANCASTER, NEW YORK**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2015**

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**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Town of Lancaster, New York (the "Town") under programs of the federal government for the year ended December 31, 2015. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town. The following notes were identified on the Schedule:

- (a) Includes all federal award programs of the Town of Lancaster, New York.
- (b) Source: Catalog of Federal Domestic Assistance.
- (c) Prepared under accounting principles generally accepted in the United States of America and includes all federal award programs.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

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Certified Public Accountants

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

Honorable Supervisor and Town Board  
Town of Lancaster, New York:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Lancaster, New York (the "Town") as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Town's basic financial statements, and have issued our report thereon dated May 17, 2016. We have also audited the financial statements of the Town of Lancaster Industrial Development Agency (the "Agency"). This report does not include the results of our testing of internal control over financial reporting and compliance and other matters of the Agency which are reported on separately in our report dated March 8, 2016.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002, that we consider to be significant deficiencies.

## **Compliance and Other Matters**

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

## **The Town's Response to Findings**

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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



May 17, 2016

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Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Honorable Supervisor and Town Board  
Town of Lancaster, New York:

**Report on Compliance for Each Major Federal Program**

We have audited the Town of Lancaster, New York's (the "Town") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") *Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended December 31, 2015. The Town's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

## Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



May 17, 2016

**TOWN OF LANCASTER, NEW YORK**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2015**

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**Part I. SUMMARY OF AUDITORS' RESULTS**

**Financial Statements:**

Type of report the auditor issued:		Unmodified
Internal control over financial reporting:		
Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	_____ <input checked="" type="checkbox"/> Yes	_____ None reported
Noncompliance material to the financial statements noted?	_____ Yes	_____ <input checked="" type="checkbox"/> No

**Federal Awards:**

Internal control over major programs:		
Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> None reported
Type of report the auditor issued on compliance for major programs:		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?		_____ <input checked="" type="checkbox"/> No

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between Type A and Type B programs?		\$ <u>750,000</u>
Auditee qualified as low-risk auditee?	_____ <input checked="" type="checkbox"/> Yes	_____ No

## **Part II. FINANCIAL STATEMENT FINDINGS SECTION**

*We consider the deficiencies presented below to be significant deficiencies in internal control.*

### **Finding 2015-001—Policies and Procedures**

*Criteria*—The Town should have a formal information security policy that addresses computer and financial software access, as well as a formal written backup policy and disaster recovery plan that address how the Town would function in the event of a disaster. Further, personnel with accounting responsibilities should not have administrator access to the financial accounting software, and the change management of user accounts should be maintained by an individual independent of the bookkeeping process. Finally, the Town should have a formal adopted journal entry policy which provides the applicable authorization for recurring journal entries at the beginning of the year and require individual authorization by an independent reviewer for nonrecurring journal entries.

*Condition and Context*—Similar to prior year, the Town does not have a formal information security policy that addresses computer and financial software access, as well as a backup policy or disaster recovery plan that details what would happen and how the Town would function in the event of a disaster. Additionally, personnel with accounting responsibilities have administrator access to the financial accounting software, and the change management of user accounts is maintained by an individual involved in the bookkeeping process while monitored by the Town's third-party IT administrators. It was also noted that the Town does not have a formalized journal entry policy. Although journal entries may be periodically reviewed through the general ledger by the Director of Administration and Finance at their discretion, there was no indication, through initials or signatures, of individual entries being reviewed prior to being posted.

*Cause*—The Town does not have formal written policies or procedures in place regarding information security, passwords, backups, disaster recovery, user access, and journal entry review and approval.

*Effect or Potential Effect*—The absence of a formal written information security policy prevents the Town from holding employees accountable in the event they use their computers for personal business or accessing inappropriate websites. In addition, not having a formal written policy regarding financial data increases the risk of misappropriation of this data. The Town does not have a formal written backup policy, and although backups are performed, if the employee who performs the backups were to become unavailable for an extended length of time, other employees would not have adequate guidelines available to perform such procedures. The current access to the financial accounting software by those personnel involved in bookkeeping functions exposes the Town to risk of fraudulent reporting and the potential for the misappropriation of assets. With regards to journal entries, the Town's reliance on the individual preparing the entry increases the opportunity for misappropriation of cash and risk of material misstatement within the accounting records.

*Recommendation*—We recommend that the Town create and implement formal written policies or procedures regarding information security, passwords, backups, disaster recovery, user access and journal entries to address the aforementioned deficiencies.

*View of Responsible Officials and Corrective Action Plan*—Management will evaluate the feasibility of formalizing its current informal policies. The Town also acknowledges the risk surrounding journal entries not being reviewed and intends to discuss the feasibility of implementing a journal entry review process.

## **Finding 2015-002—Senior Center Policies and Procedures**

*Criteria*—Policies and procedures developed by the Town should be consistently followed throughout all Town departments.

*Condition and Context*—During our audit of the Senior Center, we noted certain internal control deficiencies. There are no records of a review of cash receipts received, nor a reconciliation of the cash received from the class instructors to a log of the number of participants and the amount recorded in the Town's general ledger.

Additionally, it was noted that the Senior Center maintains an unauthorized petty cash fund to make miscellaneous purchases for Senior Center activities. The petty cash fund is funded through receipts from Senior Center trips and occasional parties organized by the center for their residents. Although this money is funded by the seniors and used for Senior Center activities, the Town should require the Senior Center to remit all revenue received and follow the Town's purchasing policy for all expenditures. This all-inclusive reporting would allow the Town to track the complete activity conducted at the Senior Center and provide more accurate financial reporting.

*Cause*—The current policies developed by the Town are not consistently followed across all the departments.

*Effect or Potential Effect*—The lack of records including a review and reconciliation of cash receipts from Senior Center activities increases the risk of misappropriation of cash. The instructor collecting the cash for the activity is responsible for the sign-in sheet and has the ability to control the amount of seniors signing in. In addition, financial statement misstatement is considered a significant risk, as certain revenue-generating activities and their related expenditures are not being reported to the Town.

*Recommendation*—We recommend that the Senior Center cash receipt listing for all activities be regularly reconciled to the Town's general ledger. We also suggest that the Town monitor the revenues and expenditures of the Senior Center on a regular basis and ensure that the purchasing policy requiring the use of vouchers is followed consistently. We also recommend that the Town consider a reserve account to assist in the tracking of additional receipts and spending currently being run through this unauthorized petty cash fund.

*View of Responsible Officials and Planned Corrective Action Plan*—Management acknowledges this to be an area of concern and will discuss potential solutions to address the business operations at the Senior Center.

## **Part III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION**

No findings noted.

**TOWN OF LANCASTER, NEW YORK**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended December 31, 2015**

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**Finding 2014-001—Information Technology (“IT”) Controls**

*Criteria*—The Town should have a formal information security policy that addresses computer and financial software access. Further, the Town should have a formal written backup policy and disaster recovery plan that address how the Town would function in the event of a disaster. Additionally, personnel with accounting responsibilities should not have administrator access to the financial accounting software, and the change management of user accounts should be maintained by an individual independent of the bookkeeping process. Finally, the Town should periodically perform an IT risk assessment to mitigate the Town’s risk to any information technology threats and address any existing deficiencies.

*Condition and Context*—Similar to prior year, the Town does not have a formal information security policy that addresses computer and financial software access. The Town does not have a formal written backup policy or disaster recovery plan that details what would happen and how the Town would function in the event of a disaster. Additionally, personnel with accounting responsibilities have administrator access to the financial accounting software and the change management of user accounts is maintained by an individual involved in the bookkeeping process. Finally, the Town does not perform a formal, periodic IT risk assessment.

*Cause*—The Town does not have formal written policies or procedures in place regarding information security, passwords, backups, disaster recovery, and formal IT risk assessments.

*Effect or Potential Effect*—The absence of a formal written information security policy prevents the Town from holding employees accountable should they use their computers for personal business or accessing inappropriate websites. In addition, not having a formal written policy regarding financial data increases the risk of misappropriation of this data. The Town does not have a formal written backup policy, and although backups are performed, if the employee who performs the backups were to become unavailable for an extended length of time, other employees would not have adequate guidelines available to perform such procedures. The current access to the financial accounting software by those personnel involved in bookkeeping functions exposes the Town to risk of fraudulent reporting and the potential for the misappropriation of assets. Finally, the absence of conducting formal IT risk assessments increases the Town’s exposure to risk from internal and external information technology threats.

*Recommendation*—The Town should create and implement formal written policies or procedures regarding information security, passwords, backups, disaster recovery, and conduct formal information technology risk assessments.

*View of Responsible Officials and Corrective Action Plan*—Management will evaluate the feasibility of formalizing its current informal policies. Also, the Town has already contracted with Technet, a third party service provider, to manage the Town’s IT system and perform a risk assessment.

*Current Status:* See Finding 2015-001 within the Schedule of Findings and Questioned Costs for updated finding.